# A LESSON IN LONGEVITY: HOW J. E. RHOADS SURVIVED FOR OVER 300 YEARS TO BECOME ONE OF THE OLDEST MANUFACTURERS IN AMERICA

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or most small family businesses, one of the owner's most important goals is to stay in operation for as long as possible and then perhaps pass the company on to the next generation. The likelihood of this happening, however, is not promising. From a contemporary perspective, two-thirds of new employer firms survive at least two years, but only about half make it to four years.<sup>1</sup> Further, only 15 percent of family businesses last beyond the second generation.<sup>2</sup>

One American organization, however, has overcome these odds and has survived for over 300 years. Further, for 291 of those years, one family ran the organization. Established in 1702, J. E. Rhoads & Sons weathered colonial 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 it accomplish this industrial feat?

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Analyzing the original business documents, along with studying research conducted by family members, reveals definitive business trends during four business time periods. Although these trends comprise wide-ranging areas of business, they were all significantly influenced by the family's Quaker faith.

# The Colonial Period

In 1684 Joseph Rhoads, a Quaker, arrived in the newly established colony of Pennsylvania with his father, John, three brothers, and two sisters. John died in 1701 and left land in Marple Township, Pennsylvania, to Joseph. On this land in 1702 Joseph founded a company that tanned hides for buggy whips, shoes, saddles, and aprons. Like most in this trade, the Rhoads family conducted tanning on their property during the off-seasons when they were not farming.<sup>3</sup> It was this business, at the time formally named the Rhoads Company, which would pass through eight generations of Rhoads family ownership to become one of the oldest existing manufacturers in the United States.<sup>4</sup>

The colony of Pennsylvania was an excellent area in which to conduct a tanning business during this period. William Penn's account of the *Province of Pennsylvania*—1681 listed hides among the "Commodities that the Country is thought capable of" and tanners "among the several representatives of the Laborious Handicrafts" most fitted for life in the new province. Two years later, in a letter to the Free Society of Traders, Penn described a tannery at Frankford, eighteen miles from Marple Township, so plentifully supplied with the natural materials to tan leather "that only God's blessing was required to assure its Reputation and Profit."<sup>5</sup>

During the colonial period, tanning was composed of a variety of steps. The process began with cutting the hides into manageable pieces, followed by soaking them in water for softening. Next, the hides were stacked for decomposing so the hair, fat, and tissue easily scraped off. Hides were then washed with gelatin and tannic acid (derived from oak bark) and soaked in the same solution in a tanning vat or pool. This process assured that the leather was soft, durable, and waterproof.<sup>6</sup> A large stream on the Rhoads family property furnished water for the home and from this a diverted stream ran close to the tanning mill. Joseph gathered oak bark from the surrounding woods, and a large stone ground it in the mill to produce tannic acid.<sup>7</sup>

While these methods may seem archaic, the tanning operation incorporated science-based practices to determine appropriate types and amounts of leather and bark. Scientific principles were gaining acceptance in the Quaker community, as they valued the direct experience of science over religious authority and tradition. Further, as science prioritized active "doing" over "reading about," rational ways of completing activities mirrored Quaker anti-intellectualism. Thus, tanning would have been a satisfactory trade for Joseph in the eyes of those Friends who attended the local meetinghouse.<sup>8</sup>

Being supported by a religious community was a welcome benefit in the hardscrabble world of colonial business. Entrepreneurship at this time required a great deal of ingenuity and flexibility and the goal was not necessarily to prosper, but to survive. Joseph certainly recognized this by continuing his farming and using bartering for his services, but his diversification was relatively simple. Philadelphia printers, for example, often branched out to other trades in order to survive in the printing business, some working in over ten different trades simultaneously.<sup>9</sup>

Entries from a 1726 account book show that Joseph regularly had about fifty customers. Some hired him to tan their hides, and he also produced tanned leather to sell to local families and small manufacturers of leather products. The villagers in Marple created enough demand to make the business a success, as accounts show a stable income of pounds, shillings, and pence. Additionally, Joseph was able to barter for sheepskin, calfskin, horses, oats, potatoes, and bark. According to his ledger, he employed an apprentice and three others during the tanning season.<sup>10</sup>

The modest success of the business came into question when Joseph Rhoads passed away in 1732. Although the family had eight children, apparently none was interested in the business. Joseph's wife, Abigail, with the help of her youngest son, James, subsequently ran the tannery for eleven years. It was not uncommon for wives to assist in the operation of their spouses' businesses, and with their acquired experience many would run mills, plantations, tan yards, taverns, and boarding houses upon the death of their spouse.<sup>11</sup>

Abigail and James were successful in marketing to a diversified customer base, as evidenced in several entries from a 1733 Rhoads account book. Customers included the volunteer fire department, which purchased leather for hose and buckets. The company also supplied bellows leather for an iron works located on the Schuylkill River not far from the Marple tannery.<sup>12</sup> Contributing to Abigail and James's success would have been other Quakers,



**FIGURE 1:** Original homestead of Joseph Rhoads in Marple Township, Pennsylvania. *Source*: Photograph used with the permission of the Hagley Museum and Library.

as the contacts through the meetinghouse system would have provided necessary personal credit, customers from the extended Quaker family, or advice from other Quaker businessmen.<sup>13</sup>

Nine years after Joseph Rhoads's death, in 1743, his estate was settled and his son James received sixty-five acres of land, including the buildings and tannery. James continued to run the business successfully, purchasing an additional 200 acres in Marple and expanding operations. The community regarded James as a fair and honest merchant and he displayed this in his written ethical mission statement for conducting business. Family members who ran the business in subsequent generations would follow this mission and use it for guidance during difficult situations:

My advice in my connections is to follow some business, not more than can be managed well and supported through hard work; 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. Don't show a disposition to try and gain points, or have things settled to their advantage without being fully convinced. Observe punctuality, compassion, 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.<sup>14</sup>

With a small but stable customer base and a credible company mission, Joseph Rhoads II took control of the operation from his father, James, in 1778, and ran it until 1809. Succeeding generations of family members noted that Joseph demonstrated his Quaker pacifism by refusing to participate in activities associated with the American Revolution—including the selling of hides for the war effort. Considering the location of the business, there would have been a great deal of pressure to sell to the military. The Battle of Brandywine and the Paoli massacre occurred not far from the homestead, and the route that led to both Chadds Ford and Valley Forge was nearby. Despite Joseph's nonparticipation, it is unlikely that the homestead did not escape the loss of horses, cattle, and hides during this period.<sup>15</sup>

Joseph's antiwar legacy was evidenced in succeeding generations of Rhoadses, who refused to sell "directly" to the military. One of the most significant factors that set this organization apart from other business practices was an ethic informed by the belief that war destroyed the inner light of Christ-like perfection in individuals. As well, the Rhoads family believed that this pacifist approach enhanced their mission to engage in labor "of use to . . . mankind."<sup>16</sup>

Ownership was once again transferred in 1809, when Joseph III and George took over for their father. The fifty-two years that they ran the business were both times of tremendous growth and burgeoning competition in the tanning industry. Pennsylvania travelers remarked that roadside tanneries seemed more common than country taverns. By 1840 there were 5,226 people employed in tanning, making it one of the largest industries in the state.<sup>17</sup>

George and Joseph contributed to this growing industry by tanning calfskins and heavier leather for shoes and harnesses. Their calfskins were highly regarded in the area because the bark they used and the way they worked the leather resulted in a lighter-weight product than the competition. As leather prices were determined by weight, this might have adversely affected profits, but, selling no fewer than twelve hides weekly to local farmers in the summer and fall, the brothers generated enough sales volume to overcome the weight liability.<sup>18</sup>

The firm's Quaker values were again challenged in 1813 when James and Joseph learned they were to be arrested for refusing to serve in the army and

for not supplying leather necessary for the War of 1812. The two maintained their position and turned themselves in to the Chester County jail. Once citizens of the county heard of their imprisonment, they demanded their release and after a few weeks in jail the county judge set the brothers free.<sup>19</sup>

### The Industrial Growth Period

The growth in business that accompanied American industrialization starting in the 1840s was a boon to the business. Besides local sales, the brothers used two Philadelphia commission houses, Howell's and J. S. Wood, who resold their products to mills in Philadelphia and the surrounding area. Although the Rhoads tannery infrastructure could meet this increase in demand, the challenge was getting enough hides to sell. Thus, for a commission, Joseph strategically arranged for the keeper of the tollhouse at Gray's Ferry in Philadelphia to buy hides from people who crossed the Schuylkill River on their way to market.<sup>20</sup>

Securing adequate supplies of raw materials to meet increased demand plagued other industries as well. Homebuilders in Philadelphia, dependent upon location of raw materials, the weather, and supplier knowledge, also found it difficult. Many homebuilders in 1835 Philadelphia saw choice lumber disappear quickly, and scarcity and regional competition caused a search for the lumber in other areas further away from the city.<sup>21</sup>

Able to maintain necessary supplies of leather, Joseph and George turned their attention to the firm's longevity. In 1859 the company officially adopted the name J. E. Rhoads & Sons, and two years later Joseph's son, Jonathan, acquired control of the business. The Civil War increased the sales of the firm, but not because it produced military goods. As they had done in previous conflicts, they refused to sell to the military; instead, they focused on the civilian demand, increasing sales to local farmers and business to no fewer than twenty-five hides a week.<sup>22</sup>

The firm's commitment to pacifist values did not come without a cost as leather was the second most-used product of the Union army.<sup>23</sup> Specifically, leather demand was high for Union soldiers' shoes, cartridge boxes, powder caps, saddles, and shoulder and waist belts.<sup>24</sup> Rhoads's competitors who did take advantage of military sales included Thomas McComb, a future partner of Jonathan who worked in Wilmington, Delaware. In 1862 alone McComb sold over \$250,000 worth of pantaloons, tents, haversacks, belting, and boots

to the Union army. In the same year, C. & J. Pyle Company of Wilmington, Delaware, acquired government contracts for 125,000 linings for knapsacks, 100,000 overcoat straps, and 3,792 leatherneck stocks.<sup>25</sup>

Unlike his father's experience in the War of 1812, Jonathan did not have to deal with significant negative opinion about his religious and business positions relative to the war. Compared to the South, greater labor resources and more tolerant attitudes in Pennsylvania eased the pressure on Northern Quakers. The Draft Act of 1863 made a provision for conscientious objectors, and in December 1863 Secretary of War Edwin M. Stanton ordered that military service could no longer be required of conscientious objectors.<sup>26</sup>

The aftereffects of the Civil War created a significant consequence, albeit delayed, for the company. In 1867 Jonathan considered giving up the tannery, as demand for leather plummeted in the Marple area a few years after the war. Small hand-operated tan yards like Rhoads could not maintain the large client base enjoyed by bigger tanneries located in urban areas. Still interested in working in the leather industry, Jonathan followed a lead given to him by his brother James to purchase the Downing & Price tannery in Wilmington, Delaware. The seat of numerous manufacturing firms and established distribution channels connecting with Philadelphia businesses, Wilmington was an excellent location for a tannery. Further, Jonathan knew the Wilmington leather market well, as he had sold many of his finished hides in northern Delaware.<sup>27</sup>

Jonathan purchased Downing & Price in early 1868. In order to have enough capital to acquire the company and purchase needed materials, he had to borrow \$11,000 from his father-in-law and \$5,000 from the Wilmington Savings Fund Society. Like any reputable Quaker businessman, Jonathan disliked borrowing money and increasing his debt, but he had little choice. This was the start of financial dilemmas that would plague the firm over the next thirty years.<sup>28</sup>

Jonathan believed he could repay his newly acquired business debt more quickly if he focused on the retail side of the leather industry, so he quit the tanning business and devoted his entire time to the manufacture and sale of specialized leather goods for industrial belting, harnesses, and shoes. Although Jonathan sold to manufacturers in Wilmington, the bulk of his business came from Philadelphia.<sup>29</sup>

Having a merchant hierarchy and a variety of business, Philadelphia was an ideal city in which to establish a customer base. As early as the 1750s, the city was a highly mobile society of merchants, scientists, doctors, reformers,

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FIGURE 2: J. E. Rhoads & Sons belting factory in Wilmington, Delaware. Source: Photograph used with the permission of the Hagley Museum and Library.

artists, and craftsman drawn from all parts of the world. A hundred years later, it was the hub of wholesale import firms, the coal and iron industry, and medical and chemical companies. Compared to Boston, Philadelphia citizens had little time for reading and writing as commerce was the focus of their lives.<sup>30</sup>

Despite its promising commercial profile, Philadelphia in the 1800s lacked industries that employed large numbers of unskilled workers. Instead, skilled and semi-skilled workers preserved their trades in various small businesses—including an ever-growing textile and garment industry. Jonathan Rhoads saw the opportunity to market his products to these small firms as his client list included a variety of textile mills and shoe manufacturers.<sup>31</sup>

Jonathan also looked beyond Philadelphia to Delaware, a smaller but promising market in industrial belting. In 1870 Delaware manufacturing firms used 365 boilers to power 254 engines. Of these manufacturing establishments, six were for agricultural tools, ten for cotton goods, eighty-one for flour, seven for iron and steel, eighty-six for lumber, and four for paper. As it had in Philadelphia, the Wilmington client list for Rhoads included an array of textile mills.<sup>32</sup>

### The Entrepreneurial Period

Even with the promise of new markets, the Rhoads firm was headed for financial trouble. However, due to the economic prosperity immediately after the Civil War, the firm was able to repay the initial debts associated with its earlier acquisition of Dowling & Price, but that prosperity was short-lived. Total sales for Rhoads in 1874–79 averaged \$32,327 compared to 1870–73 when sales averaged \$61,538.<sup>33</sup>

In order to counter these financial hardships, Jonathan established a partnership with Thomas McComb in 1880, a notable leather retailer in Philadelphia. Overlooking the fact that McComb had supplied the Union in the Civil War, Jonathan focused on his own need for a financial partner who might teach him the retail side of the business. Within five years Jonathan had gained the skills necessary to produce specialized leather goods for industrial belting, harnesses, and shoes, and he was good enough, after his partnership with McComb ended, to compete effectively against his mentor.<sup>34</sup>

Nevertheless, by 1887 the firm was once again troubled by cash-flow problems. Jonathan Rhoads wrote a letter to his uncle explaining that business had increased significantly in Philadelphia, but the accounts receivable were slow in coming into the firm, leaving them short on operating cash. The company's good credit allowed it to borrow small amounts, but Jonathan was averse to building significant debt: "I dread being dependent on bank accommodations, as stringency in the money market may, at any time, cause a refusal to renew to the full extent and consequent embarrassment at the time money is hardest to get." Jonathan successfully acquired \$10,000 from relatives, money he paid back within three years.<sup>35</sup>

This aversion to debt was a part of his Quaker culture. While Quakers did borrow from banks, many turned instead to relatives and meetinghouse contacts. Believing that their community members "walked in truth," Quakers were confident when lending and borrowing. This was no better illustrated than in 1821 when the Stockton & Darlington Railway in England was almost entirely financed through the Society of Friends who had Quakers on the company board and in the management. Eventually, two-thirds of the railway stock was owned by Quakers who used their well-organized communication networks to promote the business. Stockton & Darlington became the longest railway in England at that time.<sup>36</sup>

With financial support in place, the Rhoads firm once again passed leadership to the next generation, and, in 1887 Jonathan's sons John, William, and George became partners. With John as president, they initiated expanded manufacturing and retail operations. Between 1888 and 1906, the firm capitalized on a manufacturing boom and opened stores in Philadelphia, New York, and Chicago, specializing in made-to-order industrial belting. In 1893 the company headquarters moved to Philadelphia, while the belting factory and equipment remained in Wilmington.<sup>37</sup>

As there were now four partners in the firm, it was important that each had a definable job responsibility to reduce redundancy of work and to avoid conflicts. Although no longer the president, Jonathan informally oversaw the entire business and helped wherever needed, but the majority of his time was spent in traveling to Hawaii, Japan, China, Austria, and New Zealand, donating his time to various social and religious causes. John handled correspondences, the sending of statements and bills, collecting accounts receivable, buying supplies, waiting on the store, and completing memos for orders. William was responsible for research and placing orders. George managed the cutting of belt leather and the firm's promotional efforts.<sup>38</sup>

Even as it moved into a more formal business phase, the business retained the ethics of the mission articulated by James Rhoads almost one hundred years before. Although they realized they were in a competitive market, the owners did not exhibit a "disposition to gain points." Salespeople received consistent training to act professionally toward their competitors and to avoid speaking ill of them to clients. When, in the early 1900s, a J. E. Rhoads & Sons salesperson discovered that a competitor soaked leather belts in an ointment to increase density (and thus profit), John Rhoads refused to judge his competitor. Rather, he suggested that lack of oversight during the manufacturing process was likely responsible. Though his reasoning amazed the salesperson, John refused to accuse his competitor of dishonesty.<sup>39</sup>

This was not to say that the Rhoadses had no competitive instinct. The company focused its competitive drive internally through product improvements within its research department. In the late 1870s George Rhoads conducted quality control tests indicating the relative cost and weight of belting under different conditions of manufacturing. He also compared the stress levels of leather products produced by other firms, and looked for ways to create better cements (adhesives) for connecting the belts.<sup>40</sup>

# The Modern Production Period

With competition increasing to serve the growing number of manufacturers, the company needed to establish a more competitive advantage that went beyond quality control tests with its leather belting. In the early 1880s the company began developing its most popular leather product, Tannate Round. This leather, based on a German tanning technique, provided greater longevity and flexibility than other products on the market. As described by Richard Rhoads, Tannate was lighter in color than other leathers, ranging from a light brown to yellow. It also was more pliable, gripped very well, and had a softer feel than the oak tanned belts. While the use of mineral ingredients in Tannate production was well known, details about the specifics of its manufacturing process was a trade secret. Tannate was a more expensive product than traditional leather, but it became a competitive alternative because of its ability to run at a lower tension, thus saving bearings and belts.<sup>41</sup>

Trademarked, Tannate was applied to all types of J. E. Rhoads & Sons products, including lace leather, flat belting leather, strapping leather, and packing leather. By 1906 Tannate-based products produced the greatest amount of income for the firm and continued to do so for the next six decades.<sup>42</sup> In order to produce consistent quantities of Tannate Round, in 1905 the company returned to the tanning business by using a small location in Wilmington.<sup>43</sup>

Due in part to Tannate Round and the work of the research department, the company started to gain a reputation for producing high-quality belts. In 1900 Rhoads belts received the highest award for quality and finish from the Franklin Institute at its National Export Exposition.<sup>44</sup> Customers also appreciated the quality of Tannate, as evidenced by a 1910 letter from John Gaumer, president of Wilmington Lighting Fixtures. He wrote that a Tannate belt purchased from Rhoads three years earlier was still running perfectly. It showed no sign of slippage from the pulley when extra duty was required. This was remarkable, noted Gaumer, considering the belt operated an exhaust blower, which required 3,300 revolutions per minute over a six-inch pulley. "Although higher priced," said Gaumer, "the Tannate belt provides the best return on investment for my company."<sup>45</sup>

Even with the success of their new product, J. E. Rhoads & Sons remained small; including the principals, the firm had no more than thirty employees in 1910, and a few of these were part-time workers. While the wisdom of maintaining a small size was questionable during the boom of the second

Industrial Revolution in the late nineteenth and early twentieth centuries, the strategy served the firm well as the economy moved toward the Great Depression.<sup>46</sup>

Coincidently, this size strategy was also the same as the one employed by the Philadelphia textile manufactures. While the large mills in Lowell, Massachusetts, produced the bulk of the nation's textiles, the Philadelphia mills, like J. E. Rhoads & Sons, were small and focused on specific targets. Further, like Rhoads, they had better corporate organization, were family owned, and could change their markets quickly. All of these variables made the Philadelphia mills successful for the longer term. While the Lowell mills were out of business by the end of World War II, Philadelphia mills still employed 40,000 workers.<sup>47</sup>

George became the principal owner when John passed away in 1911, and he managed the company during a high growth period for the leather industry. As before, the company did not participate in military trade during World War I, but they employed their Civil War strategy by filling the domestic gap left by other firms. Because their entrance as a significant belting manufacturer was relatively recent, the Navy Department first learned of their Quaker stance when Rhoads did not respond to their call for bids on belting. Further, Rhoads extended their reluctance to assist in the war to companies that produced goods for military use. When Driggs Seabury Company, a firm that manufactured machine guns, approached Rhoads for their belting needs, George respectfully told them to look elsewhere.<sup>48</sup> The loss of business for not selling leather belting to the military was significant as a Rhoads sales manager conservatively estimated that the company could have secured another \$250,000.<sup>49</sup>

When the war ended, the cotton industry shifted southward in search of cheap labor, and this created new demands for leather conveyor belts.<sup>50</sup> Seizing the opportunity, Rhoads opened a retail store in Atlanta in 1923. In the first year, the store supplied more than twenty companies that required belting for machinery that converted cotton into fabric.<sup>51</sup>

With a more secure economic base, Rhoads could engage more ambitiously in its ethical mission of providing "justice" and "compassion." In 1912 J. E. Rhoads & Sons was the first belting company to offer a comprehensive service guarantee to customers. 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, we will upon its return make a refund for whatever part of the original charge you claim is a fair adjustment."<sup>52</sup> As well, in 1923 they were one of the first in the industry to offer 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.<sup>53</sup>

Not surprisingly, employees seemed to appreciate the opportunity to work at Rhoads. Labor turnover was minimal from the 1920s to the 1950s. Those who did leave were most often the newly employed or seasonal hires. Consequently, employees had more opportunities to get to know one another, and many bonds were formed among workers. 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>54</sup>

Along with a desire to demonstrate Quaker values, Rhoads continued to be committed to research, which began to gain recognition as the company acquired patents through the U.S. Patent Office. In 1899 George secured a patent for a leather stretching machine; in 1901 a leather stuffing machine was patented. In 1912 Joseph Rhoads patented a power transmission belt; a method of manufacturing laminated structures was patented in 1915.<sup>55</sup>

The attention to research contributed to the development of larger and better-quality belting. In 1921 a paper mill purchased a Rhoads belt measuring 76 inches by 100 feet, which operated at a speed of nearly one mile a minute. Transmitting 2,500 horsepower, the belt ran successfully for a decade. Even after the paper mill discontinued the drive in the 1940s, the original belt, still in excellent condition, was sold to a logging company and was still running in the 1950s.<sup>56</sup>

The confidence and goodwill that marked the company was significantly tested with the advent of the Great Depression. With a history of quick response to past financial challenges, Rhoads was not prepared for the nation's most severe financial crisis. Company managers inaccurately assessed the slump, believing the economy would bounce back quickly. Determining that curtailed production would incur costly resumption expense, and delay operations five to seven months while hides were turned into belts, they decided not to engage in large layoffs—a decision informed by an inaccurate forecast of the economic climate.<sup>57</sup>

Their decision was regrettable, as the Depression's effect on the leather industry was significant. In 1929 the leather industry shipped 36,000 pounds.

Two years later, shipments dropped to 15,000 pounds. The market bottomed out early in 1932, with only 8,000 pounds shipped, despite a year-end upturn of 3,000 pounds.<sup>58</sup> William's son, Richard Rhoads, noted that in 1932 many plants postponed belting purchases until the last minute in order to put off the expenditure as long as possible. This tactic, combined with customer demands for cheaper belting, caused Rhoads to suffer significant financial impact.<sup>59</sup>

To meet the demand of cheaper product, many belting manufactures began substituting less-expensive rubber for leather. Rhoads's management gave rubber belting to its research department to determine if the company should institute it as a product offering. While rubber belts had optimal grip, research found that they did not perform as well as leather over time. Further, rubber belts had to run very tightly and slipped easily with overloads. In a comparative test, Rhoads bent over one million times samples of Tannate, oak leather, and rubber, with a machine designed by the company. Tannate lost about 7 percent of its strength, oak about 20 percent, and the rubber broke before a million bends. The firm's sales representatives used all of these results as evidence to try to convince customers that their products had superior quality, albeit at a higher price.<sup>60</sup>

Despite this evidence, the rejection of leather by some consumers made the company conclude that pure leather belting material was starting to become obsolete. Accordingly, J. E. Rhoads & Sons slowly began to shift away from leather in the late 1930s, and by the 1950s they were manufacturing belts that had a combination of leather and nylon. By 1976 85 percent of their business involved a combination of leather, rubber, plastic, and nylon products; leather products with no combination of other materials constituted only 15 percent of their sales.<sup>61</sup>

Recognizing that their initial assessment of the Great Depression was wrong, J. E. Rhoads & Sons began to aggressively address new financial realities by diversifying markets and products. Unknowingly, the firm was using a strategy that was the major reason why Philadelphia was able to survive the Depression better than other cities. A city with a varied industry base (chemicals, steel, leather goods, textiles), Philadelphia was not as hard-hit with unemployment as one-industry cities such as Detroit and Pittsburgh.<sup>62</sup>

Diversification drove Rhoads to produce new products, for new customers. Moving from a heavy reliance on belt manufacturing, they began to produce leather packings and washers for use on hydraulic and pneumatic equipment. They used calf leather to produce white Tannate for the sporting goods

industry, fashioning covers for basketballs and footballs. Improving an old product, they created a round belt with three times the life of predecessors. While these were all successes, one product was not, as between 1933 and 1939 the company manufactured and sold flowerpots. This venture represented too much of a departure from the firm's core business and amounted to \$250,000 in losses.<sup>63</sup>

Quaker sensitivities turned the company's concern from their own economic woes to those of their employees, friends, and families. Operating from their corporate mission that "there is more to business than profit," the company looked for ways to improve their employees' outlook on life. This included morning prayer sessions and the production of a company newspaper, *Pick-ups from Rhoads*. Filled with poems and inspirational messages ("Don't Despair," "Things That Make Us Smile," "Life Made Sweet"), the paper attempted to turn workers' thoughts to the positive.<sup>64</sup>

As the Depression continued, the company more sharply defined its organizational structure and focused on the future. J. Edgar, a nephew of George and William Rhoads, took over as principal owner of the company in 1937, and over the next few years the family involvement in the firm increased with the addition of William's sons, Philip and Richard. At this time George directed advertising, William oversaw accounting, J. Edgar was in charge of branch stores, and Philip was responsible for research.<sup>65</sup>

Implementing lessons learned from the Depression experience, the principals crafted strategies for reacting to future economic downturns in a 1937 managers' meeting. They decided to develop new lines of belting (continuing the move away from the use of leather), upgrade product research, adopt better inventory control, and devise a new forecasting model.<sup>66</sup>

Although leather would never see the heyday of the past, Rhoads did not abandon it completely; rather, they experimented with new ways to produce this primary belting material. Experiments concluded that the use of warm liquids in the vats could accelerate the tanning process. In 1939 Rhoads developed the pre-tension winding process, stretching belts before their attachment to pulleys. This allowed belts to achieve efficiency in shorter amounts of time.<sup>67</sup>

Research and product development were not the only concerns for the company. Since the 1930s, and more apparent in the 1940s, workers' unions gained popularity in the manufacturing sector. This movement, encouraged by the government and fueled by the birth of the Congress of Industrial Organizations (CIO) in 1936, sparked a burst of union activity in Philadelphia

and Wilmington. Strikes in the mills were a common occurrence in the late 1930s, as demonstrated by the walkout of 700 men at Crown Cork and Seal Company, 450 workers at the Brownhill and Kramer Knitting Company, and a smaller strike at Marshall Field Company, to name a few. Everywhere they looked, the Quaker owners witnessed workplace transformation as unions grew in strength. It was only a matter of time before the labor movement would affect their company.<sup>68</sup>

In 1941 the CIO Leather Workers Union began putting pressure on the Rhoads's employees to unionize. Despite their company's family medical benefit plan and paternalistic nature, the employees began to listen to union organizers, as they were offering something more significant, better pay. Union flyers stated:

The leather bosses are getting worried. The Union is out to get more money for leather workers and to organize all shops 100%. They know that our Union means business. They know that they will have to come across with more "dough," and that is why they are worried. Therefore, we call upon all Leather Workers to rally to the demand of the Union for "TEN CENTS MORE AN HOUR. JOIN THE UNION!"<sup>69</sup>

In response, management paid employees periodic bonuses, a tactic that placated workers for three years. In 1941 union activities had increased. J. Edgar explained to Phillip Rhoads that CIO members were driving by the Wilmington plant, shouting from a bullhorn to encourage workers to join up with them and make more money. Consequently, J. Edgar thought it would be a good idea to pay another week's bonus to employees. On four different occasions, Rhoads attempted to stave off union pressure by implementing supplemental pay.<sup>70</sup>

Not surprisingly, the tactic was eventually ineffective. Employees knew that Rhoads was enjoying growing profits (averaging \$1.5 million in sales from 1941 to 1944), and they demanded more permanent pay increases. Constant pressure from union organizers resulted in a March 4, 1944, employees' vote to have the CIO International Fur and Leather Workers to be their representative union and soon after union and management reached an agreement.<sup>71</sup>

J. Edgar Rhoads commented that the initial collective-bargaining negotiations were consistent with his philosophy of supporting employees. In fact, they illustrated the firm's ethical mission of commitment to "justice": Through the whole negotiations, my policy was to try to work toward a contract that would leave the union with adequate security to prove its worth, but not to place it in an entrepreneurial position. Much too often to my way of thinking, we try to settle and blame human relationships on a long term or permanent basis, and fail to leave the degree of flexibility which is necessary to adapt to changing conditions.<sup>72</sup>

Accompanying the unionization fury was a challenge faced by J. E. Rhoads & Sons many times before—war. Philadelphia and Wilmington were right at the heart of World War II producing rifles, radar, tanks, shell forgings, propellers, diesel engines, parachute silk, and ships. In total, over 3,500 businesses in Philadelphia were involved in the war effort.<sup>73</sup> In Wilmington, industrial firms like Pusey & Sons, Drano Shipyards, Eastern Malleable Iron, and DuPont not only retooled to produce war materials, but also added shifts to meet demand.<sup>74</sup>

As in the past, Rhoads was not directly a part of the war effort; however, their application of the Quaker doctrine against war was not as consistent as in the past. They asked to be excused from bidding on leather belt cement used by the War Department, resulting in newspaper articles describing their pacifist stand. While the stand was not new, and other Quaker firms declined to retool plants to support the war, Rhoads's refusal marked the first case where a company declined to sell stock items. In a letter to the organization 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>75</sup> As with previous wars, not being directly involved in military production came with a cost, as U.S. industries such as textiles, printing and publishing, clothing, furniture, and rubber products all increased their production by no less than 50 percent.<sup>76</sup>

Applying the pacifist principle, however, was not as easy as it appeared. Although management espoused the value, company sales representatives could not avoid the fact that many of its customers were producing some products for military use. Did this fall within the bounds of the principle? William E. Rhoads referred to a policy created in the late 1930s which stated:

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. $^{77}$ 

William's statement, however, was open to interpretation, as salespeople questioned the meaning of "exclusively." To clarify, William E. Rhoads established a new policy:

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 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>78</sup>

Considering that it may have been difficult for salespeople to determine the 50 percent rule, it is conceivable that Rhoads sold conveyor products to firms supporting the war effort. Further, was selling to firms that had less than 50 percent of its business with the military compatible with the Quaker principle of "harming others is equitable to harming God"? It is possible that costs were too high for the firm not to take some business from the military, indirectly. There were occasions when Quaker firms did compromise their values in the face of economic necessity, and this may have been applicable to Rhoads.<sup>79</sup> Nevertheless, Rhoads continued to focus attention on the domestic market and successfully weathered the war years, seeing 43 percent higher sales than a decade before.<sup>80</sup>

Besides the aversion to "harming others," Rhoads's policy was to do no business with companies producing alcohol or tobacco. As may have occurred with the military question, however, accommodations were made on the "sin product" question. While in 1931 William Rhoads clearly stated that the company would not sell to tobacco producers, 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 company policy on sales to tobacco firms was revised to allow transactions if Rhoads's salespeople did not solicit the trade.<sup>81</sup>

By the early 1950s many businesses were leaving Philadelphia. Much of the city's industrial housing was old and obsolete, as the trend was toward onestory facilities with convenient access and greater employee parking. Given high taxes and little return in sales, Rhoads no longer saw an advantage to being in Philadelphia. Thus, the corporate offices moved from Philadelphia to Wilmington, and for the first time in the firm's history it did not have an organizational presence in Pennsylvania.

Recognizing the need for rebirth, the Philadelphia City Planning Commission set out to reinvent Philadelphia from a city that was starting to die due to poor manufacturing viability to a progressive city that had contemporary facilities for businesses. Similarly, the family ownership of J. E. Rhoads & Sons was disappearing, and the company faced a new era of reinvention.<sup>82</sup>

By 1951 the traditional family leadership in the firm began to change, as two nonfamily members led individual departments for the first time. However, family members still played a significant role in the firm and clarity of focus was still found within the management structure. Senior partner J. Edgar was coordinator of overall activities, although he began taking sabbaticals to Germany, Poland, and Italy on a number of occasions to help feed disadvantaged children. Philip G. served as the director of production and research, Richard H. coordinated sales and advertising, and John B. (who had joined the firm ten years prior) directed finance and accounting operations.<sup>83</sup>

Throughout the 1940s the company improved its buildings and process layouts in the tanning facility in Wilmington, but it faced a new challenge. Engineered fibers threatened to displace leather and plastic for industrial use. As German nylon-reinforced belting encroached on market share, J. E. Rhoads & Sons' sales plummeted from a peak of 3,000 customers in 1951 to half that amount in 1958. Additionally, as it had been eighty years since their development of Tannate, the company began researching a new product. The result, nylon-reinforced leather, insured the company adequate market share from 1962 into the 1980s. While the Wilmington plant manufactured the new product, the shift in production resulted in the closing of the tanning function there. Because updates to the infrastructure and machinery were required, costs escalated for the firm. To avoid debt, the company incorporated and family members and nonfamily members purchased stock and held ownership.<sup>84</sup>

Despite the change in the nature of market and management, J. E. Rhoads & Sons continued to abide by the company's Quaker mission of "compassion."

When corporate offices moved from Philadelphia to Wilmington in 1955, the company offered to assist those who wanted to make the move to the Wilmington area. The principals met with fifteen employees and their spouses and reviewed housing options, area transportation, and schools. As well, the company paid for moving and household goods, allowed time off for house hunting, and covered commuting expenses during the transfer process.<sup>85</sup>

In 1959 the roles of the principals began to change as, by mutual agreement, Philip and John Rhoads withdrew from the partnership and from active participation in the firm. This was the first time in the company's history that an active principal had withdrawn. J. Edgar took over as chairman and Richard H. became the executive head of business. Five nonfamily members now held executive positions, each with distinct responsibilities.<sup>86</sup>

The changes in 1959 marked the beginning of the end of family ownership of the firm. A prescient remark in an internal 1952 report suggested that the company had few family members who could hold future managerial positions.<sup>87</sup>

Reasons for the demise of family presence in management are many, but a common occurrence is family members losing interest in the business.<sup>88</sup> Remarkably, J. E. Rhoads & Sons maintained family management for centuries, due in part to the positive regard among workers and management. J. Edgar Rhoads, at ninety-two years of age, believed that, in the past, family members wanted to work at Rhoads because "they treated one another the way they wanted to be treated."<sup>89</sup>

The last family member to direct the company was Richard Rhoads, who was succeeded by nonfamily members in 1978. He remarked that family members were no longer interested in the business, taking a variety of career paths. The reorganization of the company as a corporation in 1975 to mitigate inheritance tax issues may also have contributed to the break in family management. As outside investors and board members gradually outnumbered family, the company's conservative decision-making practices relaxed, and the focus turned more steadily toward profit. It may be that some of the Quaker family members who were willing to step in were disappointed by this new value and decided not to participate in the firm.<sup>90</sup>

Concurrent with the turnover to nonfamily members, the traditional market bases of the paper and textile industries were stagnating. Spurred on by their new emphasis on profit, the company focused on a new target market, the light industries and the service business sectors. This change necessitated a shift in product emphasis from power transmission belts to thin ply belting. The company secured an exclusive distributorship for this new product from a major European manufacturer, which contributed significantly to the firm's sales. At this time, the company's annual gross was around \$3 million, and it had approximately eighty employees at its headquarters, plant, and branches.<sup>91</sup>

On December 31, 1993, a majority of the company's shares passed out of the Rhoads family hands into those of an owner who wished to remain anonymous. Today, the company is located in a simple, one-floor, rectangular building with no distinguishable difference from its neighbors in an industrial park in Branchburg, New Jersey.<sup>92</sup>

## Conclusion

Although this study has described a variety of factors that contributed to the longevity of J. E. Rhoads & Sons, five variables were demonstrated consistently throughout the company's history. These included a strongly held ethical mission, clarity of job responsibilities, succession of family ownership, reaction to crisis, and the ability to create innovative products. Underpinning all of the above was the Quaker religion practiced by each generation of Rhoads's principals.

The first variable, the company's ethical mission, was the most apparent evidence of Quaker values. The mission incorporated the four ethical principles of Quaker ethics: (1) an aversion to profiting from the diminution of others, (2) a strong belief in the value of hard work, (3) a commitment to egalitarianism, and (4) an avoidance of conflict.<sup>93</sup> Operating from this ethical base, the company was able "to see life as a whole"—a mainstay of Quaker belief. Thus, the firm went beyond making a profit as it also had a concern about how it affected its stakeholders.<sup>94</sup>

These stakeholders included more than the customers of J. E. Rhoads & Sons. Employees enjoyed a hospitable work environment and were given health benefits and moving support. Despite their potentially lethal effect, unions were treated with respect. Customers were given product guarantees, and the firm did not malign competitors. Further, the larger society in general benefited from the family's charity work. Applying company policy on this ethical base sometimes resulted in financial peril, and this may have contributed, as the

company aged, to a growing compromise with the idea of accepting business with war-related activities and those that promoted "vices."

The second main factor contributing to the longevity of J. E. Rhoads & Sons, clarity of job responsibilities, stemmed from a belief among the principals that trust was built from honest dealings among family members with no hidden agendas. The principals trusted that each was competent in his area of work and would not deviate from it unless agreed upon by all. This Quaker value of trust, demonstrated by the refusal to swear an oath, was clearly manifested in family members' transparent job descriptions and was evidenced in the way they treated one another.<sup>95</sup>

This tradition of clarity and truth likely encouraged the younger generations of Rhoads family members to aspire to company leadership and continue the succession of family ownership. The younger generation would have heard and seen this work environment and this may have encouraged some of the earlier generations to work at the firm.

Besides providing the rock upon which family leadership was built, Quaker beliefs may have armed the company against the many business crises faced over the years. While many events could have spelled the end for J. E. Rhoads & Sons, the Quaker principle of "giving a sense of meaning" may have allowed the family to place each new challenge in perspective and to address each as it came. As demonstrated, this view did not always result in accurate predictions (the Great Depression) or adoption of the best course of action (manufacturing flowerpots), but at other times it did allowed them to identify problems, craft appropriate solutions, and adapt to changing dynamics. This included the strategic advantages associated with the firm moving to different locations and securing funding to meet the challenges of growth.<sup>96</sup>

The common thread of profitable success for all small businesses, regardless of industry, is the ability to innovate products. J. E. Rhoads & Sons was able to maintain a competitive edge by advancing leather products and processes through a consistent application of research and development. The regard the Quakers had for science contributed in part to this behavior, but their belief in heeding the Divine Light within each individual was perhaps more influential.<sup>97</sup> This made the principals ready to challenge accepted practices and to innovate using their own creativity, as demonstrated by the development of Tannate, the creation of new products in the midst of the Great Depression, and a willingness to adapt to changing demand for leather products. John McGough, president of J. E. Rhoads & Sons in 1985, best summarized the importance of the firm's Quaker foundation as the key to its longevity:

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 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 they have survived among the wolves for 283 years.<sup>98</sup>

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