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# The Rise and Fall of an Ontario Business Dynasty: William Kennedy & Sons and its successors, 1857-1997

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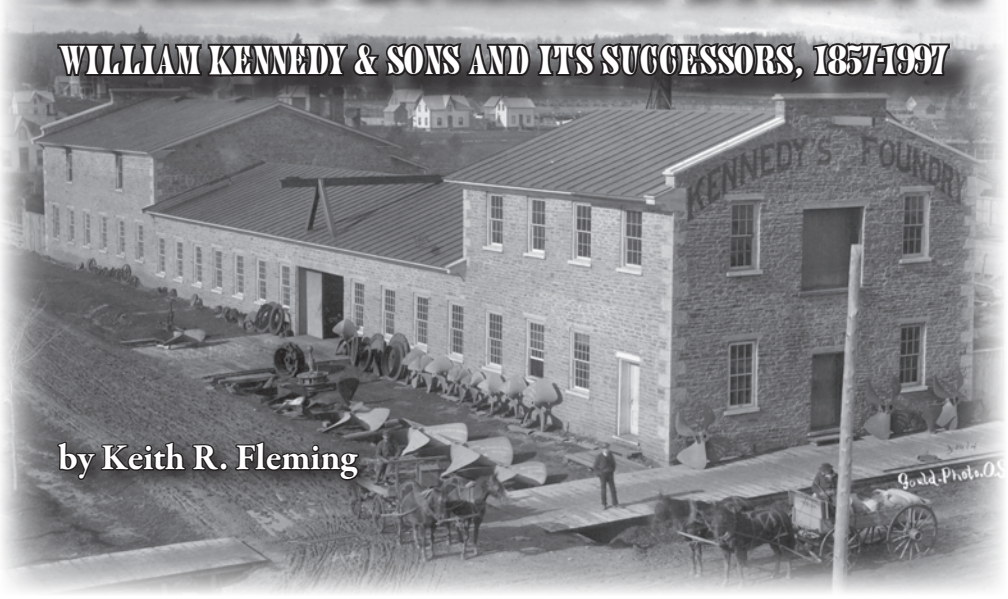
Résumé de l'article

Entre 1857 et 1951 trois générations de la famille Kennedy ont géré la compagnie William Kennedy & Sons d'Owen Sound. Comme fournisseur d'équipement industriel aux secteurs agricole, minotier, minier, ferroviaire, marin, hydro-électrique, et pâte et papier, « Kennedy's » était un modèle de l'esprit d'entreprise, quoique défiant le lieu commun selon lequel la réussite dépend d'économies d'échelle obtenues par la spécialisation. La force des Kennedy, au contraire, venait de leur détermination à exploiter l'ingéniosité de leurs artisans à fabriquer toute une gamme de produits. Mais une fois devenue succursale de sociétés multinationales, la compagnie a été obligée de se concentrer de plus en plus sur une seule sorte de produit et a commencé un long déclin jusqu'à sa faillite en 1997. L'histoire de William Kennedy & Sons nous montre comment une PME a fontionné pendant 140 ans, et nous donne un aperçu de l'esprit d'entreprise qui a créé l'Ontario industriel, jadis imposant mais aujourd'hui sur le déclin.

# THE RISE AND FALL OF AN ONTARIO BUSINESS DYNASTY:

## WILLIAM KENNEDY & SONS AND ITS SUCCESSORS, 1857-1997




by Keith R. Fleming

At the William Kennedy & Sons, Ltd. apprenticeship graduation banquet held in Owen Sound, Ontario in September 1947, T. Dowsley Kennedy, the president of the 90-year-old-foundry and metal works, announced that "so far as is known" his was "the oldest firm in the nation still controlled by the same family which founded it."[1] This was an unverifiable but not improbable claim, particularly if Kennedy was comparing his company's longevity to other Canadian manufacturers specifically. Between its humble origins in 1857 and acquisition by a foreign multinational corporation in 1951, William Kennedy & Sons was transformed by three successive generations of the Kennedy family into an Ontario business dynasty by consistently adhering to a strategy of product development and diversification made possible by ongoing and often in-house

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[1] *Owen Sound Sun-Times*, 16 September 1947.

technological innovations. As a supplier of industrial equipment to the agricultural, milling, mining, railway, marine, hydro-electric, and pulp and paper sectors across Canada and internationally, "Kennedy's," as the company was known locally and abroad, became a model of entrepreneurialism despite challenging the conventional wisdom that competitiveness, profitability and longevity in manufacturing depended upon economies of scale generated by product specialization. In marked contrast, not long after Kennedy's became a branch plant of British and American multinational corporations and was forced by its foreign owners to focus increasingly on a single product line—paper-making machinery—the firm commenced a protracted and ignominious slide ending in bankruptcy in 1997. The history of the rise and fall of William Kennedy & Sons is not only a rare account of how a medium-sized Ontario manufacturer conducted business over a span of 140 years. It is also a revealing chapter in the larger story of how fortunes shifted within the Canadian manufacturing sector generally between the 1850s and the 1990s.[2]

Given the modest scale of Kennedy's

[2] Most histories of family-owned businesses in Canada and elsewhere have focused on large rather than small- or medium-sized firms such as Kennedy's. A succinct introduction to the history of family firms in Canada is Graham D. Taylor, *The Rise of Canadian Business* (Oxford University Press, 2009), 215-222. The challenges of defining and analyzing family businesses internationally since the nineteenth century are addressed in Andrea Colli and Mary Rose, "Family Business," in Geoffrey Jones and Jonathan Zeitlin, eds., *The Oxford Handbook of Business History* (Oxford University Press, 2009), 194-218. An excellent historical overview of factors contributing to either the decline or persistence of family firms is Andrea Colli, *The History of Family Business, 1850-2000* (Cambridge University Press, 2003). Stereotypes of family-owned and managed businesses as conservative and inefficient are tested in Geoffrey Jones and Mary B. Rose, eds., *Family Capitalism* (Frank Cass, 1993). See in particular Roy Church, "The family firm in industrial capitalism: international perspectives on hypotheses and history," which documents the positive performance of family firms vis-à-vis managerial enterprises. Harold C. Livesay demonstrates the correlation between aggressive entrepreneurial management and firm success in "Entrepreneurial Dominance in Businesses Large and Small, Past and Present," *Business History Review* 63 (Spring 1989), 1-21. The largely overlooked significance of smaller companies to business history is explored in Jonathan Boswell's *The Rise and Decline of Small Firms* (George Allen & Unwin Ltd., 1972). The expansive theme of historical entrepreneurship is synthesized in Geoffrey Jones and R. Daniel Wadhwani, "Entrepreneurship," in Jones and Zeitlin, eds., *The Oxford Handbook of Business History*, 501-528. Mark Casson develops an interdisciplinary theory of entrepreneurial practice in *Entrepreneurship: Theory, Networks, History* (Edward Elgar, 2010). Similarly, Jonathan Brown and Mary B. Rose, eds., *Entrepreneurship, networks and modern business* (Manchester University Press, 1993) and two edited collections by Youssef Cassis and Ioanna Pepelasis Minoglou, *Entrepreneurship in Theory and History* (Palgrave Macmillan, 2005) and *Country Studies in Entrepreneurship: A Historical Perspective* (Palgrave Macmillan, 2006) utilize nation-based case studies to examine historical entrepreneurship theoretically and empirically. Other works useful for drawing comparisons to the Canadian experience include Andrew Godley and Mark Casson, "History of Entrepreneurship: Britain, 1900-2000," and Margaret B. W. Graham, "Entrepreneurship in the United States, 1920-2000," in David S. Landes, Joel Mokyr and William J. Baumol, eds., *The Invention of Enterprise: Entrepreneurship from Ancient Mesopotamia to Modern Times* (Princeton University Press, 2010), 243-272 and 401-442. An older but still significant collection of case studies is William Miller, ed., *Men in Business: Essays on the Historical Role of the Entrepre-*

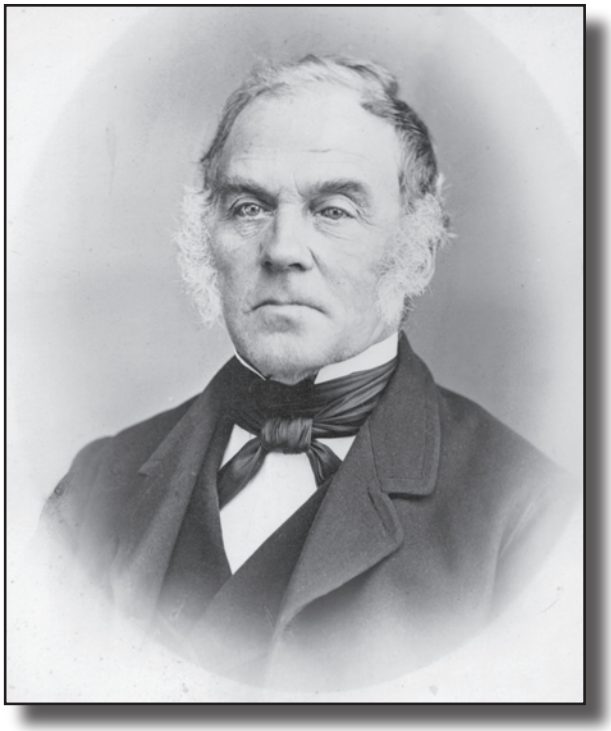
## Abstract

*Between 1857 and 1951, the Owen Sound firm of William Kennedy & Sons was transformed by three successive generations of the Kennedy family into a dynasty. As a supplier of industrial equipment to the agricultural, milling, mining, railway, marine, hydro-electric, and pulp and paper sectors across Canada and internationally, "Kennedy's" became a model of entrepreneurialism despite challenging the conventional wisdom that success depended upon economies of scale generated by product specialization. Originally, Kennedy's strength was its owners' determination to harness their craftsmen's ingenuity in making a plethora of products. After it became a branch plant of multinational corporations and was forced to focus increasingly on a single product line, the firm commenced a protracted and ignominious slide ending in bankruptcy in 1997. The history of William Kennedy & Sons is a rare account of how a medium-sized manufacturer conducted business over 140 years. It also provides a revealing look at the entrepreneurial spirit behind the creation of a once imposing, but now much diminished, industrial Ontario.*

***Résumé:*** *Entre 1857 et 1951 trois générations de la famille Kennedy ont géré la compagnie William Kennedy & Sons d'Owen Sound. Comme fournisseur d'équipement industriel aux secteurs agricole, minotier, minier, ferroviaire, marin, hydro-électrique, et pâte et papier, "Kennedy's" était un modèle de l'esprit d'entreprise, quoique défiant le lieu commun selon lequel la réussite dépend d'économies d'échelle obtenues par la spécialisation. La force des Kennedy, au contraire, venait de leur détermination à exploiter l'ingéniosité de leurs artisans à fabriquer toute une gamme de produits. Mais une fois devenue succursale de sociétés multinationales, la compagnie a été obligée de se concentrer de plus en plus sur une seule sorte de produit et a commencé un long déclin jusqu'à sa faillite en 1997. L'histoire de William Kennedy & Sons nous montre comment une PME a fontionné pendant 140 ans, et nous donne un aperçu de l'esprit d'entreprise qui a créé l'Ontario industriel, jadis imposant mais aujourd'hui sur le déclin.*


capitalization, revenues, workforce, and organizational structure relative to the giants of industrial mass production and distribution that were emerging in the United States and to a lesser extent Canada by the final quarter of the nineteenth

*neur* (Harper & Row, 1962). In "Understanding the Strategies and Dynamics of Long-lived Family Firms," *Business and Economic History* 21 (1992), 219-227, Philip Scranton considers the longevity of family-owned manufacturers based in the United States throughout the nineteenth and twentieth centuries. Tom Nicholas tracks multi-generational predictors of entrepreneurial performance in "Clogs to Clogs in Three Generations?: Explaining Entrepreneurial Performance in Britain Since 1850," *The Journal of Economic History*, 59 (September 1999), 688-713. Obstacles to dynastic formation are the subject of Peter Dobkin Hall, "A Historical Overview of Family Firms in the United States," *Family Business Review*, 1 (Spring 1988), 51-68. *Generation to Generation: Life Cycles of the Family Business* (Harvard Business School Press, 1997) by Kelin E. Gersick et al. is less historical but provides an insightful developmental model for describing changes to the business fortunes of family firms of various size. Philip Scranton's *Endless Novelty: Specialty Production and American Industrialization, 1865-1925* (Princeton University Press, 1997), which details contributions by sundry specialty manufacturers to the Second Industrial Revolution, complements particularly well the early history of William Kennedy & Sons, Ltd.



*William Kennedy Sr. (1809-1885). Courtesy of Grey Roots Museum and Archives, 984.22.*

century, the company might seem undeserving of the lofty appellation "dynasty." But if we apply to Kennedy's the same definition of dynasty—"a succession of at least three generations of a family business, marked by continuity of identity and interest"—that the historian and economist David Landes uses in his study of the "fortunes and misfortunes of the world's great family businesses," then the Owen Sound firm certainly qualifies. Moreover, Landes stressed the dynastic family's role as "a nursery of knowledge and skill, an embodiment of trust, and a store of capital." Those functions were no less consequential to Kennedy's long-term success, albeit on a far more modest scale than was the case for the Fords, Rockefellers, Guggenheims and other business titans Landes studied. Finally, taxation and inheritance laws—Landes called them "the institutions that help determine whether you can keep the money you earn" —significantly impacted succession opportunities within family dynasties great and small, and would prove instrumental in Kennedy's demise as a family-owned and controlled enterprise.[3]

William Kennedy, the firm's founder, was born in 1808 or 1809 at Dalton, Dumfriesshire, Scotland. Trained as a millwright, he apprenticed in the River Clyde's famous shipbuilding industry before immigrating to Upper Canada in 1831. After many years plying his trade in Smith's Falls, Prescott, Port Hope and elsewhere in the colony, William travelled in 1856 to Sydenham (incorporated and renamed Owen Sound in 1857), a port community of 2,000 residents on southern Georgian Bay, to install machinery at the Harrison Woolen and Grist Mill.[4] Encouraged by the business potential of Sydenham's bustling harbour and expanding agricultural hinterland, William opted to sink permanent roots at last. In competition with the two local foundries, he opened the Sydenham Foundry and Planing-mills in October 1857. Operating out of a ramshackle

[3] David S. Landes, *Dynasties: Fortunes and Misfortunes of the World's Great Family Businesses* (Viking, 2006), 291, 294, 302.

[4] *Industrial Canada*, July 1927, 238.

*The second Kennedy foundry building. Courtesy of Grey Roots Museum and Archives, 1989.054.009.*

wooden building, William performed general repairs and manufactured iron castings, water wheels, ploughs and cook stoves. His modest objective, according to the newspaper advertisement he placed announcing the new venture, was to earn "a share of the public patronage" through "strict attention to his business, good work, and moderate charges."[5]

After just three years William relocated his flourishing business to a 316m² two-storey building housing a machine shop on the upper level and equipment for wood planning and sash and door manufacturing on the ground floor.[6] At the same time he renamed the firm William Kennedy & Sons, when Thomas (b.1842) and Matthew (b.1845) joined their father as partners in the enterprise. By the early 1870s Kennedy's had largely discontinued its woodworking and agricultural implement lines. Its dozen employees concentrated instead on manufacturing cast iron propellers and sundry marine equipment, turbine water wheels for hydro-electric power and pumping facilities, and heavy shafting, gears and pulleys for the province's proliferating saw, grist, flour and woolen mills.[7]

When fire partially destroyed his building in 1880, William moved the business to its permanent location on the west shore of Owen Sound harbour. With a workforce of thirty, Kennedy's commenced operations in January 1885 in an 818m² two-storey stone building complete

[5] *Owen Sound Comet*, 23 October 1857; Melba Croft, *The People of Owen Sound* (Owen Sound, M.M. Croft, 1979), 21, 25.

[6] *Owen Sound Sun*, 16 March 1917.

[7] *Owen Sound Advertiser*, 10 January 1867.


*The Kennedy foundry, circa 1898. Courtesy of Grey Roots Museum and Archives, 1973.010.019.*

with grey iron foundry, machine shop and pattern shop. The new waterfront location, in addition to improving the firm's access to marine and railway facilities essential for transporting its bulky products to customers across Canada and to Australia, England, Ireland, and the West Indies, also facilitated Kennedy's servicing of the growing commercial fleets plying the Great Lakes.[8] When William died later that year, the company he had founded twenty-eight years before was poised to become the preeminent manufacturer in the southern Georgian Bay region. An unassuming obituary in the local *Advertiser* described William as "a Reformer in politics," a community leader who served several terms on town council, and an ardent Baptist and "advocate of temperance principles." Having "embarked in the foundry business in a small way," he had converted his entrepreneurial talents into "a large and prosperous business" by virtue of "close attention and a through [sic] knowledge of the requirements of the trade."[9]

During the ensuing fifty-year presidency of William's fourth son, Matthew, the company developed into a fully integrated foundry and industrial equipment manufacturer serving local, national and international markets. Matthew had joined the firm at the age of fifteen, training as a machinist. While at its helm he followed the course his father had set of building the business through ongoing product diversification and adopting increasingly sophisticated fabrication techniques developed on-site. Kennedy's also actively marketed its growing international reputation for quality workmanship, which received a boost in 1894 when its propellers and water-wheels won awards at industrial exhibitions in Paris, Philadelphia, and London, England.[10] Throughout his presidency Matthew

[8] *Owen Sound Sun-Times*, 1 March 1951; Grey Roots Museum and Archives (hereafter cited as GRMA), William Kennedy & Sons (hereafter WKS) Collection, Box 40, "Historical Forward," 26 November 1952. Patterns are precise wooden replicas of pieces of machinery into which the molten metal is poured.

[9] *Owen Sound Advertiser*, 27 August 1885.

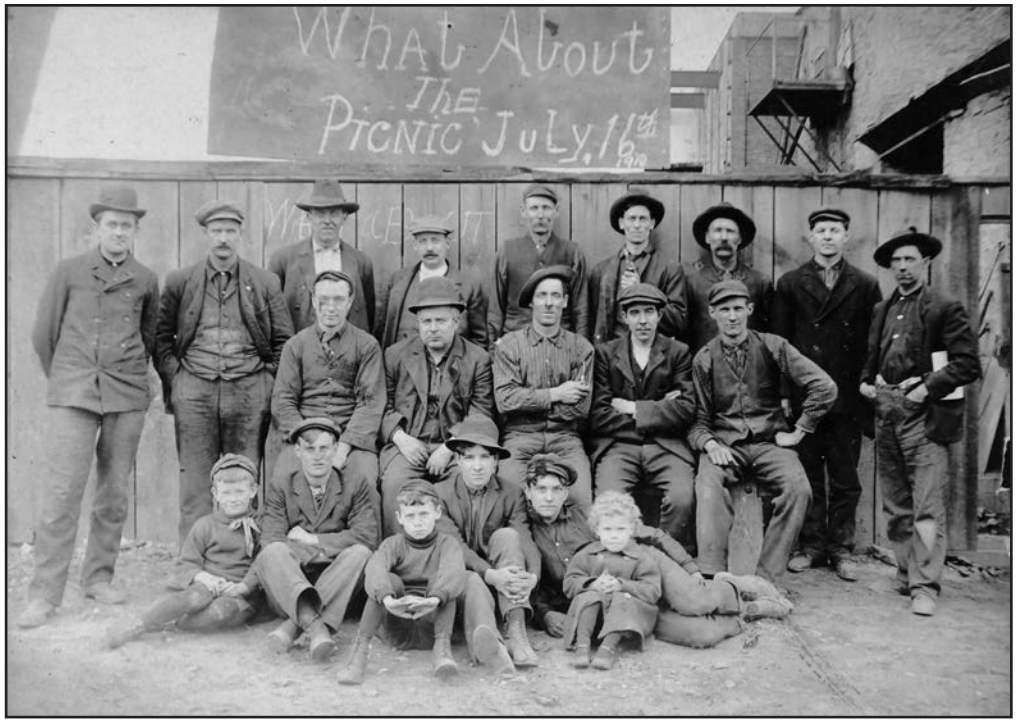
[10] *Owen Sound Advertiser*, 5 October 1894.

displayed what Mark Casson, a leading historian of entrepreneurship, called "the paternalism associated with the dynastic motive," whereby business owners fulfill a "commitment to participate (as social superiors) in the life of the community to which their workers belong."[11] In keeping with his status as head of Owen Sound's largest and most important manufactory, Matthew served four terms as mayor and held executive positions on the local board of trade, the Manufacturers' Association, and the Imperial Cement Co. Ltd. Having inherited his father's prohibitionist proclivities, Matthew was a vocal critic of Owen Sound's lax liquor licensing, arguing it harmed local trade, lessened property values, and "injured the moral well-being of very many." It was also during Matthew's tenure, on 6 May 1896, that the firm was incorporated as The William Kennedy & Sons, Limited. Kennedy family members held all $98,000 of the stock.[12]

Between its incorporation and the onset of the First World War, Kennedy's tackled contracts of increasing scale and complexity. In 1900, for example, it manufactured several large iron bridges for the city of Montreal and designed water-pumping systems for a number of Ontario municipalities. The foundry also diversified into steel production with the acquisition of a two-ton capacity Bessemer converter. By 1911, Kennedy's workforce of 150 was producing castings and finished goods valued at $350,000 annually. Wartime contracts with the Imperial Munitions Board boosted the company's prospects. In March 1915 when Kennedy's received an initial order for 25,000 shrapnel shells, the equivalent of three month's production, Matthew was reluctant to expand the foundry and machine shop and purchase the requisite specialized machinery without first receiving government assurances that additional contracts would follow. Only after repeat orders for high explosive shell casings started appearing in 1916 did he authorize the new investment in physical plant. Kennedy's further increased its productive capacity at that time by acquiring the facilities of the Owen Sound Iron Works (renamed the East Machine Shop), and purchasing the open hearth steel plant and rolling mills of the Northern Iron & Steel Company situated fifty-eight kilometers to the east in Collingwood. Although the two furnaces in the Collingwood plant—they had a combined daily capacity of seventy-five tons—required a complete rebuild to become operational, Kennedy's cited the need to protect its market share in munitions as justification for the expense. It proved to be a shrewd decision, particularly once supplies of the expensive low phosphorous pig iron on which the Owen Sound plant's Bessemer converter depended grew increas-

[11] Mark Casson, *Enterprise and Leadership: Studies on Firms, Markets and Networks* (Edward Elgar, 2000), 212.

[12] Alexander Fraser, *A History of Ontario: Its Resources and Development* (Toronto: Canada History Co., 1907), 1124. Unfortunately, financial data for much of the company's history is sporadic and not amenable to a sustained and systematic analysis. Only for the period since the early 1980s do relatively comprehensive financial reports exist.




*Men and boys employed at the Kennedy foundry, 1910. Courtesy of Grey Roots Museum and Archives, 1997.008.018.*

ingly scarce. As a result when munitions production at Owen Sound began to slip in 1917 the Collingwood foundry made up the difference, aided by Kennedy's installation there of its first electric furnace capable of producing fifteen tons of pig iron daily.[13]

Anticipating the return to peacetime when orders for munitions could no longer be relied upon to maintain its facilities at capacity, Kennedy's opted to expand its marine trade. In 1917 it redesigned and expanded the iron foundry to accommodate the manufacture of large propellers, an investment that bore fruit immediately when Kennedy's supplied the Montreal shipbuilder Canadian Vickers Ltd. with four 17'6" diameter propellers, each weighing ten tons and believed to be the largest constructed in North America up to that point.[14] As soon as the Armistice was signed in November 1918, the company spent $25,000 adding a 465m$^2$ extension and twenty-ton electric travelling crane to the Owen Sound plant.[15] Soon thereafter it was advertising an extensive line of anchor windlasses, chain stoppers, steering engines, cargo winches, ash hoists, and solid and sectional propellers made of steel, iron, and

[13] GRMA, WKS Collection, Box 44, Scrapbook 1943-1961, PF11S1F8I10, article for *Canadian Machinery*, December 1917.

[14] *Owen Sound Sun*, 12 October 1917.

[15] *Owen Sound Sun-Times*, 10 December 1918.

bronze. Kennedy's innovative craftsmen also improved the efficiency of the firm's largest water turbines—they built several 4,500 horsepower units for the Ottawa and Hull Power Manufacturing Company plant at Chaudière Falls—and began producing heavy transmission gears, high capacity (35-ton) winches and hoisting machines, and a reversible dipper tooth for dredges and steam shovels designed and patented by Matthew's brother, the renowned engineer Sir John Kennedy.[16]

At war's end Kennedy's cancelled all production at its Collingwood foundry, an investment valued at approximately $500,000, and abruptly dismissed the 350 workers employed there, a significant economic loss to the community.[17] At the same time the firm augmented its Owen Sound operation by acquiring the neighbouring Canadian Malleable Iron Works plant. Kennedy's strategy throughout the 1920s of offering increasingly diversified products and services, which it advertised extensively in trade journals nationwide, was rewarded with a steady growth in orders once the economy had shaken off the torpor of the immediate post-war period. Sales rose from a low of $336,413 in 1921 to a high of $957,584 in 1929, and averaged $583,223 annually across the entire decade. The company's gross trading profits also exhibited a healthy upward trend, rising from $70,897 in 1922 to $229,567 in 1929, and averaging $126,637 annually.[18]

A 1922 advertisement in the *Canadian Mining Journal* describing an array of Kennedy's products was typical: it mentioned ball mill feeders, boilers, buckets, cages, cam shafts, ore cars, car wheels and axles, cement machinery, crusher balls, assorted gears, hydraulic machinery, pulleys, pumps, smoke stacks, and steel tanks.[19] An inventory assembled by Kennedy's sales staff around the same time added to the list castings (steel, chrome steel, manganese steel, grey iron, malleable iron, aluminum, and brass), patterns, structural steel, steering engines, tube mills, winches, propellers, and all manner of mining, milling, marine, and hydraulic power machinery.[20] Trading on its ability to engineer and manufacture an expansive range of custom projects, the company boldly pledged to fill all orders "no

[16] GRMA, WKS Collection, Box 44, Scrapbook 1943-1961, PF11S1F8I10, article for *Canadian Machinery*, December 1917; Box 40, "Wm. Kennedy & Sons Limited, Owen Sound, Ontario"; *Owen Sound Sun*, 4 January 1916; 4 February 1916. Sir John Kennedy (b. 1838) was employed with WKS from 1868-72. Thereafter he was chief engineer of the Great Western Railway and the Montreal Harbour Commission. He was knighted in 1916 by King George V for "his devoted service to marine and rail transportation in Canada." Upon his death in 1921 he was dubbed the "Dean of the engineering profession in Canada" by the Engineering Institute of Canada. See Rod Millard, ed., *Biographical Dictionary of Canadian Engineers*, http://history.uwo.ca/cdneng/kennedy.html (accessed on 27 April 2011).

[17] *Owen Sound Sun-Times*, 10 December 1918.

[18] GRMA, WKS Collection, Box 14, Ledger Financial Statements, December 1917 – December 1938.

[19] GRMA, WKS Collection, Box 38, Scrapbook 1922-1923, PF11S1F8I1, WK&Sons Ltd. to *Canadian Mining Journal*, 11 February 1922.

[20] GRMA, WKS Collection , Box 38, Scrapbook 1922-1938, PF11S1F8I1, "Products of The William Kennedy and Sons, Limited," c. 1922.

matter of what material or for what purpose ... with accuracy and dispatch" using either the customer's pattern or one designed by Kennedy's.[21] New investments in sales and marketing further enhanced Kennedy's business profile nationwide. By 1927 it was operating branch offices in Halifax, Toronto, Montreal and Cobalt—each one overseen by a "competent engineer"—and maintained sales agents in Vancouver and Winnipeg.[22] One notable failure was Kennedy's sole attempt at manufacturing outside of Ontario. In 1923 after just three years of operation the company shuttered the open-hearth steel plant it had acquired in Medicine Hat, Alberta, when local demand fell well short of expectations.

*A manganese-bronze propeller, first poured in August of 1941. Courtesy of Grey Roots Museum and Archives, 1997.008.019.*

During the interwar period Kennedy's made substantial enhancements to its core products while also tackling new and operationally complex projects. For instance, when Owen Sound revitalized its harbour in 1925 by constructing a million-bushel grain elevator to replace one destroyed by fire in 1911, Kennedy's designed and manufactured the conveying and transmission machinery, a job unlike any it had undertaken previously. At the same time the company's reputation as Canada's premier propeller manufacturer received a boost in 1924 when it was the first to adopt manganese bronze as a primary construction material. Resistant to salt water corrosion and as strong as high-grade carbon steel, yet easier to repair, propellers made from manganese bronze were prized for maintaining accurate pitch under load. By 1927 approximately ninety per cent of all propellers installed on Great Lakes commercial vessels had been cast, machined, and polished by Kennedy's.[23]

[21] *Canadian Mining Journal*, 23 November 1923.

[22] *Industrial Canada*, July 1927.

[23] *Northern Miner*, 19 April 1924; *Canadian Boating*, July-August 1935; *Industrial Canada*, July 1927.

It was during the Great Depression of the 1930s, as demand for industrial products plummeted at home and abroad, that Matthew Kennedy took special measures to protect the jobs of his 250 employees.[24] He thereby demonstrated what Mark Casson maintains is an attribute of dynastic leaders—the willingness to treat workers "as a part of the 'extended family' of the firm" during business slumps. Casson cites the accumulation of excess inventories and reassignment of skilled production workers to routine maintenance tasks as strategies for stabilizing employment and enabling employees to fulfill their familial duties.[25] Similarly, Kennedy's introduced a shortened work week and redeployed skilled machinists and moulders to cleaning and maintenance tasks normally performed by unskilled workers. A less benevolent reason for the company's protectiveness was its difficulty in hiring skilled labourers given Owen Sound's distance from larger industrial centres. Whereas university-educated engineers needed to be recruited from outside the community, Kennedy's typically relied upon its own apprenticeship programs to train the foundry's moulders, core makers and patternmakers, as well as the engineering division's machinists and draftsmen.[26] Kay McKie, whose father T. D. Kennedy was company vice-president during the Depression, recalls management trying "really hard not to mothball things temporarily" by constantly searching for new products to build.[27] One such innovation was a propeller made from high-tension metals such as nickel cast suitable for high-speed pleasure boats, a market previously dominated by American firms.[28] Kennedy's also began producing the prized manganese bronze alloy that prior to 1930 was available exclusively from England. Other products the company introduced to fend off the worst effects of the economic downturn included a patented stop-log winch Sir John Kennedy designed for hydro-electric dams,[29] and a portable "Jack Nutt" grinding machine in demand by the gold-mining industry.[30]

Kennedy's sound financial position at the outset of the Depression had been crucial to its survival. With a pecuniary strength in 1929 estimated by Dunn and Bradstreet of between $200,000 and $300,000 (rising to between $300,000 and $500,000 in 1932) and assets valued at approximately $530,000 on average

[24] GRMA, WKS Collection, Box 14, Ledger Financial Statements, December 1917 – December 1938. Kennedy's sales fell to $244,686 in 1932 before climbing to a high of $731,430 in 1937 and averaging approximately $507,000 annually across the decade. Average annual gross trading profits of approximately $95,000 represented a twenty-five per cent decline from the 1920s.

[25] Mark Casson, *Enterprise and Leadership*, 211.

[26] *Industrial Canada*, July 1931.

[27] Private collection of Joan Chandler, interview with Kay McKie, n.d.

[28] *Canadian Boating and Cottagers' Magazine*, April 1934; *Canadian Boating*, July-August 1935.

[29] United States Patent Office, 22 December 1931, patent no. 1,837,909; 5 July 1932, patent no. 1,866,350; *Industrial Canada*, July 1927.

[30] *The Northern Miner*, 16 November 1933.

between 1930 and 1939, the company according to Kay McKie "never owed any money so there was no question of losing the plant."[31] By 1937 with its workforce expanded by one-third and payroll up 50 per cent Kennedy's reported its most successful year since the Crash of 1929, although persistent heavy competition prevented prices and profit margins from keeping pace with rising demand. All told the company survived the Depression by determinedly pursuing a risk-averse strategy of developing a diverse product and customer base disbursed across the mining, cement, rubber tire, pulp and paper, shipping, hydro-electric, and highway construction sectors.[32]

Kennedy's satisfied Landes's definition of a business dynasty in 1935 when Matthew's sixty-six-year-old son David John (b.1869), a third-generation family member, assumed the presidency. Like his father, David was a machinist by training who began working at Kennedy's as a boy of fifteen. He later attended Vanderbilt University in Tennessee and worked in several machine shops throughout Ohio before returning to Owen Sound in 1892 to organize Kennedy's new steel foundry. David also followed his family's practice of exhibiting "the paternalism associated with the dynastic motive" by serving multiple terms as a city and county councilor, Board of Trade member, chair of the Owen Sound benevolence committee, hospital trustee, and director of the Owen Sound Transportation Company. When the city decided in 1924 to construct a new grain elevator, David took the lead by pledging $50,000 of his own money as security until funding for the half-million dollar project could be finalized. The following year he became president of the Great Lakes Elevator Company.[33] By that point other third-generation Kennedys in the firm's employ were David's brothers, T. Dowsley (known as T.D.) and Matthew Jr., both vice-presidents. Several fourth-generation family members had also begun to ascend the company hierarchy, most notably David's son Albert, a salesman, and Matthew Jr.'s sons Arthur, a department superintendent, Neil, the foundry superintendent and chief metallurgist, and Roger, a pattern maker and moulder.

The only hint of dissension surrounding company succession that emerged across the generations is rumoured to have occurred during 1938, one year after Matthew Sr. died and left his stock in William Kennedy & Sons to his four children: David, Matthew Jr., T.D. and Marjorie. Although it is no longer possible to confirm the details, a foreman in the machine shop reportedly overheard Arthur and Neil Kennedy hatching a plot to displace their uncle T.D., who although nominally company vice-president had largely taken over presidential duties from an ailing David. When Ruth Bellamy, Kennedy's secretary-treasurer

[31] GRMA, WKS Collection, Box 14, Ledger Financial Statements, December 1917 – December 1938; Private collection of Joan Chandler, interview with Kay McKie, n.d.

[32] *Owen Sound Sun-Times*, 8 January 1938.

[33] *Owen Sound Sun-Times*, 4 February 1933; 23 December 1940.

and a T.D. loyalist, was informed by the eavesdropping foreman of the intended *coup*, she dutifully alerted T.D. who quickly and without fanfare purchased David's shares thus acquiring financial control of the firm.[34] When David died soon afterwards in December 1940, T.D. officially became president. Fourth-generation members of the Kennedy family would never command the company.

T.D. (b.1885) had joined Kennedy's in 1910 after studying hydro-mechanical engineering at the University of Munich, and was swiftly promoted to company director and manager of the iron foundries and machine shops. His greatest challenge as president would be overseeing the firm's dramatic expansion during the Second World War. When officials with the Department of National Defence inspected Kennedy's in 1938 to assess its potential contributions to Canada's rearmament program, they described it as "established over 80 years without reorganization" and "financially fully responsible." In addition the company possessed an "excellent engineering department," an impressive inventory of heavy manufacturing equipment, strategic access to rail and water transportation, and extensive munitions experience from the previous war.[35] Ironically, T.D.'s willingness to relinquish temporarily his firm's diversified products and markets in order to support Canada's war effort ultimately dealt Kennedy's a competitive blow from which it never fully recovered.

Shortly after Canada entered the war in September 1939, T.D. asked Owen Sound city council to freeze Kennedy's property assessment for a ten-year period to ensure that any plant expansions the company made to meet wartime demand did not become a tax liability once peace returned. Reminding councilors that his company had dismantled its Collingwood plant at the end of the previous war to avoid paying taxes on an idle facility, T.D. explained rather pessimistically, "'We want to be sure we are not penalized after the war is over and business is poor'."[36] The local newspaper, in urging ratepayers to "give their unstinted support" to the resulting by-law allowing Kennedy's main west-side plant to retain an assessment of $47,900 for ten years commencing 1 January 1941, pointed out that the company had neither asked for nor received "any bonus, loan or fixed assessment from the city" in the eighty-three years of its existence."[37] It was a compelling case, and ratepayers responded generously on New Year's Day 1941 voting 1,346 to 147 in favour of the by-law.[38]

Kennedy's first agreement with the Department of Munitions and Supply, approved in June 1941, permitted expenditures of up to $496,900 for a plant expan-

[34] Private collection of Joan Chandler, interview with Tac Agnew, n.d

[35] Library and Archives Canada (hereafter cited as LAC), RG 24, Series C-1, Reel C-8336, File 7439, "Secret and Confidential Subject Files, Army – William Kennedy and Sons Ltd., Owen Sound, Ontario," notes for Col. G. Ogilvie, 3 May 1938.

[36] *Owen Sound Sun-Times,* 11 December 1940.

[37] *Owen Sound Sun-Times,* 27 December 1940; 28 December 1940; 31 December 1940.

[38] *Owen Sound Sun-Times*, 2 January 1941; 21 January 1941.

sion and improvements to the machine shop, foundry, laboratory, pattern shop, and power house, plus $347,100 to purchase machine tools, cranes, compressors, and foundry equipment. The company conveyed to the federal government for one dollar the land on which the addition was built, and Kennedy's received (and eventually exercised) the right to purchase these government-financed assets at war's end. The first manufacturing contract, signed the same month, was for sixty-seven 18'6" manganese bronze propellers for 10,000-ton cargo vessels at a price of $7,150 apiece, as well as sixty-seven cast iron propellers (each cargo ship carried a spare) and propeller cones costing $2,376 and $165 apiece respectively. Fabrication was to begin by 1 September 1941 and maximum production of ten propellers per month reached by 1 January 1942.[39]

Additional government orders soon streamed into Kennedy's, eventually accounting for ninety-five per cent of the firm's wartime production. Propellers for a variety of Canadian and Allied naval vessels—corvettes, minesweepers, destroyers, frigates, landing barges, cargo boats, and tenders—comprised the bulk of the manufacturing. Incomplete data prevent a comprehensive accounting of Kennedy's wartime business, but orders for at least 813 cargo class (4,700 to 10,000 ton vessels) propellers were received.[40] Other marine equipment produced for the military included steam and electric steering engines, anchor windlasses, mooring winches, bronze liners for tail shafts, engine castings, struts, and stern bearings and tubes.[41] To accommodate this dramatic growth in activity the federal government financed several expansions and improvements to Kennedy's physical plant during the war, including a $1 million addition in the fall of 1941 that doubled the factory's size, an eight-ton electric melting furnace that doubled steel casting output, an office building to centralize administrative staff, and a $60,000 machine shop for manufacturing marine steering engines.[42] As a result, by 1945 the company's foun-

[39] GRMA, WKS Collection, Box 40, PF11S3F1I24, memo from T.D. Kennedy, 2 June 1941; LAC, RG 28, Vol 508, The William Kennedy & Sons Limited. Owen Sound. Ontario. Formal Agreement, File 51-K-3, "Memorandum of Agreement," 19 June 1941; Vol 364, The William Kennedy & Sons Limited. Owen Sound. Ontario. Formal Agreement, File 4-4-1-123, "Memorandum of Agreement," 28 June 1941.

[40] *Owen Sound Sun-Times*, 23 January 1942; *Shipping Register and Shipbuilder*, September 1944; LAC, RG 28, Vol 370, The William Kennedy & Sons Limited. Owen Sound. Ontario. Formal Agreement, No. 4-4-1-123, "Memorandum of Agreement," 31 January 1942; Vol 364, The William Kennedy & Sons Limited. Owen Sound. Ontario. Formal Agreement, No. 4-4-1-123, "Memorandum of Agreement," 20 February 1943 and 27 July 1944; Vol 370, The William Kennedy & Sons Limited. Owen Sound. Ontario. Formal Agreement, No. 4-4-1-123, "Memorandum of Agreement," 27 May 1943.

[41] LAC, RG 28, Vol 364, The William Kennedy & Sons Limited. Owen Sound. Ontario. Formal Agreement, File 4-4-1-123, "Memorandum of Agreement," 29 July 1941; Vol 566, The William Kennedy & Sons Limited. Owen Sound. Ontario. File 200-612 Formal Agreement," 23 September 1944; *Owen Sound Sun-Times*, 23 January 1942; *Shipping Register and Shipbuilder*, September 1944.

[42] *Owen Sound Sun-Times*, 27 January 1943; LAC, RG 28, Vol 508, The William Kennedy & Sons Limited. Owen Sound. Ontario. File 51-K-3. Formal Agreement, "Contract for Capital Expenditure to Manufacture Steering Engines for Vessels," 29 May 1942; The William Kennedy & Sons Limited. Owen

dries and machine shops were among the most advanced in Canada. Unfortunately, wartime production levels would prove impossible to sustain when postwar markets weakened substantially.

In the meantime, Kennedy's continued to excel at innovative equipment design. When commercial-grade mechanical planers proved too imprecise to finish the curvilinear surfaces of propeller blades to the required pitch, Kennedy's engineers designed a machine to do the job. Similarly, the company installed in its bronze foundry centrifugal casting equipment accurate to a thousandth of an inch, an unprecedented level of precision.[43] Early in the war T.D. had rallied his employees with assurances their work was "important" if "not spectacular," and urged them to "be justly proud" when reading "of the daring exploits and the gallant part being played in the Battle of the Atlantic."[44] Such efforts at fostering workplace *esprit de corps* were ongoing throughout the war. Kennedy's hosted a company dance to celebrate the completion of the one hundredth wartime propeller, and workers regularly assembled in group photographs next to their finished handiwork.[45] A point of special pride the company publicized extensively was news that "CT-72," the 64-foot tug that was lead vessel in the 6 June 1944 D-Day invasion, was driven by a Kennedy propeller.[46]

Notwithstanding management's efforts to instill a "family" feeling among the rapidly expanding workforce—it peaked at 840 employees in May 1942 before falling to 538 by August 1945—production workers unionized as Local 2469 of the United Steel Workers of America in the fall of 1941. Tangible benefits followed, including Ontario's Regional War Labour Board granting Kennedy's employees a temporary exemption from the nation-wide wage freeze, the introduction of a company pension plan, the option of joining an Ontario Hospital Association hospitalization scheme, and union representation on the company's Employer-Employee Production Committee tasked with identifying workplace efficiencies.[47] Despite these gains labour relations briefly reached a nadir in July 1944 when a one-day walkout by approximately 520 workers halted produc-

Sound. Ontario. File 51-K-3 PC 888 F.E 1987-A, Formal Agreement, "Contract for Capital Expenditure to Increase the Manufacture of Propellers and Auxiliary Naval Equipment," 8 February 1943; File 51-K-3. Formal Agreement, "Contract for Capital Expenditure for New Plant at Owen Sound, Ontario," 3 July 1943; Formal Agreement, "Contract for Capital Expenditure for Production of Steel Castings," 16 February 1944; Formal Agreement, "Contract for Amendment No. 1 to Contract Dated February 16, 1944," 31 March 1944.

[43] *Shipping Register and Shipbuilder*, September 1943; September 1944; *Owen Sound Sun-Times*, 28 January 1944.

[44] GRMA, WKS Collection, Box 40, PF11S3F1I24, memo from T.D. Kennedy, 2 June 1941.

[45] <http://www.greyroots.com/exhibitions/virtual-exhibits/kennedy/?search=kennedy> (accessed on 13 January 2011); LAC, RG 28, Series A, Vol 123, File 3-C2-1-293, Censorship Co-ordination Committee, William Kennedy & Sons Limited, n.d.

[46] GRMA, WKS Collection, Box 40, J.R. Thompson to T.D. Kennedy, 22 November 1944.

[47] GRMA, WKS Collection, Box 40, PF11S1F61S7-58, "Kennedy Can Cast It," c. 1944.

tion. Already aggrieved that negotiations to renew their collective agreement had been stalled since the preceding October, employees' animosity heightened when both the regional and national war labour boards disallowed their requested ten-cent per hour wage increase to fifty-five cents after granting a sixty-cent wage to workers performing comparable jobs elsewhere.[48] Charles Addison Eberle, Kennedy's assistant general manager, tried to calm dissent by explaining to union representatives that the company's business had fallen 27% in volume over the past year alone. He emphasized that none of Kennedy's government contracts included the "cost plus" financial cushion some firms enjoyed, but were based on preset prices just as in peacetime. Consequently the company lost money whenever shoddy workmanship inflated foundry costs. Eberle urged the union membership to cooperate with management in correcting the recent rise in defective castings, since ultimately it was the firm's reputation for quality workmanship at competitive pricing that enabled the sales force to attract the "orders necessary to provide plenty of work at good wages."[49] The appeal temporarily ended labour strife at Kennedy's, but another ten months passed before the second collective agreement, which permitted workers to opt for a revocable check-off of union dues, was reached.

With the return of peace in August 1945, Kennedy's faced a double burden: recouping traditional markets and clientele forfeited while concentrating on military contracts, and sustaining the much enlarged physical plant and workforce amassed during wartime. One response was to diversify internationally, and by 1947 approximately forty per cent of company sales originated abroad, including Venezuela, Colombia, Brazil, Cuba, China, the United States, India, and Palestine.[50] Kennedy's management nevertheless admitted in 1948 to harbouring "a great deal of anxiety" over the firm's ability to transition successfully to peacetime markets. The tensions surfaced that November when T.D. engaged Owen Sound's firebrand mayor, E.C. "Eddie" Sargent, in a public spat over increases to municipal tax assessments. T.D. warned that higher taxes would "drive industry out of this town," and claimed that only the prohibitive costs of moving its heavy equipment prevented Kennedy's from relocating to cheaper real estate outside the city. He blamed high municipal taxes for his recent decision to cancel renovations to the factory, and announced "We're not interested in any further expansion as far as Owen Sound is concerned." When T.D. declared that Kennedy's added over $1.3 million to the local economy annu-

[48] LAC RG 27, Labour Canada, Vol 437, Reel T-3039, File 123, "Metal Factory Workers – Owen Sound, Ontario;" *Owen Sound Sun-Times*, 11 July 1944; *London Free Press*, 13 July 1944; *Globe and Mail*, 11 July 1944.

[49] GRMA, WKS Collection, Box 40, memorandum of meeting with Union Committee, by C. A. Eberle, 19 July 1944.

[50] *Owen Sound Sun-Times*, 16 September 1947; 28 January 1948; GRMA, WKS Collection, Box 40, C.C. Agnew, "The Repair and Reconditioning of Ships' Propellers," n.d.

ally without receiving any benefit from the city, the mayor retorted that no company in Owen Sound's history had "received such concessions" as Kennedy's, citing as evidence its current fixed municipal assessment of just forty-two per cent the normal rate. Sargent then accused the community's most substantial ratepayer of having no interest in "the boys and girls, working men and women, and the everyday folk of this city" beyond feathering his own nest. It was, as T.D.'s lawyer chided, an insensitive public attack on a "man whose family is one of the pioneer families of this city."[51]

The unsettled business conditions were also reflected in Kennedy's uneasy relations with its five hundred employees, seventy-four per cent of whom were union members when negotiations broke down in February 1949 to renew the collective agreement that expired the previous May. Central to the dispute was T.D.'s objection to a union demand that in place of the existing voluntary and revocable check-off, the Rand Formula, requiring all employees regardless of their union membership status to pay union dues, be included in the agreement. T.D. proposed depositing non-members' dues into a separate trust fund designated solely for benevolent purposes such as subsidizing workers' medical bills, thus preventing the union from spending their money on political or religious causes with which they disagreed.[52] The conciliation board appointed by Ontario's Minister of Labour Charles Daley recommended the removable check-off remain in place while the two sides continue to negotiate and not further jeopardize the company's stability by "dividing over union security." The board's majority report reasoned that Kennedy's export business was already vulnerable, in large part due to importing nations struggling with dollar shortages stemming from America's Marshall Plan for financing Europe's post-war recovery. David Lewis, the National Secretary of the Co-operative Commonwealth Federation and author of the conciliation board's minority report, dismissed as "improper and impertinent" T.D.'s rejection of a fundamental principle of "free, democratic trade unionism," namely that management not interfere with "the direction and administration of unions and union funds." Lewis's remonstrations notwithstanding, the majority report recommendation of the *status quo* was eventually incorporated into the collective agreement reached in May 1949.[53]

As predicted, concerns about union security soon paled next to worries over Kennedy's slackening export markets. In November 1949, the executive of Local 2469 wrote Colin Bennett, the Liberal Member of Parliament for Grey North, about the desperate employment situation at Kennedy's, the largest and "most

[51] *Owen Sound Sun-Times*, 14 November 1948; 15 November 1948; 16 November 1948.

[52] Archives of Ontario (hereafter cited as AO), RG 7-30, B384917, "William Kennedy & Sons Ltd., Owen Sound, 1948," Jas. Hutcheon to Charles Daley, 30 October 1948; Jas. Hutcheon to Charles Daley, 13 November 1948; D.T. Cowan to Charles Daley, February 1949.

[53] AO, RG 7-30, B384917, "William Kennedy & Sons Ltd., Owen Sound, 1948," David Lewis to Charles Daley, n.d.

severely hit" industrial enterprise in his riding. The missive described a workforce that shrank from 730 to 370 in the past year alone, with over a third of those who remained being placed on reduced hours, a situation that threatened "the security and welfare of the community as a whole." The union blamed the rapid reversal in fortune on two factors: the company's slowness in reclaiming domestic markets lost when it concentrated on military production during the war, and the negative impact of recent "monetary and exchange problems" on Kennedy's exports. Responding to rumours the federal government was planning "increased naval commitments," the union executive urged Bennett "to use your influence in having an adequate channeling of marine and general engineering, as well as the production of steel castings, to our factory." Unfortunately, Bennett's response was purely perfunctory.[54]

A few days later the company's recently appointed vice-president, Arthur McCorvie Kennedy (b.1899), Matthew Jr.'s son and a fourth generation member of the dynasty, offered the union a blunt but modestly encouraging assessment of what lay ahead. He stressed that given Canada's oversupply of foundry and engineering capacity, Kennedy's current production of one-third pre-war levels compared favourably to its largest competitors' average rate of just 20 per cent, due largely to the ability of Kennedy's sales force "to dig up new business." Consequently, despite growing complaints about staff reductions in other sections of the company, Kennedy's planned to enlarge the estimating, planning and design departments to ensure its sales representatives possessed the "accurate and detailed information" they required "to offer attractive deliveries, and to quote prices which, while low enough to secure business, will not result in loss of money on the order." Meanwhile, work-sharing on alternate weeks would be implemented throughout the plant as "the fairest and most equitable method of meeting the situation," even if it was "not the most economical way" for the company.[55]

Arthur's confidence initially appeared vindicated by the slight uptick in new orders received during the first half of 1950, and hints that Korean War-related defence contracts might be coming Kennedy's way.[56] Then disaster struck. A fire in the main machine shop on 12 May 1950 caused almost $1.3 million in damages, temporarily halting company efforts at regaining lost production.[57] But the fire was a minor distraction next to the bombshell T.D. dropped ten months later.

On 1 March 1951, T.D. announced the sale of his family's ninety-four-year old business to Had-Mils (Canada) Ltd., a sales and holding company of the Millspaugh Group subsidiary of Hadfields Ltd. based in Sheffield, England. T.D. assured his employees that the new owners

[54] GRMA, WKS Collection, Box 40, Earl Farley and Archie J. Hayward to Colin Bennett, 4 November 1949; Colin Bennett to Archie J. Hayward, 16 November 1949.

[55] GRMA, WKS Collection, Box 40, A. M. Kennedy to employees, 21 November 1949.

[56] *Owen Sound Sun-Times*, 31 January 1951.

had experience manufacturing products similar to Kennedy's, and would "maintain the tradition of the Britisher." In addition to offering Kennedy's existing product line, Had-Mils planned to bring to Owen Sound its "very valuable know-how" manufacturing specialized paper-making machinery. Moreover, Had-Mils was certain to divert a share of its global export business to Owen Sound, provided Kennedy's "can keep our costs down." The company's name and top management were to be retained, including T.D. as president and C.A. Eberle as general manager. In short, T.D. promised, the sale of William Kennedy & Sons offered "more security of employment for all of us, through good times and bad."[58]

Had-Mils and Kennedy's certainly appeared well matched. Founded in 1872, the Hadfields Steel Foundry Company had grown to 15,000 employees when it became Hadfields Limited in 1913. A major producer of armaments during both world wars, it normally specialized in hardened steel rolls, crushers, dredge buckets, and colliery equipment. In 1946 Hadfields purchased Millspaugh Limited, a manufacturer of paper-making machinery, centrifugal castings, and propeller shaft liners based in Sandusky, Ohio, since 1933. When the British government nationalized Hadfields in 1950, Millspaugh was excluded from the takeover since its specialty was paper mill machinery rather than iron and steel production. In its burst of expansion that followed, the Millspaugh Group grew to eight firms by 1954, including five in Great Britain, two in Canada, and one in France.[59]

T.D. did not divulge his reasons for selling the company. Rumours abounded locally that none of the fourth generation of Kennedy family members involved in the business possessed either the will or aptitude to succeed T.D., but that is too sweeping a critique. A likelier explanation is provided by Kay McKie, who claimed the federal government's wartime decision to tax estates – previously only provinces collected succession duties – forced her sixty-six-year old father's decision to dispose of the company that was his primary asset.[60] When J.L. Ilsley, the Minister of Finance, had announced in his 1941 budget the King government's intention to collect succession duties on estates valued at over $25,000, he predicted Canadians would not object since they, unlike the British, felt "children should stand on their own feet and make their own living, rather than rely on inherited property."[61]

[57] GRMA, WKS Collection, Box 40, C.A. Eberle to customers, 17 May 1950; C.A. Eberle to customers, 19 June 1950. A.M. Kennedy to employees, 20 June 1950; *Owen Sound Sun-Times*, 24, 31 July 1950.

[58] GRMA, WKS Collection, Box 40, T.D. Kennedy, "Official Announcement," 1 March 1951; *Owen Sound Sun-Times*, 1March 1951.

[59] *The Times* (London), 4 April 1946; 17 April 1946; 12 March 1949; 28 April 1950; 13 October 1950; 11 January 1951; 11 July 1951; 21 July 1955; GRMA, WKS Collection, Box 40, "A Brief History of the Millspaugh Group," c. 1954.

[60] *Owen Sound Sun-Times*, 13 July 2001.

[61] *Globe and Mail*, 16 January 1941; 30 April 1941; 20 May 1941; *Owen Sound Sun-Times*, 30 May 1941.

T.D. would have disagreed, as did R.B. Hanson, the Conservative Leader of the Opposition who warned in the House of Commons that the tax would force privately-owned family businesses to liquidate. The rate of "business mortality in Canada," he observed, was already "exceedingly high" as few companies survived "into the third, fourth and fifth generations." To illustrate his point, Hanson raised a hypothetical scenario closely resembling the one T.D. must have considered as he calculated whether his future beneficiaries would need to sell the company in order to pay succession duties. According to Hanson, when assets of $1.5 million were invested in a private business "which the deceased owned and controlled" (a realistic estimate of Kennedy's selling price is between $1.6 and $2 million) the combined federal and Ontario provincial succession duties owed by a hypothetical spouse and six children would total $601,875. In the event a majority of the deceased's assets were invested in the business—as were T.D.'s —with no other provision such as life insurance having been made to pay the death tax, Hanson claimed liquidation would ensue along with the detrimental "effect upon the community life that may depend upon that business."[62]

No longer in control of Kennedy's, T.D.'s influence became strictly managerial. The company's first years under foreign ownership produced mixed results. After an initial flurry of new business in 1951 when Millspaugh redirected manufacturing contracts and engineering staff from its British operations to Owen Sound, 1952 brought falling orders and rising layoffs. More positively, the recent purchase of the former Corbet Foundry and Machine Co. Ltd., which was located next to Kennedy's and would be used as a steel fabricating shop, seemed a harbinger of future expansion.[63] Indeed, when J.B. Thomas, the chair of Millspaugh's board, visited Owen Sound in September 1952 he dubbed Kennedy's "one of the jewels in our Crown" and promised "considerable sums of money," possibly as much as $4 million, would be spent updating the plant and machine tools. He reiterated T.D.'s earlier assurances that Kennedy's established product lines would continue to be manufactured unless doing so proved "unremunerative," and the highest priority remained operational diversification to ensure "there will be greater opportunities for increased employment in all branches old and new." A case in point was Millspaugh's recent $1 million contract to manufacture paper-making machinery. Thomas anticipated redirecting a "considerable amount" of this work

[62] Canada. *House of Commons Debates* (28 May 1941), 3224-6. The estimate of William Kennedy & Sons, Ltd.'s selling price was provided by Tac Agnew, a long-time employee and former book-keeper of the company who had access to internal financial information during the 1950s. Agnew calculated that Neil Kennedy received approximately $168,000 for his shares; Arthur Kennedy, $190,000; Roger Kennedy, $45,000; Marjorie (Kennedy) McMurtrie, $140,000;and Thomas Dowsely Kennedy, at least $1 million. The information is found in the private collection of Joan Chandler, interview with Tac Agnew, n.d.

[63] *Owen Sound Sun-Times*, 11 September 1951; 31 January 1952; 28 January 1953.

to Kennedy's.[64]

Although Millspaugh professed to value Kennedy's manufacturing versatility and demonstrated aptitude for ongoing product diversification, it soon became evident the Owen Sound firm had been acquired primarily to support Millspaugh's North American paper machinery business.[65] An early indication was Millspaugh's purchase in 1954 of the Sault Ste. Marie-based Northern Foundry & Machine Company Limited, a supplier of northern Ontario's pulp and paper industry since 1907. The plan was to divert $500,000 of Northern's manufacturing trade to Kennedy's annually. Certainly a boost was needed. While Millspaugh's sales that year increased 15% over 1953 levels resulting in the highest net profit (£162,433) in its history, annual sales at Kennedy's declined by £294,000 ($801,000).[66] In their annual report to shareholders the company's directors candidly admitted "It may take us some time before [Kennedy's] is in a position to meet the competitive period which we now face, especially on the Canadian home market."[67] However when Millspaugh's profits slipped the following year, blame was attributed to "a continuing recession in Canada." In response Kennedy's was promptly reorganized, and engineering made a higher priority than foundry work for the first time in the company's lengthy history.[68]

Further proof of Kennedy's rapidly waning fortunes in traditionally core areas of its business was disclosed in its 1955 submission to the Royal Commission on Coasting Trade investigating the impact of foreign-owned shipping on Great Lakes commercial traffic. Between 1949 and 1954 the company's orders for marine-related products had plummeted from approximately $700,000 to $190,000 annually, and deliveries of steel castings for the shipbuilding industry fell from an average of 300 tons to just 90 tons, representing an additional annual loss of $126,000 in sales. As a result Kennedy's was giving "serious consideration... to the economic advisability of abandoning these lines of endeavour and using the floor space for other more profitable products."[69] It was a candid admission that an important chapter in Ontario's manufacturing history was closing.

Hadfields' return to private ownership in July 1955 and prompt reacquisition of the Millspaugh Group did not staunch the bleeding at the Owen Sound plant.[70] After authorizing an expansion

[64] GRMA, WKS Collection, Box 40, memo of luncheon with J.B. Thomas, 17 September 1952.

[65] *The Times*, 22 April 1953. Millspaugh's manufacturing activities in the early 1950s were allocated among six key sectors: pulp and paper, 40%; shipbuilding, 20%; general engineering, 10%; iron and steel castings, 15%; plastic and textile trades, 7.5%; and cement industry, 7.5%.

[66] See <http://fx.sauder.ubc.ca/etc/GBPpages.pdf> for all currency conversion rates.

[67] *Owen Sound Sun-Times*, 20 January 1954; *Financial Post*, 25 January 1954; *The Times*, 25 February 1954. The best estimate of Kennedy's sales at this time is $7-8 million annually.

[68] *The Times*, 23 March 1955.

[69] *Submission to the Royal Commission on Coasting Trade, Volume* One (1955), C.A. Eberle to G.G. McLeod, 20 April 1955.

[70] *The Times*, 2 December 1955; 12 January 1956; 17 January 1956; 5 April 1956.

of the machine shop in 1957, the English directors halted a planned addition to the foundry in 1959 and considered closing it completely when it posted a loss of $170,000 in just nine months. That drastic recourse was circumvented by local management's persuasive argument that the engineering division was only viable if its castings were manufactured on-site. The British owners' opinion of Kennedy's prospects dimmed further when workers there—they numbered 370 in 1959—demanded contract enhancements at the same time as depressed market conditions were forcing the company to bid on jobs below cost just to keep the plant operational. Management reminded employees that they already received the highest industrial wages in the community, and suggested they be satisfied with their seniority protection, company pension plan, hospitalization coverage, group life and accident insurance, vacation eligibility, and forty-hour workweek. The appeals went unheeded, however, and an Ontario Labour Relations Board conciliator was needed to settle the long list of unresolved differences separating the two sides before a collective agreement was reached in June 1959.[71]

A precipitous twenty per cent decline in Hadfields's earnings between 1955 and 1960, which was largely attributable to weak returns by its Millspaugh paper machinery subsidiary, enhanced impatience with the Canadian branch.[72] When Hadfields' pre-tax profits fell £119,842 to £366,694 in 1961 and the Millspaugh Group again generated most of the declines, fingers were pointed at Kennedy's lackluster performance.[73] The final straw, as Hadfields' chair Sir Peter G. Roberts later explained to the 1962 annual general meeting, was Kennedy's 1960 deficit of approximately £138,000 ($374,700) that included a £28,000 ($76,000) exchange rate shortfall. It was feared that unless preventive measures were taken Kennedy's would drag the Millspaugh Group into a £77,000 deficit in 1961, with commensurate damage to Hadfield's bottom line. Thus the decision was made to sell sixty per cent of Millspaugh ordinary stock to the Swiss firm Escher Wyss Ltd. for £1,200,000. Then, on 7 November 1961, William Kennedy & Sons was sold to The Black Clawson Company of Hamilton, Ohio, for just £250,000 ($709,000).[74] It was almost one year to the day since the Kennedy dynasty had officially and quietly ended; T.D., who had stepped down as chair of William Kennedy & Sons in 1958, died on 9 November 1960.

The company William, Matthew, David and T.D. led successfully and with entrepreneurial verve for almost a century would continue for another thirty-eight

[71] *Owen Sound Sun-Times*, 31 January 1958; GRMA, WKS Collection, Box 40, "History of the William Kennedy & Sons, Limited," 1959; AO, RG 7-31, B383375, file RG-7-31-0-542, "The William Kennedy & Sons Limited, Owen Sound," G.W. Reed to Charles Daley, 5 May 1959; Louis Fine to Charles Daley, 15 May 1959; "Report of the Conciliation Board," July 1959.

[72] *The Times*, 20 April 1961.

[73] *The Times*, 1 April 1959; 1February 1961; 11 February 1961; 27 March 1961.

[74] *The Times*, 11 December 1961; 2 April 1962; 18 February 1963.

years under its second foreign owner, but with a dire result. As the eighth piece in Black Clawson's multinational web, Kennedy's joined five other manufacturers in the United States and one in both England and Brazil. In an announcement reminiscent of the promises made by Had-Mils' executives ten years earlier, Carl C. Landegger, the son of Black Clawson chair Karl F. Landegger, reassured Kennedy's four hundred employees they would continue to produce marine and specialty castings at Owen Sound, the local management team would stay intact, and the company name retained. In short order, however, Black Clawson was utilizing Kennedy's principally as a specialized manufacturer of paper-making machinery. Black Clawson had previously subcontracted with Kennedy's to produce paper equipment for the Canadian market, but now was positioned to offer its entire product line from Owen Sound.[75]

Established in Hamilton, Ohio, in 1875, Black Clawson was the largest manufacturer of paper-making equipment in the United States by the end of the Second World War. In 1961 its principal stockholder was Karl Landegger, an Austrian-born American who owned or controlled thirty-two paper companies with gross annual revenues of $90 million in fifteen countries. With a twenty-four per cent interest in Millspaugh Ltd., Landegger was well versed in Kennedy's history and pledged publicly not to repeat the mistakes of its previous owners. He was particularly critical of T.D.'s decision after the war to focus on exports instead of capitalizing on the "immediate opportunity in the domestic market which beckoned enticingly."[76] The folly of this strategy had been revealed when a "lack of exchange currency left Kennedy's with [foreign] customers having needs but no money," while its long-established domestic "markets were all but lost." According to Landegger, management at Had-Mils subsequently squandered "ample markets for pulp, paper and industrial machinery" by breaking its promise to expand Kennedy's product lines, resulting in "exaggerated peaks and valleys of orders necessitating incessant lay-offs and recalls."[77]

Initially it seemed a promising new era had dawned for Black Clawson-Kennedy (BC-K)—the company name was changed in December 1962—with the brash Americans in charge. By 1963 order books were filling and the workforce again numbered 450 despite aggressive foreign and domestic competitors placing stiff downward pressure on prices and profits. Product innovation—Kennedy's traditional strength—was again encouraged. A wood pulp grinder and stainless steel pressure headbox for paper machines were just two of several new designs the firm marketed during the 1960s. The foundry revived its stellar

[75] *Owen Sound Sun-Times*, 8 November 1961.

[76] <http://www.paperhall.org/inductees/bios/2003/carl_landegger.php> (accessed on 12 January 2011).

[77] GRMA, WKS Collection, Box 40, PF11S3F1I5, "Black Clawson Today: A reservoir of technical knowledge," 1967; "A History of Black Clawson-Kennedy Ltd.," 6 July 1966.

reputation for marine products by manufacturing three of the largest four-blade bronze propellers ever made in Canada, each one 19'5" in diameter and weighing 48,000 pounds. BC-K's engineers, in conjunction with the Canadian National Research Council, also set a new international standard when designing fourteen noise-reducing propellers for the Royal Canadian Navy[78] Other initiatives included fabricating sluice gates for municipal water systems and experimenting with high-powered industrial pumps.[79] In 1968 BC-K constructed the world's first Verti-Forma paper machine, heralded as "one of the most revolutionary developments" in the paper industry since the early nineteenth century. Priced at $10 million apiece and the length of a city block when fully assembled, they were the largest newsprint machines ever manufactured in Canada. BC-K made a $1.25 million upgrade to the factory just to accommodate them.[80]

After criticizing Had-Mils' failure to diversify Kennedy's operations during the 1950s, followed by its own significant efforts at new product development in the 1960s, BC-K by the 1970s increasingly restricted the Owen Sound operation to manufacturing paper-making machinery. Several exogenous factors would eventually turn this heightened dependency on a single specialization into BC-K's Achilles Heel. First, a growing public concern with environmentalism pressured Canadian pulp and paper producers into making expensive pollution control modifications to their existing facilities, thereby deferring investment in new equipment. In addition, a stronger Canadian currency was accentuating an already sagging U.S. demand for paper-making machinery. BC-K therefore turned to export markets to revive its fortunes, and successfully secured orders for paper machines in Sweden, Iran, Peru, Turkey and Bulgaria.[81] When its annual sales rebounded from just $11.4 million in 1978 to almost $21 million in 1980 and $27.2 million in 1981, the company defied prognostications that the resurgence in pulp and paper was temporary by adding a $2 million, 1,115m$^2$ extension to its factory in 1982. By mid-decade fully 85% of BC-K's production was devoted

[78] *Owen Sound Sun-Times*, 30 January 1964; 29 January 1965.

[79] GRMA, WKS Collection, Box 37, PF11S1F213, Part 2, "1970 Business Outlook – Black Clawson-Kennedy Ltd., 23 January 1970; R. Warburton to L. Blue, 15 January 1970; "The Business Outlook for *Owen Sound Sun-Times*," n.d.

[80] *Owen Sound Herald*, 16 November 1967; GRMA, WKS Collection, Box 37, PF11S1F212, Part 2, "For release in the 1969 *Owen Sound Sun-Times* annual Business Outlook edition," n.d.. Operating on a horizontal plane the Fourdrinier uses gravity to drain water from a slurry of pulp fibres, whereas the Verti-Forma produces a sheet of paper between two drainage wires operating in a vertical plane. By allowing gravity to drain water from both sides of the sheet, a higher quality of paper could be formed at faster speeds than was possible with the Fourdrinier.

[81] GRMA, WKS Collection, Box 37, PF11S1F213, Part 2, "Business Outlook 1972," 23 February 1972, "*Owen Sound Sun-Times* Business Review," 16 February 1973; "*Owen Sound Sun-Times* Business Review," 16 February 1974; untitled press release, 24 January 1978 "Business Outlook," 7 February 1980; *Owen Sound Sun-Times*, 25 February 1975.

solely to the paper machinery industry.[82]

This burst of business optimism immediately preceded the firm's final erratic slide into bankruptcy. Between 1982 and Black Clawson's historic 1992 decision to discontinue all manufacturing at Owen Sound—the plant was henceforth reduced to assembling pre-fabricated components acquired from sub-contractors—BC-K's sales dropped from $42.1 million to $25.9 million, albeit fluctuating wildly between a high of $45.3 million in 1990 and a low of $15.6 million in 1984. The company's after-tax income for the same period tells an even more dismal tale, plummeting from $1.4 million (1982) to $176,000 (1993), while recording annual losses of between $120,000 (1992) and $2.7 million (1987). A confluence of factors contributed to BC-K's woes, most notably reduced investment within the pulp and paper industry internationally, and the rise of aggressive foreign competitors (from Scandinavia in particular) along with small-job manufacturers whose low overheads enabled them to drive profit margins below what BC-K could sustain. Convinced its survival depended upon even greater specialization, BC-K spent its final decade as a manufacturer attempting to develop niche markets within the paper industry. It promoted machinery upgrades for older inefficient paper mills, including retrofitting them to use recycled paper fibres. Other initiatives included designing deinking machines used in newsprint recycling, experimenting with municipal waste separation systems, and targeting China's largely untapped market for paper-making machinery.[83] But to no avail.

Reduced to a shadow of its former self, the company that once employed over eight hundred workers had just 165 on its payroll by 1990 and thirty in 1993. With little warning what remained of BC-K was dismembered early in 1996, ending the 140-year Kennedy connection to manufacturing in Owen Sound. Black Clawson sold the Kennedy name and paper machine side of its business, along with Black Clawson's Watertown, New York facilities to Groupe Laperrière & Verreault Inc. of Trois-Rivières, Quebec, for $9.9 million. The corporate remnant in Owen Sound was named Black Clawson Canada.[84] Barely a year later, in March 1997, Black Clawson Canada was bankrupt and its remaining assembly operations transferred from Owen Sound to the Canada Fibre Processing plant in Montreal, another Black Clawson branch. In April 1997 just four employees remained at the Owen Sound office, the smallest number since 1857 when William Kennedy opened the doors to his Sydenham Foundry and Planing-mills. Within days they too were laid

[82] *Pulp and Paper Canada*, 83:3 (1982).

[83] *Owen Sound Sun-Times*, 25 February 1988; 22 February 1990; 26 February 1991; 22 February 1992; 25 February 1993; 8 April 1997.

[84] *Owen Sound Sun-Times*, 8 April 8, 1997; *Financial Post*, 5 March 1996; 6 March 1996; *Pulp & Paper Canada*, vol. 97 (4) 4 April 1996; *Canadian Papermaker*, vol. 49 (3), April 1996. Groupe Laperrière & Verreault Inc., with annual revenues in excess of $133 million in 1995, specialized in refurbishing equipment for the pulp and paper industry.

off and the buildings permanently shuttered.[85]

Business historians sometimes refer to the "Buddenbrooks effect" or "three-generations paradigm" when explaining why some family firms fail after only a couple of generations of successful operation. The theory, simply put, posits that third-generation family members rarely inherit the entrepreneurial genius and drive of the company's founders. As David Landes explains, once "the firm develops power and prestige, the heirs find many interesting and amusing things to do rather than run the business ... rather than wear the shirtsleeves of their forefathers, they finish in silks and velvets, and focus on politics, culture, or the unabashed pursuit of the good life."[86] Consequently, as Mark Casson describes in *Entrepreneurship: Theory, Networks, History*, a family company's handling of succession after the death or retirement of its head is a critical determinant of longevity. Even "very able entrepreneurs," he notes, can "groom unsuitable successors" and sacrifice "dynamism and innovation" by insisting upon "'insider succession'" rather than recruiting externally.[87]

The Kennedy manufacturing dynasty did not fall victim to flawed succession decisions. Indeed, each generation of family member to succeed William, Sr. as company head maintained and expanded upon his core business strategy, to the extent market conditions allowed, of relying upon ongoing product diversification and innovation to fuel steady if cautious corporate expansion. Ultimately it was the decision by the federal government to tax estates that made it financially untenable for the Kennedy dynasty to continue into the next generation, causing T.D. to cede control of his company to investors beyond the family circle. Once operational decisions were consigned to strategists at multinational headquarters in England and the United States, the Owen Sound plant was forced along a path of ever greater specialization which increased with fatal consequence its vulnerability to market fluctuations.

The dramatic decline in Ontario's formerly diverse and dominant manufacturing sector by the 1980s suggests a possible inevitability to Kennedy's

[85] *Owen Sound Sun-Times*, 8 April 1997. In February 1997, the assets of the parent company Black Clawson were purchased for $110 million in cash and assumed debt by Thermo Fibertek of Waltham, Massachusetts, a subsidiary of the Thermo Electron Corporation and manufacturer of papermaking and paper recycling equipment. Thermo Fibertek Inc.was renamed Kadant, Inc. in 2001.

[86] Landes, *Dynasties*, xiv; Andrea Colli, *The History of Family Business, 1850-2000* (Cambridge University Press, 2003), 9.

[87] Mark Casson, *Entrepreneurship: Theory, Networks, History* (Edward Elgar, 2010), p. 33; Colli, *Family Business*, 71.

[88] The indicators of provincial decline after 1980 are many and varied. To cite but a few examples, total manufacturing employment in Ontario fell from 1,034,000 to 837,000 (from 24.8% to 17.5% of total employment) between 1981 and 1993. Between 1989 and 1996 more than ten per cent of manufacturing establishments in the province closed. The trend continues, with almost one in five manufacturing jobs disappearing between 2004 and 2008. See Meric S. Gertler, "Groping Towards Reflexivity: Responding to Industrial Change in Ontario," in Philip Cooke, ed., *The Rise of the Rustbelt* (Taylor & Francis e-Library,

failure.[88] Certainly the company experienced difficulty after 1945 reclaiming the long-established markets it had lost as a consequence of dedicating most of its manufacturing capacity to wartime production. Moreover, given that Kennedy's own fortunes depended upon its ability to service an array of industrial customers, the firm might not have escaped the province's general deindustrialization even had it remained under family control. Yet such a conclusion could also be too fatalistic by half. Prior to its acquisition by foreign interests and being forced to confine its manufacturing to a few highly specialized product lines, Kennedy's chief strength across the generations had been its entrepreneurial owners' determination to harness their craftsmen's ingenuity in designing and manufacturing a plethora of continually changing industrial products that were in demand domestically and abroad. One can only speculate if that same genius, had it been permitted to continue, would have sustained Kennedy's within the dramatically restructured and rationalized Ontario, Canadian, and global manufacturing sectors of the 1990s and beyond. Among the wider pantheon of business dynasties the Owen Sound family that built William Kennedy & Sons is among the less conspicuous. But the circumstances of its rise and fall nevertheless provide a useful glimpse into the entrepreneurial spirit behind the creation of a once imposing, but now much diminished, industrial Ontario.

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2006), 103-125; David A. Wolfe and Meric S. Gertler, "Globalization and Economic Restructuring in Ontario: From Industrial Heartland to Learning Region?" <http://www.utoronto.ca/progris/pdf_files/WolfeNECSTS-RICTES99.pdf> (accessed on 31 August 2011); and André Bernard, "Trends in Manufacturing Employment," *Perspectives* (Statistics Canada Catalogue no. 75-001-X), February 2009, 5-13.