

# **Religion and Managerial Decision Making: How the Oldest Company in the U.S. Survived for Over 300 Years through the Implementation of Quaker Principles in its Mission**

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In 1702, Joseph Rhoads established a tanning company, in Marple Township, Pennsylvania that would go through eight generations of family members and is still in operation today. The company, J.E. Rhoads & Sons, eventually transformed to a manufacturer of conveyor belts. How has such a small, relatively unknown company not only survive for over three hundred years, but actually thrive? Through the examination of the original corporate records, the corporate mission was found to be the cornerstone of the firm's longevity. Based on Quaker doctrine, this mission greatly influenced J. E. Rhoads & Sons' when making decisions regarding organizational structure, employees, competition, and markets. However, their mission also created challenges for the firm as they lost income due to their refusal to sell to any business that were a part of the alcohol, tobacco, or defense industries.

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For most family owned businesses, one of the most important goals of the owner is to stay in operation for as long as possible and then perhaps pass the company to the next generation. The likelihood of this happening, however, is not promising. From a contemporary perspective, only 15 percent of family businesses last beyond the second generation.<sup>1</sup>

One American organization, however, has overcome these odds and has survived for over 300 years. J. E. Rhoads & Sons was established in 1702 as leather tanner and then transitioned into a manufacturer of leather industrial belting. Throughout the years, the firm weathered through monarchical rule, a revolution, a civil war, the Great Depression, two world wars, the Cold War, many economic recessions, and numerous social and technological changes. Given the company's uncharacteristic longevity, the natural question is, how did they accomplish this industrial feat? By analyzing the original business documents, along with research conducted by family members, the importance of the company's mission, founded on Quaker principles, can be seen as a catalyst to the firm's longevity.

## **The Mission and its Longevity**

Past research has shown that family-run businesses have a greater likelihood of success if they pursue a lasting mission of substance (not a dollar-driven strategy) and create a nurturing and caring work

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<sup>1</sup> Robert Frank, "Family Business – How to Succeed," *Wall Street Journal*, June 14, 2008, B7.

environment. By doing so, employers, employees and consumers feel valued, resulting in increased productivity and sales. This ideology was established early in the history of J.E. Rhoads & Sons.<sup>2</sup>

When the firm was entering its more formal business phase in 1801, the company's Senior Partner, James Rhoads, kept a journal. In it, he described the business principles that would be the ethical foundation for the company in the generations that would follow.

My advice in my connections is to follow some businesses, not more than can be managed well; to follow such business as that their labor may be of use to themselves and mankind in general, and fix not their affection too much on earthly treasures. Observe punctually and justice in all of your dealings, and in selling your goods or property be careful not to over-rate or use many words praising the same; and in buying carefully avoid running down or undervaluing what you are about to buy. My desire is to suffer wrong than wrong any individual. It is safest to guard against using deception or a wrong means to gain a cause, and rather be contended with less than our due than use improper means even to gain a right.<sup>3</sup>

Although there is no record of James's statement in the formal company literature, the sentiment was not forgotten by the family. Over one hundred years later, in 1933, Richard Rhoads asked the company's Senior Partner, Joseph Rhoads to explain his business philosophy. His reply mirrored James's entry, with an emphasis on "observing punctuality and justice."<sup>4</sup> This philosophy of being honest in business dealings and not pushing profit maximization to the point of affecting harm towards others—principles born of the Quaker faith--continued with the company well into the 1970s. Chairman J. Edgar Rhoads believed that

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<sup>2</sup> Denny Miller and Isabelle Le Breton-Miller, "Lessons from family firms about managing for the long run," *Leader to Leader* 39 (Winter 2006), 13-17.

<sup>3</sup> Houston, "History of J. E. Rhoads & Sons."

the profit incentive of many businesses harmed others, and contested, “Character is important in business as in churches.”<sup>5</sup>

### **Impact on the Organizational Structure**

One of the most identifiable problems for a family-run business is that stress on both the business and the family relationships can threaten the health of the establishment. Conflicting job responsibilities and inconsistent salary levels can become pivotal stress inducers leading to prolonged disagreements and mistrust. However, by clearly identifying when “labor may be of use” within specific job responsibilities and using a sense of fairness and “justice” in salary determination, stress and its manifested disagreements rarely materialized in the company.

Through the many generations of Rhoads ownership, the job responsibilities of the principals were clearly delineated, mitigating any disputes over interpretation. Even in 1887, when the company had little formal corporate structure, each family member had a definable role in the areas of marketing, research, accounting, distribution, and retail to name a few.<sup>6</sup>

In 1959, the roles of the principals began to change, however, the transparency of employee responsibilities was maintained. By mutual agreement, two of the principals withdrew from the partnership and from active participation in the firm and five non-family members held executive positions for the first time. Despite these significant personnel changes, the clarity of the partnership agreement, accession policies and work responsibility enabled a smooth transition.<sup>7</sup>

While salaries differed among the partners, there is no evidence of resulting conflict and tension as a sense of fairness was maintained. As with work responsibilities, salary determination was by mutual agreement based on the ability of the individual and his worth to the management of the organization. All

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<sup>5</sup> Associated Press, *The Spokesman Review*, 10.

<sup>6</sup> Found on the front of a blotter used by the company, J. E. Rhoads Papers, HML, Accession 290, Box 222.

<sup>7</sup> Letter by J. Edgar to all employees, 28 October 1959. J. E. Rhoads Papers, HML, Accession 1156, Box 212.

the partners reviewed the salary agreements annually and made adjustments accordingly. Generally, salaries were determined by the formula of one-half on the base salary (determined by contribution to the company), and one-half according to the partner's capital investment.<sup>8</sup>

In 1952, Richard Rhoads stated the company prioritized, over the years, sound business practices that secured the organization's future over personal financial gain. Thus, the mission of not focusing "too much on earthly treasures" remained intact over the generations of ownership and senior partners were committed to the training of junior member and of passing on the values of integrity and responsibility.<sup>9</sup>



**FIGURE 1:** J.E. Rhoads & Sons belting factory in Wilmington, Delaware. Photograph used with the permission of the Hagley Museum and Library.

### **Impact on Employees**

Based on the company's mission, the partners were supportive of their employees by showing them "justice" and by not "wronging" them. In 1923, the company was one of the first in the industry to offer

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<sup>8</sup> Grant H. Calder, "J. E. Rhoads and Sons."

<sup>9</sup> Ibid.

health insurance programs for both employees and their families. Even in the depths of the Great Depression, J. E. Rhoads & Sons continued the shared premium program. Further, during the Great Depression, the company sought ways to improve their employees' outlook on life. The firm produced a newspaper called *Pick-ups from Rhoads*. The articles focused on poems and inspirational messages with titles such as "Don't Despair," "Things that Make Us Smile," and "Life Made Sweet."<sup>10</sup>

Indeed, the compassion and fairness created by the company produced an environment where employees bonded. Employee A.H. Wilkins, reminiscing about working in the firm in the 1920s, said, "In those days employees did not seem to be in a hurry to get out on closing time and it was common practice to stay most every night five or ten minutes to finish up work for the day. Sometimes when others had departed we would push the desks back and have a dance."<sup>11</sup>

Evidence that employees appreciated the support from the company was apparent in the minimal labor turnover from the 1920s to the 1960s. Those who did leave were most often the newly employed or those hired for the season.<sup>12</sup>

### **Impact on Competition**

The philosophy that guided J. E. Rhoads & Sons' dealings with their workforce was extended to their competitors as the partners would not use a "wrong means to gain a cause." Specifically, they refused to use negative advertising or disparage competitors to clients. In one instance, a J. E. Rhoads & Sons salesperson discovered that a competitor sold leather belts that had been soaked in an ointment to increase their density, thus charging more for a heavier product. John Rhoads, the Senior Partner, refused to judge

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<sup>10</sup> "Pick Ups," J. E. Rhoads Papers, HML, Accession 1156, Box 106.

<sup>11</sup> Charlotte Zimmerman, "Notes taken from an old timers meeting December 17, 1951," J.E. Rhoads Papers, HML, Accession 1156, Box 148.

<sup>12</sup> Associated Press, *The Spokesman Review*, 10.

his competitor; rather, he suggested that oversight during the manufacturing process was responsible. Though his reasoning amazed the salesperson, John refused to accuse his competitor of dishonesty.<sup>13</sup>

In order to be effective against the competition while “guarding against deception,” the company compared their products to others in stress tests. For example in 1931, with a machine designed by the company, Rhoads bent over one million times samples of their Tannate leather (their most successful product), and the competitor’s oak leather and rubber. Tannate lost about 7% of its strength, oak about 20%, and the rubber broke before a million bends. The firm’s sales representatives used all of these results as evidence to convince customers of the superior quality their products. Because the information was factual, the salespeople were not “over-rating” their products when trying to make sale.<sup>14</sup>

The product testing in the 1950s grew substantially and included the creation of both chemistry and physics laboratories. These were equipped to investigate the characteristics of the firm’s and competitor’s leather under various simulated service conditions. Records show that over 200 tests were performed between 1950 and 1953 in the company’s labs, including testing on belts, cement, corrosion, grease, hides, lactic acid, leather, oak bark, oils and rubber. Again, the sales representatives used this information to enforce the superior quality of Rhoads’ belting.<sup>15</sup>

### **Impact on Customers**

By the same token, the firm applied its mission of “suffering a wrong than wrong any individual”, as, in 1912, J. E. Rhoads & Sons was the first belting company to offer a comprehensive service guarantee. The written policy stated, “If our belting does not prove more economical than other makes than ours which you have used, considering increases production, durability and freedom from stretch and slippage,

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<sup>13</sup> John B. Rhoads, “Recollections of John B. Rhoads” J. E. Rhoads Papers, HML, Accession 290, Box 239.

<sup>14</sup> Richard Rhoads, “Report on a Leather Belting Concern,” J. E. Rhoads Papers, HML, Accession 290, Box 240.

<sup>15</sup> “Chemical Lab Reports of J. E. Rhoads,” J. E. Rhoads Papers, HML, Accession 290, Box 247.

we will upon its return make a refund for whatever part of the original charge you claim is a fair adjustment.”<sup>16</sup>

Further, the company believed that it was acceptable to lose customers rather than compromise its values (or “be contended with less...than use improper means...”). As Quakers, the partners would not sell to the military or those businesses procuring for it. In the late 1930s, William E. Rhoads wrote a memo to all salespeople that made clear the firm’s position on selling to the military. “Where we know that customers whom we have been selling are running exclusively on war material, please do not solicit trade from them while they have these contracts; and where we know that people are running on war material almost exclusively who are not our customers, do not solicit from them during the continuance of the European War.”<sup>17</sup>

In 1942, after the country had entered the Second World War, J. E. Rhoads & Sons appeared in the news in connection with its pacifist stand when it asked to be “excused” from quoting a price on some leather belt cement used by the War Department. Other Quaker firms had declined to change their plant operations to support war orders, but this was the first case known to the newspapers of a company declining to sell stock items. In a letter to the firm handling military orders, the company explained that their policy had “aimed to support work which it considers of a constructive nature, and to avoid business of a kind it believes harmful to others.”<sup>18</sup>

As the conflict in Europe increased, it became increasingly difficult for the management to determine who was indirectly working for the military and who was not. Consequently, William E. Rhoads sent the following to the sales force: “When the type of business concern whose orders have been accepted shifts to where you believe it is over 50% directly military, and also new customers whose business you believe

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<sup>16</sup> Sales Book for J. E. Rhoads & Sons, J.E. Rhoads Papers, HML, Accession 290, Box 166.

<sup>17</sup> Memorandum by William E. Rhoads, May 5, 1937, J. E. Rhoads Papers, HML, Accession 290, Box 157.

<sup>18</sup> Houston, “History of J. E. Rhoads & Sons.”

is over 50% directly military, do not call or solicit from them, and if an unsolicited inquiry or order is received, explain briefly the firm's policy and to ask to be excused from quoting or filling orders."<sup>19</sup>

The Quaker ethics grounding these policies influenced the company's stand on business connected with alcohol as well, although some accommodation was made to the tobacco industry. Initially, in 1931, William Rhoads clearly stated that the company's policy was not to sell to any tobacco manufacturers. However, his brother George stated in a response memo that, in fact, they had conducted sales to tobacco firms, and that some Quakers used cigars. George stated, "I do not see that as a rule they (tobacco) seem to hinder people much more than coffee, if as much, and I suspect that cigarettes are a good deal the same way at present where they are used only by adults and not to excess." Sometime later, the policy was revised to allow sales to tobacco firms if they, and not Rhoads' salespeople, solicited the trade.<sup>20</sup>

## **Conclusion**

The story of J. E. Rhoads & Sons is remarkable. To sustain eight generations of family members and survive for over 300 years is unprecedented in U.S. business history. This article demonstrated the influence the mission had on some of the internal and external elements of the company. Although there may be a variety of other reasons why the company survived, its mission, founded in the Quaker doctrine of fairness and respect, was certainly influential.

John McGough, Senior Partner of J.E. Rhoads & Sons in 1985, best summarized the importance of the firm's Quaker based mission:

I think the reason we survived all of those years was that these people were extremely respectful Quakers. They were almost constitutionally incapable of at least verbalizing backbiting. If it hadn't been for the Quaker ethic, the company would have been lost in pettiness like most

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<sup>19</sup> Memorandum by William E. Rhoads, April 22, 1936, J. E. Rhoads Papers, HML, Accession 290, Box 157.

<sup>20</sup> Memorandum by George Rhoads, December 12, 1934, J. E. Rhoads Papers, HML, Accession 1156, Box 230.

companies. As prudent Quakers, they never took a lot of money out of the business. Maybe we are too gentle to be in among the wolves, but we have survived among the wolves for 283 years.<sup>21</sup>

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<sup>21</sup> Kathryn Canavan, "Family-owned Business Stands the Test of Time," *Wilmington News Journal*, Aug. 5, 1985, C6.