

**MENNONITE BUSINESS IN TOWN AND CITY:
FRIESENS CORPORATION OF ALTONA AND PALLISER
FURNITURE OF WINNIPEG**

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Abstract. Historians of the Mennonite experience have made scant use of the approaches of secular economic historians, particularly those of labor historians. Jim Halteman observes that, among Mennonites, there is “almost no recognition of labor as a cog in a social structure that might be critiqued and challenged toward some new social order.” In their religious life, Mennonites promote community over individualism. In their daily practices, however, most Mennonites have accepted uncritically capitalism’s exaltation of the individual. Most of the work done in Mennonite business history has emphasized the skilled entrepreneurship of the founders. What is needed is acknowledgement of the role played in the success of these businesses by Mennonite community networks and the interaction of Mennonite cultural and religious values with class-based labour relations. The importance of such an awareness is revealed by the history of two prominent Manitoba Mennonite businesses: Palliser Furniture of Winnipeg and Friesens Corporation of Altona.

“The history of small businesses on the [Canadian] prairies has yet to be written.”¹ Almost two decades later, Gerald Friesen and Barry Potyondi’s observation still holds true. A significant problem was, and remains, access to sources.² Most businesses are reluctant to reveal their innermost actions and transactions to the broader public. A second and more serious problem is the isolation of business historians from other historians and from each other.³ Consider Graham Taylor’s image:

For the unwary reader . . . picking up a book on Canadian business history is much like entering a hall of offices, each one with its door firmly closed

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1. Gerald Friesen and Barry Potyondi, “Business,” in *A Guide to the Study of Manitoba Local History* (Winnipeg: U. of Manitoba Press for the Manitoba Historical Society, 1981), 47.

2. Graham Taylor, “Writing About Business,” in *Writing About Canada: A Handbook for Modern Canadian History*, ed. John Schultz (Scarborough, ON: Prentice-Hall Canada, 1990), 125, 126, 131. Scholars in the field of business history are dependent to a great extent on the good will of the businesses themselves for primary materials, since these resources are generally not available in the archives.

3. I argue that this problem is more serious, because access to sources is a situation over which historians have little or no control, whereas how they treat their sources and thus integrate their work with that of the wider scholarly community is an area over which the individual historian can exercise significant control.

and the inhabitants therein pursuing their own version of the enterprise, deliberately ignoring the competitors next door or down the hall.⁴

The problem is broader than Taylor has presented it. Not only are business historians ignoring each other, but business, labor and ethnic historians also tend to ignore each other. This isolationism seems particularly true for Mennonite scholars of Mennonite business.

Academic study of Mennonite business by Mennonite scholars in the last 25 years has been characterized by three approaches. The first approach, evident in historical and sociological works, reduces scholarly consideration of Mennonite business to a descriptive account of individual businesses and businessmen. The second and parallel approach, evident in works by ethicists and economists, provides theory divorced from historical evidence. A third way is slowly emerging. It is only recently that attempts have been made to unite the first two approaches and to forge links between evidence and theory.

The seeming unwillingness of Mennonite historians to integrate their scholarly pursuits with those of secular historians is a limiting factor, however. Economist Jim Halteman notes that the traditional Mennonite two-kingdom world view has limited their ability to synthesize faith with an historical understanding of capitalism.⁵ By separating the kingdom of this world, or the economic realm, from the kingdom of God, or the spiritual realm, Mennonites are missing an opportunity to provide a useful critique of existing conditions. Part of the problem is that Mennonite scholars have made inadequate use of the approaches of secular economic historians, especially those of labor historians. As Halteman notes "there is almost no recognition of labor as a cog in a social structure that might be critiqued and challenged toward some new social order."⁶

Few Mennonites are willing to challenge the unspoken assumptions of capitalism.⁷ Roy Vogt explains that Mennonites have settled and succeeded in countries with an ideology supportive of private property: "Challenges to private property rights in such societies are considered subversive. Mennonite theology is not supportive of overt political subversion."⁸ Part of the unwillingness to critique capitalism stems from Mennonite experiences in Russia after 1917; in many Mennonite communities a feeling persists that any such critique of capitalism would lend support to atheistic communism. Mennonites have thus focused on dispensing charity instead of justice, on transforming individual

4. Taylor, "Writing About Business," 136.

5. Jim Halteman, "Mennonites and Market Capitalism," in *Anabaptist/Mennonite Faith and Economics*, ed. Calvin Redekop, Victor A. Krahn and Samuel J. Steiner, 321-331 (Lanham, MD: University Press of America, 1994).

6. *Ibid.*, 328.

7. Such assumptions include the distribution of power, class conflict, the division of labor, and the profit motive.

8. Roy Vogt, "Mennonite Attitudes to Property," *Journal of Mennonite Studies* 10 (1992), 9.

actions rather than the economic system or societal structure.⁹ The dialectic of separation from and dependence on the world—"in the world but not of the world"—has long been a central facet of the Mennonite faith. Counteracting capitalism's insistence on individualism and materialism are the dual Mennonite emphases of *Gemeinschaft* and *Gelassenheit*—submission to the will of the community and the will of God.¹⁰ But as Mennonites have become more involved in the economy, *Gemeinschaft* and *Gelassenheit* have lost some of their potency. "Mennonites have participated according to the rules of the market economy, have become assimilated, and are losing their identity."¹¹

A significant reason for the Canadian Mennonite reluctance to examine capitalism critically is their post-World War II adoption of middle-class Canadian values. Individualism was promoted as mainstream Protestant evangelism replaced communitarian nonconformity in Mennonite churches.¹² Traditional Mennonite traits of hard work and success became linked to middle-class respectability; "to be a Mennonite was to be a respectable member of middle-class Canada."¹³ Though in religious life Mennonites have asserted the value of community over individualism, in day-to-day practice most Mennonites are deeply implicated in capitalism's exaltation of the individual. As a result,

there is clear recognition that this principle [of community] does not work well for a secular society. Thus Mennonites have no well articulated theory of how the secular world works or how it should work, but generally take what is given and try to adapt, sometimes uneasily, to its desirable parts. All of this leads to a very limited response to capitalism as an economic system.¹⁴

Mennonite scholars have generally limited themselves to general discussions of how to build the kingdom of God or they have examined solutions to single-issue social problems, rather than mounting an effective and consistent critique of capitalism.¹⁵ Some scholars have concluded that Mennonites are unlikely to develop such a critique, or "prophetic voice," because the majority of Mennonites are fully integrated into capitalist society and because the leadership of Mennonite churches and educational institutions must preserve the status quo in order to retain their employment.¹⁶

9. *Ibid.*, 10.

10. Calvin Redekop, Stephen C. Ainlay and Robert Siemens, *Mennonite Entrepreneurs* (Baltimore: John Hopkins U. Press, 1995), 27.

11. *Ibid.*, 24.

12. Royden K. Loewen, "Rurality, Ethnicity, and Gender: Patterns of Cultural Continuity during the 'Great Disjuncture' in the R.M. of Hanover, 1945-1961," *Journal of the Canadian Historical Association* (1993), 178-9.

13. *Ibid.*, 176-177; Redekop, *Anabaptist/Mennonite Faith and Economics*, viii, 112.

14. Redekop, *Anabaptist/Mennonite Faith and Economics*, 327.

15. *Ibid.*

16. *Ibid.*, 380-2.

This paper attempts a modest contribution to the history of Mennonite businesses. The few extant histories of Mennonite-owned businesses have tended to focus on the sagacity and skills of their entrepreneur-founders. Missing from these accounts is an awareness of the role played in the success of these businesses by Mennonite community networks and the interaction of Mennonite cultural and religious values with class-based labor relations. The histories of two prominent Manitoba Mennonite businesses, Palliser Furniture of Winnipeg and Friesens Corporation of Altona, point to the importance of these other factors.

PALLISER FURNITURE: AN URBAN MENNONITE BUSINESS

Sociologist Leo Driedger asserts that the Russländers are distinctive among Mennonites because of their entrepreneurial abilities.¹⁷ The success of Palliser Furniture, a company founded by a Russländer, certainly attests to this statement. A. A. DeFehr, founder of Palliser Furniture, was born in Russia in 1910. The DeFehrs left Russia for Mexico in 1922 and immigrated to Winnipeg in 1924.¹⁸ While working at Safeway in Winnipeg, A. A. DeFehr began making furniture samples. Limited opportunities for advancement available to him and to immigrants in general prompted him to change his occupation. Twice he had been promoted to produce manager only to be fired and rehired at an entry level position. Then in 1944, DeFehr sold his car for \$500, bought woodworking equipment and a how-to manual and set up shop in the basement of his North Kildonan home.¹⁹ From this humble beginning, Palliser Furniture has grown to become Canada's largest furniture manufacturer and Manitoba's second largest private employer with \$330 million in sales in 1997.

Driedger has further observed that Mennonites in general, and Mennonite-owned businesses in particular, benefit from the interconnections of "family networks, strong religious ties, and a cohesive community network."²⁰ Such networks, he suggests, are in conflict with modern capitalism. Driedger argues that religious and cultural groups like Jews, Chinese, and Mennonites have managed to "humanize" capitalism through kinship networks.²¹ These networks clearly helped the DeFehr family to establish themselves in Canada and to create a successful company. On their arrival in Winnipeg, for example, they found lodging with a man who had worked for A. A. DeFehr's father in Russia.²²

17. Leo Driedger, "Mennonite Business in Winnipeg," in Redekop184-5. The Russländer Mennonites are the Russian Mennonites who immigrated to Canada in the 1920s.

18. A. A. DeFehr, interview by author, August 1, 1997.

19. *A. A. DeFehr: A Legacy of Faith in Practice* [videocassette produced by Palliser Furniture, n.d.]; interview by author with Art DeFehr, July 7, 1997; interview by author with A. A. DeFehr, August 1, 1997.

20. Driedger, "Mennonite Business in Winnipeg," 192.

21. *Ibid.*

22. Interview with A. A. DeFehr, August 1, 1997.

When DeFehr's business began to outgrow his basement, it was fellow Mennonite and former Russian businessman Isaac Neufeld who located potential factory space owned by a Mennonite farmer. Other Mennonite business owners served as suppliers and advisors to DeFehr. In his words:

The Klassen Brothers . . . had the largest factory here [in the area]. They were making washers and hinges and I would go sometimes over to see how they worked. . . . Cornelius Hiebert . . . had a lumber yard and I would sometimes buy lumber through him. Andy Redekop started his business a little later and we worked together discussing business tactics.²³

The international competitiveness of Palliser was helped by the personal backgrounds of A. A. DeFehr and his wife Mia; both had lived in three different countries and each spoke four or more languages.²⁴

Most of the original group of 100 - 200 Palliser employees were fellow Mennonites. The current management believes that it was this group which "established a very strong work ethic in the company."²⁵ The first employees, Henry Krahn and George Dyck, lived with the DeFehrs during the week. Another worker, Erica Peters, helped DeFehr's wife with her young children on Friday evenings and worked in the shop on Saturdays.²⁶ Commenting on the early years of the business, a Mennonite employed in the paint shop recalled:

It's like a family at Palliser. . . . I remember [in the 1950s] Mr. A. A. DeFehr would make his rounds every morning, walking around the plant and greeting each employee. Back in those days, he would train every employee. It was a small group so he was very hands on. . . . The sons worked with us, just like all the other employees. The price they were paid for piece work was just the same as we were paid. That's helped them understand the practical side of business.²⁷

Other Mennonite employees remarked: "Mr. DeFehr tried to understand us, and he did; he had a really good heart for us and especially for me. I was all by myself at that time. I had no parents here or any relatives, so I found him just like he was my second father here in Canada. I really appreciate that;"²⁸ "A. A. DeFehr was almost a father figure to us. . . . such a generous and good-hearted man."²⁹ In later years, a number of Mennonite immigrants from Paraguay were hired. DeFehr explained, "they didn't know the language, and here I could

23. Ibid.

24. Art DeFehr, "Creating a Successful Manitoba-based Company with International Influence," speech to the Winkler Chamber of Commerce, June 25, 1997, Winkler, Manitoba, audiocassette.

25. Ibid.

26. Mary M. Enns, *Mia: The Story of a Remarkable Woman* (Winnipeg: A. A. DeFehr Trust, n.d.), 133.

27. Ernie Lehmann, cited in "Reflection and Celebration: Palliser Furniture 50th Anniversary Issue," *Palliser Furniture Employee Newsletter* 14, no. 21 (Fall 1994), 3.

28. Ida Homor, in A. A. DeFehr, videocassette.

29. Ida Homor, quoted in "Reflection and Celebration," 4.

speaking German to them so they came to us here and we took them in. They were good workers and they could speak German to me. . . .”³⁰

The DeFehr family credits common ethnic and religious heritage with establishing positive industrial relations at Palliser. A. A. DeFehr’s son and a current minority owner Dave DeFehr argues:

one of the pluses or one of the reasons why I think we have a fairly good culture at Palliser is that a lot of us, a lot of the executive and senior people [are] rubbing shoulders with regular employees in a church setting. We sit on the same bench at church or sit on the same [church] committees. . . . As well, we have friends, personal friends who happen to be employees, so we get a lot of good feedback that way as well.³¹

The DeFehr family has made a “deliberate choice” to remain within the Mennonite community and “subject themselves to its judgment;” they continue to live and shop within North Kildonan, rather than “fleeing to Tuxedo” as other successful businesspeople have done.³² This decision on the part of Palliser’s owners to conform to community standards may be partly responsible for the relative absence of industrial conflict.³³ A. A. DeFehr’s daughter, Irene Loewen, recalls:

My father, when they had the means, loved to give luxuries to mother. But she didn’t want them, she didn’t feel comfortable with them. In the States when she was living there, she had learned to use make-up, she went to movies, even tried dancing. When she moved to North Kildonan she dropped all of it except her intellectual interests in order to fit in with the rest of the women. When dad wanted to buy her a fur stole she refused, feeling she would stand apart from the other women of the church. When she finally did get a fur coat it wasn’t the luxury type that dad wanted to buy her.³⁴

Current company president Art DeFehr believes that certain values are more particular to Mennonites than other ethnic groups. These values include discipline, a positive work ethic and a simplified lifestyle. Palliser’s mission statement defines the values of the company and incorporates some of the characteristics which it attributes to Mennonite culture:

Our Mission: To be a community of people dedicated to leadership in design, service and customer value in the furniture industry.

Our Values: Building on a heritage of faith, we aspire to demonstrate integrity in all relationships; promote the dignity and value of each other;

30. A. A. DeFehr, founder, interview.

31. Dave DeFehr, interview by author, July 18, 1997.

32. Art DeFehr, interview by author, September 2, 1997.

33. Enns, *Mia*, 130.

34. *Ibid.*, 148-9.

respect the environment; support our community; [and] strive for excellence in all we do.³⁵

At a recent Winkler Chamber of Commerce meeting, Art DeFehr expanded on this statement. Arguing that the workplace is a community, DeFehr stated:

[I]f you have a heritage that shares these values [listed in the mission statement], bring your heritage to the community and we'll join your heritage with ours. . . . The values and culture which we hope and believe are identified with Palliser find their origins in the faith and experience of our founder, A. A. DeFehr, Sr. The current generation of owners wish to continue in this tradition but also believe that the "heritage" of many other employees is consistent with these values and may enrich the foundation of our corporate culture. This heritage is not limited to a single religious tradition or ethnic origin and if your personal beliefs are consistent with these "values," then your heritage is also part of that foundation.³⁶

Thus a place is made for the employees of other immigrant ethnic groups (which Palliser has made an "intentional effort" to recruit), provided their values are compatible with the "Mennonite values" the DeFehrs seek to promote in their corporation.³⁷ In addition, Palliser makes a "conscious effort to integrate" the disabled, including the hearing-impaired, people with mental and physical disabilities, and "people who are re-entering society after a period of personal difficulty."³⁸ Palliser employees today include people from a variety of ethnic backgrounds. Some of the largest groups include Mennonites from Paraguay, and people from Eastern Europe, Vietnam, Laos, Cambodia and the Philippines. An examination of the last names on the head office phone list, which lists administrative and clerical staff, as well as shop supervisors, reveals that (excluding DeFehr family members) 145 of the 440 listed (or approximately 33%) appear to be ethnic Mennonites.

The extraordinary expansion of the company, from a handful of employees in 1944 to over 3000 workers produced some changes in workplace relations at Palliser. According to a company newsletter, when asked what had changed since he first started to work at Palliser, John Neufeld, employed 25 years as a truck driver, shipping supervisor, order desk supervisor and traffic coordinator "indicated that some of the closer informal relationships are now missing. 'The communication of ideas takes longer now and sometimes policies are implemented without much consultation. I guess that's what happens with growth and expansion. . . .'"³⁹

35. Palliser Furniture, Mission Statement, 1997.

36. Art DeFehr, "Creating a Successful Manitoba-based Company."

37. Interview by author with Shanti DeFehr, July 7, 1997.

38. "Palliser Furniture: Celebrating 50 Years in Business," advertisement, *Winnipeg Free Press*, September 22, 1994, A6-A7.

39. Palliser Furniture employee newsletter, 3 (April 1984).

Company officials conducted time and motion studies of the production process and implemented a bonus system for production above quota. This emphasis on increased production is evident in the Buy Back program which is part of the company's gain sharing plan. When first implemented, a bonus of up to \$2.60 per hour was paid when a worker improved upon the fixed time per job. As the employee newsletter explained, "When the standard is surpassed by an average of 30% for three consecutive pay periods, a Buy Back is achieved. A Buy Back means each member of the department is awarded \$500, the Allowed Time is decreased by 10%, and the challenge begins again."⁴⁰ In 1991, this system resulted in nineteen Buy Backs in the DeFehr division of the company.⁴¹

Another change to the work process was the creation of work teams in 1990.⁴² The philosophies of Total Quality Management and Just-In-Time production used by Palliser in the late 1980s, emphasize a team approach and cross-training.⁴³ The employee newsletter declared: "Everyone's job has been altered . . . with job boundaries open to give and take . . . many questions or problems previously brought to management are now put back into the hands of the individual teams."⁴⁴

Employee reaction to these quality management strategies is apparently mixed. A. A. DeFehr notes that not all employees are convinced that the gain sharing plan is fair: "We have different plans [in different divisions] and it's a little hard. They work, one plant, more than any other and they think they're all working hard."⁴⁵ A quality management facilitator at Palliser observes:

I have a son-in-law and a son working here, and they both have some. . . . questions about [Buy Backs] and they think it's not a fair system. So I know that there's a perception that it's not fair.⁴⁶

The adoption of modern business management practices, in a workplace which emphasizes Mennonite values, clearly has resulted in some tension.

FRIESENS CORPORATION: A RURAL MENNONITE BUSINESS

Friesens Corporation, like Palliser Furniture, has undergone tremendous expansion in the past three decades and has embraced modern management methods. Friesens has made an effort to alleviate some of the resulting tension through the provision of employee ownership of company shares and a profit sharing plan. The traditional Mennonite values of sharing, mutual aid, and

40. Palliser Furniture employee newsletter 11, no. 12 (Summer 1992), 2.

41. *Ibid.*, 3.

42. *ISO 9001: The Quality Journey* (Videocassette produced by Palliser Furniture, February 1997).

43. Palliser Furniture employee newsletter 7, No. 1 (June 1988); 7, No. 2 (November 1988).

44. Palliser Furniture employee newsletter 14, No. 20 (Summer 1994), 9.

45. A. A. DeFehr, interview, August 1, 1997.

46. Interview by author with a Palliser Furniture quality facilitator, August 1, 1997.

cooperation are highly compatible with these benefit plans. It is debatable whether the primary benefit of these strategies is their promotion of cooperative values or their mediation of sometimes adversarial industrial relations.

Located in Altona, a small town in the Mennonite West Reserve of southern Manitoba, Friesens Corporation is one of Canada's largest printers, with \$65 million in sales in 1995. The company was established as a confectionery store in 1907 by D. W. Friesen, a Kanadier Mennonite and private school teacher; it expanded into printing and stationery in 1933.⁴⁷ Incorporated in 1951 by D. W. Friesen's three sons (D. K., Ray and Ted), the company's nonunion workforce is overwhelmingly Mennonite.

Under the management of the three sons there was an increase in the number of employee benefits provided and the number of policies affecting labor.⁴⁸ The company pledged to meet what it identified as the "needs" of employees for "economic security, emotional security, recognition, self-expression, and self-respect" through these benefits and policies.⁴⁹ One of the most significant of these benefits was profit sharing, beginning in 1960.⁵⁰ The cooperative ethic was strong in Altona, and company president D. K. Friesen has been described by at least one historian as "an ardent co-operator. . . albeit a non-ideological one."⁵¹ Profit sharing at Friesens was patterned after a plan used in the 1950s by Hilroy, a Canadian school supplies company.⁵² Roy Hill, president of Hilroy, had a good relationship with the Friesen brothers, who bought supplies from him. Hill told Friesens about his company's profit sharing plan, which was based on a similar one used by Eastman Kodak of Rochester, New York.⁵³

At about the same time several businessmen offered some interesting reasons for their support of profit sharing plans. Douglas Groff, member of the Council of Profit Sharing Industries, spoke at a Rotary club meeting in Winnipeg in 1953. He told his audience that profit sharing was "the best insurance for the free enterprise system, a bulwark against communism and socialism."⁵⁴ The

47. Mennonite Heritage Centre (hereafter MHC), Vertical File, Industry, "Legend: How It All Began," (unpublished manuscript, 1982), 1. The Kanadier Mennonites are the Russian Mennonites who immigrated to Canada in the 1870s.

48. *D. W. Friesen 1990 Staff Book* (Altona, MB: D. W. Friesen, 1990), 7.

49. T. E. Friesen, "Philosophy, Policy and Practices," (unpublished ms., n.d.), 3.

50. Friesen, "Philosophy," 4. David Glenn Friesen states that profit sharing began in 1951, but both Ted Friesen and the board of directors minutes give 1960 as the date of implementation. David Glenn Friesen, letter to author May 21, 1996.

51. Gerhard John Ens, *The Rural Municipality of Rhineland, 1884-1984* (Altona, MB: R. M. of Rhineland, 1984), 195. One would expect the cooperative ethic to be strong in a Mennonite community; the Mennonite faith emphasizes community and mutual assistance.

52. David Glenn Friesen, interview by author, September 22, 1995; David Glenn Friesen, letter to author, September 22, 1995,

53. T. E. Friesen, interview by author, January 20, 1996.

54. University of Manitoba Archives (hereafter UMA), Winnipeg Tribune Collection, "Profit Sharing," MSS 24 no. 5508, "Shared Profits Aid Business, Meet Told," newspaper article, November 19, 1953.

Manitoba district manager of Lincoln Electric, a company which also had a profit sharing plan, commented to the *Winnipeg Tribune* in 1967: "No unions. We don't need them. Walter Reuther, the Detroit labor leader, says if all companies operated on our basis, unions would be obsolete."⁵⁵ *Winnipeg Tribune* editorial writer Harry L. Mardon declared profit sharing to be "Capitalism's answer to Marxism."⁵⁶ Newspaper reporters observed the tendency of companies with profit sharing plans to be non-unionized, closely held or family businesses of small to medium size.⁵⁷

The benefits claimed for profit sharing plans include the reduction of "waste and pilfering where that is a problem." A major incentive for many employers was that a profit sharing plan "reduces employee absenteeism and turnover, and is a first-class stabilizer, because it leads to industrial peace." Class consciousness would be eliminated, since "[s]haring profits can change attitudes to the extent that the sharer starts to think like the owner and does everything necessary to maximize profits."⁵⁸

The management at Friesens offered their reasons for implementing a profit sharing plan at the annual shareholders' meeting in 1960:

Profit sharing has long been in our thinking as the *right* way of conducting our business affairs together with our employees. Its implementation has been delayed for various reasons, but even though it is difficult for us to start it at the present time, in view of the accelerated growth and expansion, [*sic*] requiring unusual outlays of capital, we felt to postpone this further was unfair to you as employees.⁵⁹

Since "the larger a business grows, the greater the chance for relationships to grow impersonal," it was necessary to find ways to provide for both the material and spiritual growth of employees, management noted.⁶⁰

To participate in the plan, employees had to be with the company for a minimum of five years.⁶¹ After deducting income taxes and six percent interest on capital employed, it was proposed that the net profits be split 50-50 between employees and stockholders.⁶² The interest on capital employed was a cost the

55. UMA, *Winnipeg Tribune* Collection, "Profit Sharing," MSS 24 No. 5508, D.A. Robertson, "Profit sharing key to success," newspaper article, June 27, 1967.

56. UMA, *Winnipeg Tribune* Collection, "Profit Sharing," MSS 24 No. 5508, Harry L. Mardon, "A radical plan for capitalists," newspaper editorial, October 3, 1975.

57. UMA, *Winnipeg Tribune* Collection, "Profit Sharing," MSS 24 No. 5508, "Profit sharing to security," newspaper article, December 24, 1976.

58. UMA, *Winnipeg Tribune* Collection, "Profit Sharing," MSS 24 No. 5508, President Herbert Brown, Institute of Profit Sharing, "Profit Sharing: A Concept Which Creates Winning Teams," pamphlet, n. d.

59. Friesens Corporation, shareholders' meeting minutes, December 9, 1960.

60. *Ibid.*

61. This requirement was later lowered to three and a half years. Friesen, "Philosophy," 4; *D. W. Friesen and Sons Ltd. Seventy-Fifth Anniversary, 1907-1982* (Altona, MB: D.W. Friesen, 1982).

62. Friesens Corporation, shareholders' meeting minutes, December 9, 1960. The 6% interest

company incurred for bank borrowing.⁶³ Current company president David Glenn Friesen explained that a “deduction for capital employed was part of the plan, because the company was not healthy enough to pay out 10 percent without strings. During the 1980s, this was changed to a straight 10 percent payout.”⁶⁴ In actual operation, the profit sharing plan paid out 10 percent of profits.⁶⁵ The formula developed gave every eligible employee one point for every 1,000 dollars earned in the previous five years. Those on commission received half a point per \$1000, as did females over 60 and males over 65. Management warned employees that in order to

receive full credit for the total points for which they qualify, their lates and absenteeism record must not fall below standard. An employee can lose one or two points if this record is poor. Standards of housekeeping, conduct and attitudes may also be a consideration.⁶⁶

David Glenn Friesen remembers his father, D. K. Friesen, seated at his desk with a stack of employee time cards before him. Those that had punched in three or more minutes late had their time circled in red ink. To his knowledge, however, these employees’ profit sharing points were never affected.

It was common in those days to have warnings, to publicize warnings in the hope of that doing something. But you would have needed someone to watch over it all [to monitor employees’ behavior and attitudes]. The whole business world was much more paternalistic then and the company was much smaller. . . . Everyone arrived here at eight or it was believed the president would know it and it would influence profit sharing. To this day, [starting early and working late] are strong cultural tenets of the company.⁶⁷

Together with profit sharing, Friesens used a strategy of employee ownership of shares to promote loyalty to the company and to increase productivity. In 1965, workers were allowed to purchase non-voting shares.⁶⁸ The plan to involve employees as stockholders stemmed from D. K. Friesen’s interest in cooperatives.⁶⁹ Lawyers and accountants designed the company’s employee stock ownership plan (ESOP), using an amended version of an American ESOP. (Canadian law prevented the use of an unaltered American-style ESOP.) Unlike

provision was later changed to “average bank interest rate for the year.”

63. David Glenn Friesen, interview by author, April 2, 1997.

64. David Glenn Friesen, letter.

65. Ibid.

66. Friesens Corporation, shareholders’ meeting minutes, December 9, 1960.

67. David Glenn Friesen, interview, April 2, 1997.

68. To be eligible, workers had to be employed a minimum of one year and had to purchase at least ten shares at \$10.10 each. Friesens Corporation, Board of Directors’ meeting minutes, September 18, 1965.

69. David Glenn Friesen, interview, September 22, 1995.

the situation in the United States, there was no tax incentive in Canada to encourage employees to purchase shares.⁷⁰

The voting stock of Friesens Corporation was made more accessible to employees in 1972. Perhaps part of the motivation was the failed attempt by the Winnipeg Local of the International Typographical Union to organize the printers at Friesens.⁷¹ To qualify to purchase voting stock, an employee either had to be employed by the company for a minimum of five years or had to be designated a "key person" by the Board.⁷² Shareholders were told that "by broadening the base of the share structure, it could be used more readily for raising new capital or going public." The message given to employees was that

it has always been the desire of the major shareholders to have our staff participate in the ownership of the Company, and over 90% of the stock is now held by employees of the Company. We feel that in making this offer we wish the employees to participate even further in the form of dividends and share appreciation, rather than to pay interest to the banks.

A minimum of 100 shares could be purchased by an employee, either immediately or by installment over a 12-month period.⁷³

Until 1985, the majority of voting shares were held by members of the Friesen family. In 1995, the percentage of shares owned by managerial employees had dropped to 52 percent.⁷⁴ While the company directors did not individually own fifty percent of the company, approximately ten individuals did so collectively.⁷⁵ Company president David Glenn Friesen was the only individual in the 1990s to own more than ten percent of the issued voting shares. Approximately sixty percent of the staff held voting stock in 1993.⁷⁶

The increasing size of the company tended to decrease the personal relationships and casual interactions that had existed between management and staff in earlier years. Through employee share ownership and profit sharing plans Friesens' management attempted to combat the alienation that had developed as the company expanded and became more hierarchical, and to create a more democratic workplace.

70. *Ibid.*

71. See Janis Thiessen, "Mennonite Business and Labour Relations: Friesens Corporation of Altona, Manitoba, 1933-1973," *Journal of Mennonite Studies* 16 (1998), 181-202; *idem*, and "Friesens Corporation: Printers in Mennonite Manitoba, 1951-1995," Master's thesis, University of Manitoba, 1997.

72. Friesens Corporation, Board of Directors' minutes, May 24, 1972.

73. Friesens Corporation, Board of Directors' meeting minutes, September 7, 1973; Letter to employees, draft copy, September 7, 1973.

74. T. E. Friesen, letter to author, May 30, 1996.

75. David Glenn Friesen, interview, September 22, 1995.

76. Friesens Corporation, *Working with Friesens* (Altona, MB: D. W. Friesen, 1993), 82.

Critics charge that the potential to achieve workplace democracy through transfer of shares to employees is limited.⁷⁷ The ESOP can be “a way to extend industrial democracy within enterprises” through worker participation in decision-making, but the small amount of stock held by any one employee, together with restrictions on voting rights, hamper this democracy.⁷⁸ Stern and Comstock detail the possible role conflict for those who are both employees and shareholders:

Employees seeking improved combinations of wages, benefits, and working conditions are likely to press for these improvements. . . [but] management can reasonably argue that increased costs decrease the firm’s competitive ability and they are therefore unable to make improvements. Such an argument appeals to stockholders who wish to see the firm prosper and to increase the value of their stock.⁷⁹

Furthermore, the implementation of an ESOP can restrict employees’ abilities to organize themselves. The company can use an ESOP to argue that they are interested in including the employees as owners: “As a consequence of that argument and in conjunction with it, a union [is] pictured as increasing production costs for the firm and ultimately reducing the value of the stock.”⁸⁰ The result may be the absence of any vehicle for expression of employee dissatisfaction.⁸¹

Friesen’s management is aware of the criticisms of ESOPs and profit sharing plans. David Glenn Friesen answers these objections as follows:

. . . the major criticism of profit sharing and employee ownership plans is that the amount of equity distributed to employees is not significant. That is hardly the case at Friesens. Profit sharing has in recent years amounted to an additional 7% on everyone’s annual earnings. As an employee-held company, 100% of the equity is distributed to employees.⁸²

Since the mid-1980s, the average amount received per employee (participant in profit sharing) has been approximately \$2000.⁸³ This amount does not reflect the real average, however, because the point formula results in employees in higher paid positions receiving a greater portion of the profit. The point formula is defended by management as follows: “Naturally people who have worked here longer, or who are in higher paid positions have more points. The rationale is

77. Robert N. Stern and Philip Comstock, *Employee Stock Ownership Plans (ESOPs): Benefits for Whom?* Key Issues Series: Background Reports on Current Topics and Trends in Labor-Management Relations 23 (Ithaca, NY: New York State School of Industrial and Labor Relations, Cornell University, 1978), 41.

78. *Ibid.*, 42, 47, 49.

79. *Ibid.*, 47.

80. *Ibid.*, v-vi.

81. *Ibid.*, 47.

82. David Glenn Friesen, letter, May 21, 1996.

83. Friesens Corporation, Board of Directors’ and Shareholders’ meeting minutes, 1984-1994.

that these staff can make the greatest contribution toward profitability of the company.”⁸⁴

The employee share ownership plan, however, is not the only method propounded for achieving workplace democracy. Other approaches practiced in Canada include board-level representation, Scanlon plans, works councils, self-regulating work groups and producer (worker) cooperatives.⁸⁵ Board-level representation is also known as codetermination, and is not significant without shop floor participation. There are ten Scanlon plans in operation in Canada. These plans, developed by American union leader Joseph Scanlon in the 1930s, involve a system of participatory committees, with performance measurement and bonuses based on productivity improvements.⁸⁶ Works councils have elected employee representatives who have co-decision-making rights with management. Self-regulating (autonomous) work groups do not challenge either ownership rights or organizational policy control. Worker cooperatives grant voting rights to all employees and distribute profits on the basis of the labor contributed and not the amount of property owned by an individual.⁸⁷ Cooperatives, unlike ESOPs, “challenge the role of private property in our [economic] system.” They give decision-making power to all workers, whereas ESOPs “simply spread ownership rights a little more thinly without really changing the capital-labor relationship.”⁸⁸

MENNONITE BUSINESS: A UNIQUE RESPONSE TO CAPITALISM?

Historian Ted Regehr argues that true Mennonitism is compatible only with a transformed capitalism. He explains that with growth, companies lose their Mennonite character in stages “directly related to corporate structure and management.”⁸⁹ Expansion requires tighter managerial control and leads to division between labor and management. The cultural, religious and ethnic distinctions of business owners disappear with their increased involvement in business. The result is that contemporary Mennonite businesses are indistinguishable from their non-Mennonite competitors. Regehr poses the rhetorical question:

84. *Ibid.*

85. Donald Nightingale, *Workplace Democracy: An Inquiry into Employee Participation in Canadian Work Organizations*, (Toronto: U. of Toronto Press, 1982), 191, 197-198, 203, 209-11, 215, 233.

86. Jack Quarter, *Crossing the Line: Unionized Employee Ownership and Investment Funds* (Toronto: James Lorimer & Company, 1995), 193.

87. Peter M. Lichtenstein, “Should Labor Hire Capital? An Essay on the Democratization of the Workplace,” *Forum for Social Economics* (Fall 1986), 19. The most well known are the Mondragón cooperatives in Spain.

88. *Ibid.*, 21.

89. T. D. Regehr, “From Agriculture to Big Business: Canadian-Mennonite Entrepreneurs After 1940,” *Journal of Mennonite Studies* 6 (1988), 65.

Does Arthur Block [of Block Brothers Real Estate] use his computers differently because he was once a member of the Mennonite Brethren church? Did the former MBS firm of Winnipeg assemble real estate and build office towers or treat its workers differently and better than its “non-Mennonite” competitors?⁹⁰

Regehr claims that early Canadian Mennonite business owners “were often able to perpetuate and apply the values and ideals of their religious and ethnic heritage.” To grow and succeed, however, required the adoption of “many of the corporate structures and managerial practices of their competitors.”⁹¹

Is Regehr’s argument valid? Does it apply to the histories of Palliser Furniture and Friesens Corporation? Or are these companies the exception to Regehr’s rule? There are several problems with the thesis outlined by Regehr. The contention that true Mennonite beliefs are incompatible with modern capitalism is at least debatable. The Mennonite faith in practice has been used as much to justify and promote capitalism as to challenge it. Hard work and accompanying economic success provided social tolerance in an earlier age of religious persecution. The deference of Mennonite employees may be traced to the Mennonite church’s emphasis on acceptance of authority.

Other aspects of his argument must be challenged as well. Regehr does not provide any evidence to support his claim that early Canadian Mennonite business owners applied their faith to their business in ways that modern Mennonite owners have failed to do. What effect(s) exactly does he believe the application of faith to business should have? Lastly, the assertion that Mennonite businesses are today indistinguishable from non-Mennonite businesses requires more detailed research on Mennonite firms than currently exists. A study of Friesens Corporation suggests, at the very least however, that the company’s profit sharing and employee share ownership programs distinguish it from the majority of Canadian private companies.⁹²

CONCLUSION

It might be argued that extensive employee share ownership represents as democratic a model of workplace organization as is possible today for a business with Mennonite roots. More than a century ago, Karl Marx observed that people

90. *Ibid.*, 67.

91. *Ibid.*, 68.

92. Only 18% of Canadian private companies have profit sharing plans, and 10% have employee share ownership plans. Like most of these companies, Friesens issues voting stock to its employees. Eighty-one percent of Canadian companies with an ESOP have a share purchase limit; Friesens has no limit. The average total percentage of the company owned by non-managerial employees is between 11 and 31; Friesens is 48% employee-owned. The average percentage of non-managerial workers with shares is 30; more than 60% of Friesens workers own shares. Canadian average data found in Richard J. Long, “The Incidence and Nature of Employee Profit Sharing and Share Ownership in Canada,” *Relations Industrielles* 47, No. 3 (1992), 463-86.

make their own history, but they do not make it just as they please; they do not make it under circumstances chosen by themselves, but under circumstances directly found, given and transmitted from the past. The tradition of all the dead generations weighs like a nightmare on the brain of the living.⁹³

The nightmarish legacy of the post-revolutionary Russian Mennonite experience is still with a large portion of the Mennonite community today. Only when Mennonites are able to generate their own critique of capitalism, without fear that in so doing they necessarily embrace communism, will more radical choices be ideologically possible. Only when the Mennonite community is willing to question the unspoken assumptions of capitalism will it be ready to explore even more democratic models of workplace organization. The next generation of writers of Mennonite business histories will need to extend the entrepreneurial focus to include the role of the workforce and take into account the interaction of Mennonite values with the structures of modern capitalism.

93. Karl Marx, "The Eighteenth Brumaire of Louis Bonaparte," in *The Marx-Engels Reader*, ed. Robert C. Tucker (New York: W.W. Norton, 1978), 595.