

# From Agriculture to Big Business: Canadian-Mennonite Entrepreneurs After 1940

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"If God were a capitalist, the Mennonites would be his favorite people."<sup>1</sup> That, at least, was the opinion of a reporter writing in the *Vancouver Province* in 1977. The journalist then went on to explain that the Mennonites' stand on liquor, smoking and illicit sex is absolute and unforgiving. "They're against them . . . Mennonites believe the blessings of God accrue to those who live righteously, spend sparingly and mind their own business. And by all observable accounts it's worked."<sup>2</sup> And then, in further support of these claims, the journalist quotes a Mennonite businessman who said, "If you took us out of here (the Fraser Valley) the economy would collapse."<sup>3</sup>

These are rather startling assertions about Canadian Mennonite involvement in business. Micheal Bliss in his massive new 640 page history of Canadian business, entitled *Northern Enterprise. Five Centuries of Canadian Business History*, does not include even a single reference to any Mennonite businessmen. In most other Canadian economic and business histories the Mennonites, if they are mentioned at all, are portrayed only as a rural and agricultural people who provided markets and business opportunities for other Canadian businessmen.<sup>4</sup>

The only reference I could find to Mennonite businessmen in a major non-Mennonite book on Canadian business history is in Peter C. Newman's recent book on the Canadian establishment. He singles out Arthur and Henry Block of the Block Brothers Real Estate firm, who are identified as members of Newman's \$20,000,000 club. His description of the Block Brothers is typical of Newman's general approach to business history.

ARTHUR AND HENRY BLOCK. Probably the most computerized real estate operation in the world, the company has a \$4-million battery of elec-

tronic machines that seems incompatible with their keepers' Mennonite beliefs. The Blocks publish weekly catalogues of the real estate available in Western Canada and distribute them to two thousand agents working out of a hundred offices. They also regularly fly in Raymond (Ironside) Burr, the New Westminster-born actor, to do their television commercials. The operation, run by a former country-and-western singer named Carl Nielsen, is expanding into Eastern Canada and the United States. The Reichmann brothers of Toronto, who had been buying into the company, paid \$23.5 million in 1978 to raise their holding to 80 per cent from 23. Henry Block, a Grade 8 dropout, is no longer in business. Arthur, a Harvard Business School grad with large ambitions who neither drinks nor parties, stayed on and became president. In 1981 the company will be brokering nearly \$2 billion in real estate deals.'<sup>5</sup>

There is no evidence that Newman has the slightest idea what Mennonite beliefs are, but one must assume that fierce opposition to the use of computers in the sale of real estate, drinking and partying, are important Mennonite beliefs.

Most Mennonite histories, however, are not much more helpful than Peter C. Newman in explaining the role which Mennonites have played in the Canadian business community. The *Mennonite Encyclopedia* has several articles dealing with "Business among the Mennonites" in various countries. Canadian Mennonite entrepreneurship is discussed very briefly and then only in the context of Business Among Mennonites in North America.<sup>6</sup> The business ventures mentioned in that article, moreover, deal almost entirely with rural and agriculturally related small private and co-operative entrepreneurial ventures, thus reinforcing the image of the Mennonites as a rural and agricultural people.

The *Who's Who Among the Mennonites*, published in 1943, offers one of the most complete lists of Mennonite business firms in the United States. This list, and the entire book, ostensibly cover both Canada and the United States, but almost no Canadian Mennonite businessmen are mentioned.<sup>7</sup>

Mennonite historians have generally been far more concerned about the distinctive theological teachings of the Mennonites, about their rural and agricultural successes, and, above all, internecine squabbles about organization, ecclesiastical leadership, and institutional structures and functions. Mennonite business ventures are either not mentioned at all in most Mennonite histories, or they are treated in a very peripheral manner. The only notable exceptions are some of the Mennonite heritage picture books and a few excellent rural community studies.<sup>8</sup> Most of these studies, however, also focus on agricultural service, processing and marketing businesses, again reinforcing the stereotype of the Mennonites as a rural and agricultural people.

It takes very little attention to the subject of business history, however, to realize that the omission of any other references to Canadian Mennonite businessmen is seriously misleading. Mennonites, as counted in the 1981 Canadian census, comprise only .0075 per cent of Canada's population,<sup>9</sup> and are in fact very disproportionately over represented in many aspects of

Canadian entrepreneurship. Canada's largest real estate company, one of the largest trucking companies, several very large construction and contracting companies, some very large automobile dealerships, several farm machinery and recreational vehicle companies, and a vast number of smaller companies — all carry ethnic Mennonite names. A complete listing of all Canadian Mennonite business ventures probably would lend a good deal of support to the claims in the *Vancouver Province* quoted earlier.

The founders and owners of some Canadian companies which carry ethnic Mennonite names have certainly left, or never formally joined a Mennonite church. In some respects, however, Mennonite ethnicity clearly goes beyond membership in a Mennonite church. Definitions, and particularly a definition of who is and who is not a Mennonite, are not easy. According to Canadian census figures there were 189,370 Mennonites in Canada in 1981. That is the number of people who told the census taker that they considered themselves to be Mennonites. Yet official church records and membership statistics reveal that only about half of these people, 91,646 to be exact, were members of any Mennonite church or conference. My intention in this paper, is to use both the ethnic and a narrower religious denominational (church membership) definition when discussing Mennonite involvement in Canadian business ventures. But, no matter which definition is used, it is clear that many Canadian Mennonites have become involved, and achieved very considerable success, in Canadian business enterprises, particularly after the end of the Second World War. Why and how did this happen? What are some of the questions that should be asked when studying this development?

In this paper I want to raise several still relatively tentative hypotheses or propositions regarding Canadian Mennonite entrepreneurship, and to indicate some of the theoretical and methodological approaches that might be used to test those propositions.

*My first proposition is that Canadian Mennonite entrepreneurship had its origin within and grew out of a rural and agricultural context.* Canadian Mennonites gained their entrance into the larger Canadian business community through relatively small family or community based rural and agricultural service, processing, handling and marketing businesses. This, of course, is not at all surprising when one considers that the earliest Mennonite immigrants to Canada, whether in Ontario, on the prairies, or in British Columbia, were almost entirely a rural and agricultural people. Often they established themselves in sparsely settled and entrepreneurially immature frontier areas where a competitive and efficient economic infrastructure had not yet been created. It made very good sense for people to engage in urgently needed businesses, either on a co-operative basis or through individual initiative and investment.

Organizationally and structurally these early rural and agricultural Mennonite business ventures were not very different from the structure and organization of the Mennonite communities themselves. The primary focus

of such business ventures, and of rural and agricultural life generally, was the family and the community. A farmer with mechanical skills opened a garage or a machinery dealership. Another might open a small grocery store, perhaps in conjunction with a postal franchise, while yet another with appropriate skills might begin a small cheese factory. Sometimes the proposed venture was too expensive or otherwise inappropriate for operation by one businessman, assisted only by his family and such casual labour as he could hire locally. In such cases many Mennonite communities formed small co-operative organizations.

Those who perceive a sharp ideological contradiction between co-operative and private business ventures have often been puzzled by the relatively peaceful co-existence of both of these forms of business organization in many rural Canadian communities. During the pioneer period these two forms of business activity were not as divergent as some of the theoretical literature suggests. A clear and concise definition of Canadian, and certainly of Canadian Mennonite co-operatives, has always been difficult. Very few, if any, Canadian co-operatives followed all the hallowed Rochdale principles, which often seemed as inappropriate to the hard realities of the Canadian business world as the even more famous and hallowed Sermon on the Mount.

In rural agricultural settlements people needed many important goods and services. Few cared precisely how those goods and services were provided, and supported any entrepreneurial model which seemed likely to provide what was needed under the best terms and conditions. Practical considerations of price, quality, reliability of service and community responsibility were far more important than ideology in most rural areas.<sup>10</sup> The point that needs emphasis is that, before 1940, Canadian Mennonite businessmen, whether working privately or through a co-operative, rarely strayed far from their rural and agrarian roots.

*My second major proposition is that Mennonite entrepreneurship was very significantly influenced by the transformation of Canadian agriculture after World War II.* The war and its aftermath radically changed the rural and agricultural communities of Canada. In the United States agricultural historians speak of the great disjuncture or disruption in American agriculture. American agriculture before the war was a family and community based and labour intensive way of life. After the war mechanization and a severe narrowing of the gap between farm costs and returns led to rapid increases in farm size, to drastically increased capital requirements, and a far greater emphasis on sound business management in farming. Farming became a business and, increasingly, the farmer had to think and act on sound business principles.

In some Canadian Mennonite communities the great disjuncture in agriculture came suddenly and catastrophically. The most obvious example of a catastrophic and very sudden collapse of the agricultural base of their community can be found in the Mennonite community of Yarrow, British

Columbia.<sup>11</sup> Altona, Manitoba, on the other hand, had an exceptionally orderly and peaceful transition.<sup>12</sup> The experiences at Coaldale, Alberta, and Steinbach, Manitoba, fell between these extremes.<sup>13</sup> Those experiences in towns with large Mennonite populations, moreover, were similar to the experiences of many other rural centers in North America. Successful Mennonites became more businesslike long before they or their children left their rural communities.

*My third proposition is that Canadian Mennonites tended to enter and prosper in those businesses where their traditional values and family and community patterns could be applied with relative ease.* As farming became more and more capital intensive, many Mennonites, and particularly those who came to Canada after the war, had to look for other opportunities where labour intensive family or community centered undertakings could succeed. Mennonite willingness to invest hard physical labour, to live abstemiously, and a reputation for honesty and integrity gave them important advantages in some labour intensive urban businesses, particularly those requiring hard work and a public perception of honesty and integrity.

When first entering the business world, Mennonite entrepreneurs were most likely to succeed if they entered labour intensive ventures in which family members and co-religionists formed much of the work force. Old Mennonite family and community loyalties were successfully transferred to new Mennonite companies and their proprietors. In these new Mennonite work communities old values and work attitudes, and sometimes ongoing feuds, were cherished and perpetuated.

This inevitably raises a very sensitive point. Mennonite entrepreneurs were most likely to succeed if they entered labour intensive businesses. Wartime enlistments created severe labour shortages, but many able-bodied Mennonite young men obtained military exemptions and deferments if they were working in essential industries. Some of the military exemption and deferment hearings, in which Mennonite employers provided financial and legal assistance for Mennonite applicants, seem to support the suggestion that wartime manpower policies helped some Mennonite entrepreneurs. But, irrespective of governmental wartime manpower policies, the ethic of hard work is a common and essential ingredient in the story of Mennonite entrepreneurship.

*My fourth proposition is that Canadian Mennonite business success or failure was largely determined by the sector of the economy into which Mennonite entrepreneurs entered.* It is surely notable, for example, that while Mennonites in the United States achieved very considerable success and prominence in banking, none have done so in Canada. Our branch banking system made it virtually impossible for Mennonites (or Jews for that matter) to establish and operate their own unit banks in the way that many did south of the border. Urban house construction, on the other hand, was much more open to entry by Canadian Mennonites than was the case south of the border. The basic conditions of industries — such as real estate, trucking, busing,

grocery wholesaling and retailing, farm machinery manufacturing and servicing, and the new and used car business — must be understood if one is to understand Mennonite success or failure in them.

*My fifth proposition is that as Mennonite companies grew and expanded they lost many distinctive Mennonite traits and became increasingly like any other company. These changes did not occur gradually or imperceptibly over long periods of time. They occurred in distinct stages and are directly related to corporate structure and management.*

The formulation of this proposition has been partly informed by Alfred Dupont Chandler's much acclaimed book, entitled *The Visible Hand. The Managerial Revolution in American Business*.<sup>14</sup> In this work Chandler develops a rather distinctive model or conceptual framework to study "the changing processes of production and distribution in the United States and the ways in which they have been managed."<sup>15</sup> He examines the histories of America's most successful corporations, and argues that key structural and managerial changes account for entrepreneurial success or failure.

Companies, like individuals, pass through distinct phases as they grow. Small single unit traditional family or community businesses represent corporate infancy, while the vertically and horizontally integrated multi-unit and multi-national megacorporation represents full entrepreneurial maturity. In between there are a number of quite distinct steps or stages.

The first of these stages beyond that of the small family business normally occurs when significant amounts of new capital are invested and the physical facilities and the workforce are expanded, often with dramatic and unexpected results. The new capital expenditures almost always carry relatively inflexible fixed charges. Interest and principal on mortgages and loans must be paid whether the venture is immediately profitable or not. In business the time immediately after a major expansion is particularly dangerous.

Thus far almost no work has been done on the sources of investment capital available to Mennonite entrepreneurs who expanded their small family and community base business during and after World War II. It seems clear, however, that there were within Mennonite communities substantial pools of underutilized capital. The success of the victory loan campaigns provides striking evidence of the availability of investment capital in Mennonite communities.

Equally and sometimes more important was the fact that investment capital raised within the Mennonite community provided greater flexibility in repayment schedules if the company was faced with unexpected short term difficulties. Mennonite lenders were less inclined than many other lenders to put a fundamentally sound Mennonite-owned company with short term cash flow problems into receivership. Family and community traditions and loyalties were still strong.

The expansion of small family and community based businesses, however, often undermined the traditions, values and loyalties of those communities. Increased capital investment and a significantly enlarged workforce

often created a new and very different business environment. Increased capitalization led to fixed capital charges irrespective of the success or failure of the venture. Owners still expected their workers to bear some of the burdens if times were really difficult, as most did when working for small family or community based businesses. But if the expanded venture proved successful very few Canadian Mennonite businessmen were willing to pay their employees anything in excess of prevailing wage rates. And so fracture lines between labour and capital began to emerge. The expanded Mennonite-owned company became more like other Canadian businesses and less like the traditional family and community based enterprise.

The next major stage of corporate growth generally occurred when a large successful single unit company established branch plants. At that point major changes in managerial techniques are essential. The old local common sense approach to management must give way to much tighter planning and control if operations of the main and branch plants are to be harmonized. Managers come to occupy a position which is distinct from both capital and labour. These new managers, moreover, have their own interests and operating procedures which are rarely sensitive to traditional community or denominational values and practices. The results are predictable. Increasingly owners come to see themselves as capitalists, their managers follow the latest administrative, marketing, accounting and legal practices, while the workers are reduced to roles of employees who have little or no control over or interest in the policies of the company.

The trends and policies introduced at the time when branch plants are established become firmly institutionalized and are legally defined and enforced at the point where a company decides to issue public shares or bonds and debentures. Many entrepreneurs and observers argue that it is at the point where a company "goes public" that the most easily observable changes in administrative and management styles take place. At that point managerial values and procedures very clearly take precedence over all remaining distinctive ethnic or religious values in the corporation, except those pertaining to the private philanthropies of the founders.

Corporate growth and maturation of this kind leaves very little room for the perpetuation of distinctive Mennonite values and practices. A contemporary case will, I think, illustrate this point. In the April 4th, 1988, issue of *Maclean's* there is a feature story on The Loewen Group Inc. of Burnaby, British Columbia. This group has, according to that report, created North America's second largest funeral services company. This is a multi-unit, international, horizontally and vertically integrated corporation. The reporter dubs the facilities of this company "McMortuaries" after the McDonalds fast food chain. We are assured that Loewen's buying out of independent family-run funeral homes "has changed the whole death-care industry into one-stop shopping."<sup>16</sup>

I am not sure what deviations from Mennonite practices Peter C. Newman might find in that development, and it is perhaps fortunate that, rather

than identifying Raymond Loewen as a Mennonite, the reporter only identifies him as a former Social Credit backbencher. But it is surely obvious that the pastel coloured sanctuaries with artificial waterfalls, wishing wells, live plants, canned music, resident grief psychologists, and vaguely certified clergymen who can perform a vast variety of religious services, is a very long way removed from the old Mennonite “Beerdigungskasse” or even the community centered, family operated single unit funeral homes. Typically, the final reassurance in this article makes reference to an entrepreneurial rather than any kind of spiritual heaven. It is not the human soul, but the market for funerals which, we are told, will never die.<sup>17</sup>

*This leads me directly to my sixth proposition. Increased involvement in entrepreneurial ventures, whether as workers, managers or owners, has greatly facilitated and in many cases forced Mennonite accommodation and assimilation into Canadian and North American society.* Chandler’s visible hand of management is blind to cultural, religious or ethnic distinctives. To survive in the world of big business things must be done in certain ways. I mentioned earlier that the article on the Loewen Group Inc. did not say whether Raymond Loewen had a Mennonite background. Does it really matter or make any difference? Does Arthur Block 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?

Businesses, particularly very large businesses, work in a particular environment. To succeed in that environment Mennonite-owned or managed corporations have become indistinguishable from those owned and operated by non-Mennonites.

*My seventh proposition is that Canadian Mennonites have accepted and utilized the important role of government in business.* Canadians have generally had a much less dogmatic view of the role of government in business which finds its clearest expression in those uniquely Canadian business organizations — the Crown Corporations. It is notable that almost all of our large national Crown Corporations were created when the Conservative Party was in power. This relatively positive, benevolent and at the same time very conservative view of the state in business held great appeal for many Mennonites who, despite their determined independence from all governmental authority in matters of faith, held an otherwise very benevolent view of the state. The state, according to the *Mennonite Encyclopedia*, “is a divine institution with a divinely assigned task to perform, requiring full obedience from the Christian, except in the spiritual realm.”<sup>18</sup>

Historically, moreover, Mennonites have tended to rely on contractual (*Privilegium*) rather than democratic relations with governments. Such contractual relations are very common in the relations between the Canadian government and entrepreneurs. Mennonite experiences with and understanding of governments, in short, facilitated their entry into business in

Canada. They readily accepted an active role by the state in setting the basic rules of entrepreneurship. Some of their experiences with unregulated free enterprise had, after all, not been entirely positive. Self interest and a concern about order and stability required government regulation of the economy, but within that framework the incorporation of private or co-operative companies, and the negotiation of contractual arrangements could flourish.

Professor Micheal Bliss has argued that the story of Canadian entrepreneurship is the interaction of enterprise with opportunity. In the years after 1940 the Canadian economy provided unprecedented opportunities and many Mennonites responded by becoming involved in a vast variety of business ventures. The seven propositions listed above provide a framework within which the Canadian Mennonite experience in business will be studied. I hope to show in Volume 3 of *Mennonites in Canada* that when Canadian Mennonites first entered the business community they were often able to perpetuate and apply the values and ideals of their religious and ethnic heritage. But as their companies grew Mennonite entrepreneurs found they had to adopt many of the corporate structures and managerial practices of their competitors. As a result, the Mennonite experience in Canadian entrepreneurship facilitated and sometimes forced a more general integration into Canadian society. The results were explained by the journalist quoted at the beginning of this paper.

Attempts by Mennonites to maintain a separate identity, and to a lesser extent a separate way of life, is [sic] falling on hard times. Outside pressures and internal fragmentation is corroding a once powerful tradition and culture."<sup>19</sup>

## Notes

<sup>1</sup>David Virtue, "Mennonites: From a humble start to status of power," *Vancouver Province*, 23 April 1977, p. 28.

<sup>2</sup>*Ibid*

<sup>3</sup>*Ibid*.

<sup>4</sup>For a more detailed discussion of how Canadian historians have dealt with the Mennonites see my "The Writing of Canadian Mennonite History," *Journal of Mennonite Studies*, Vol. 1, 1983, pp. 11-32

<sup>5</sup>Peter C. Newman, *The Canadian Establishment, Vol. 2, The Acquisitors*, Toronto: McClelland and Stewart, 1981, pp. 50-51.

<sup>6</sup>*Mennonite Encyclopedia*, Vol. 1, pp. 483-484.

<sup>7</sup>A. Warkentin and Melvin Gingerich, eds., *Who's Who Among the Mennonites*, North Newton: Bethel College Press, 1943, pp. 300-314.

<sup>8</sup>An early example of this kind of work is Robert Meyer, *Spirit of the Post Road: A Story of Self-Help Communities*, Altona: Federation of Southern Manitoba Co-operatives, 1955. Four more recent and very successful and carefully researched local rural community studies are Esther Epp-Thiessen, *Altona. The Story of a Prairie Town*, Altona: D. W. Friesen & Sons, 1982, Peter D. Zacharias, *Reinland. An Experience in Community*, Altona: D. W. Friesen & Sons, 1976, Roydon Loewen, *Blumenort: A Mennonite Community in Transition, 1874-1982*, Steinbach: Blumenort Mennonite Historical Society, 1983, and Gerhard John Ens, *Volost and Municipality. The Rural Municipality of Rhineland, 1884-1984*, Altona: R. M. of Rhineland, 1984.

<sup>9</sup>A simple compilation of Mennonites in Canada, as enumerated in the 1981 Census of Canada, and of comparable membership figures for the various Mennonite churches and conferences, are given in Margaret Loewen Reimer, *One Quilt, Many Pieces. A Concise*

*Reference Guide to Mennonite Groups in Canada*, Waterloo: Mennonite Publishing Service, 1983, pp. 56-57.

<sup>10</sup>It is certainly true that significant differences in their approaches to entrepreneurship can be found in different Mennonite communities, but it can at least be argued that those differences, while often justified by references to ideology, were in fact a product of specific local circumstances, opportunities, and personalities.

<sup>11</sup>Agatha E. Klassen, *Yarrow. A Portrait in Mosaic*, Revised Edition, Yarrow: A. E. Klassen, 1980. This is a sympathetic account of those events. Extensive and more critical discussion of Mennonite co-operative business ventures at Yarrow can be found in various issues of the *Chilliwack Progress*.

<sup>12</sup>Esther Epp-Thiessen, *Altona. The Story of a Prairie Town*, Altona: D. W. Friesen & Sons, 1982, and David Flynn and Al Koop, "A Sense of Community: Three Mennonite Towns in Manitoba, Canada," Paper presented at the XI World Congress of Sociology, New Delhi, India, August 19, 1986.

<sup>13</sup>Ted D. Regehr, "Mennonite Change: The Rise and Decline of Mennonite Community Organizations at Coaldale, Alberta," *Mennonite Life*, December 1977, pp. 13-22.

<sup>14</sup>Alfred Dupont Chandler, *The Visible Hand. The Managerial Revolution in American Business*, Cambridge, Massachusetts: Harvard University Press, 1977.

<sup>15</sup>*Ibid.*, p. 1.

<sup>16</sup>*Maclean's*, 4 April 1988, p. 29.

<sup>17</sup>Ann Walmsley, "Growth of the Chains," *Maclean's*, 4 April 1988, p. 29.

<sup>18</sup>*Mennonite Encyclopedia*, Vol. 4, p. 612.

<sup>19</sup>David Virtue, "Mennonites: From a humble start to status of power," *Vancouver Province*, 23 April 1977, p. 28.