The Quakers and the Joint Stock Company: Uneasy Bedfellows

Kavanagh, Donncha and Brigham, Martin (2018, forthcoming) 'The Quakers and the Joint Stock Company: Uneasy Bedfellows', in N. Burton and R. Turnbull (eds.) *Quakers, Business and Corporate Responsibility - Lessons and Cases for Responsible Management*. Springer: Cham, Switzerland.

Introduction

The twenty-first century has witnessed a number of corporate scandals and private-sector take-overs that have called into question the shareholder-focused economy. By way of contrast, this chapter focuses on the Quakers as a (largely forgotten) exemplar of good organisation and good governance that has traditionally distinguished itself from the shareholder model. Since their origins in the mid-17th century, the Quakers were known for their honest and honorable business practices, their enlightened approach to employee welfare, their concern for wider society, and their willingness to innovate. Today, most of these 'Quaker' businesses are no longer either owned or controlled by Quakers, and have almost invariably adopted the conventional shareholder model of corporate governance. In this chapter, we identify innovations in corporate law in the mid-nineteenth century and especially the introduction of limited liability as important, though largely overlooked, reasons for their demise. These changes provided the legal basis for the Quaker family firms to incorporate, which many of them did in the late nineteenth century. We argue that this change inexorably decanted the unique Quaker ethos out of these companies during the twentieth century as the Quakers slowly lost both ownership and control of their businesses. We then inquire into how the Quaker story might help us reimagine the theory and practice of corporate governance and management.

Quakers & Commerce

Though small in number, the Quakers have produced a remarkable and disproportionate number of businesspeople, scientists, thinkers, and campaigners for justice, peace and human rights (Furtado, 2013). For our purposes, it is worth highlighting that an extraordinary number of the family firms, on which the British industrial system of the eighteenth and nineteenth centuries was based, were Quaker owned, including many of the largest and most technologically advanced. Table 1 lists some of the more important Quaker companies, most

of which were formed in England and Wales. Most of these have now been merged into or acquired by other companies and so their Quaker roots can be easily forgotten.

	Company/Family
Accounting	Price Waterhouse (1865)
Banking	Barclays (1690), Lloyds (1765), Guerney (1775)
Biscuits	Huntley & Palmer (1822), Carr (1831), Jacobs (1851)
Brewing	Truman & Hanbury (1781), Young & Co. (1831), Burton (1842)
Chemicals	Allen & Hanbury (1715), Crosfields (1814), Reckitt (1840), Albright & Wilson (1856)
Chocolate	Fry's (1761), Huntley & Palmers (1822) , Cadbury (1824), Rowntree (1862)
Clockmaking	Tompion (1670), Quare (1671), Graham (1738), Huntsman (1740)
Glass	Waterford Crystal (1783)
Engineering	Ransomes (1789), Baker Perkins (1878)
Life Insurance	Friends Provident (1832)
Match manufacturing	Bryant & May (1843)
Metals	Bristol Brass Company (1702), London Lead Mining (1705), Rawlinson (1720), Huntsman (1740), Ransome (1789)
Newspapers	News Chronicle (1855)
Paper & Packaging	John Dickinson Stationary (1804), E.S. & A. Robinson (1844)
Pottery & China	Cookworthy (1730), Champion (1773),
Retailing	Laws Stores (1885), Macy's (1858)
Shoemakers	C & J Clark (1825)
Shipbuilding	Swan Hunter (1880)
Steelmaking	Consett Iron Company (1840), Stewarts & Lloyds (1859)
Textiles	Gurney (1683), Were (1686), Barclays (1690), English Sewing Cotton (1789)
Note: Because of mergers, acquisitions and name changes, the dates indicated might be contested.	

Table 1. Some Quaker companies, showing date of establishment

Quaker businesses were highly innovative and their ongoing commercial success was typically based on the development of new technologies and processes, drawing on the latest scientific thinking (many of the leading botanists and chemists during the eighteenth century were Quakers (Raistrick, 1950/1968)). They were also innovative with respect to the management and social aspects of their businesses and were the first—or among the first—to adopt a wide range of business initiatives, as catalogued in Table 2 (drawn from Windsor's (1980) study of Quakers in business).

Table 2. Business innovations pioneered by Quakers

Marketing	Fixed prices; press advertising.
Operations	Vertical integration of extraction, production and distribution
Finance	Commercial paper
Employee relations	Adult education on company time; hot meals for employees; housing for employees to be purchased over time at cost and low interest rates; workers' hostels; pensions; pensions for widows; indexed pensions; free medical and dental services for employees
Governance	Functional department organisation; multidivisional organisation; participative management; consensus building; works councils; appeals committees; profit sharing; cooperative ownership; employee selection of managers.
Accounting	Formal accounting and auditing
R&D	Research & development departments; hiring of university professors as consultants.
Banking	Provincial Banking; the cheque; bills of exchange

Some of the leading management thinkers in the late nineteenth and early 20th centuries were also Quakers: Frederick Taylor (1856-1915) was the son of a notable Quaker family in Philadelphia, while Mary Parker Follett (1868–1933) and Wroe Alderson (1898–1965), often spoken of as the father of marketing, were active Quakers. And it was in this American milieu that another Quaker, Joseph Wharton (1826–1909), founded America's first business school, the Wharton School in the University of Pennsylvania in 1881. Wharton also co-

founded and was the major shareholder in Bethlehem Steel Corporation, and employed Frederick Taylor in 1898 with the express purpose of applying more scientific approaches to managing the factory (Copley, 1923).

However, even though some of the important figures in US business history were Quakers, their influence was much less than it was in Britain during the eighteenth and nineteenth centuries, which is the focus of this chapter. Indeed the late nineteenth century appears to have been a turning point as most of the Quaker firms listed in Table 1 inexorably lost their distinctive 'Quaker' ethos during the twentieth century, so that today these firms' Quaker roots are little more than a historical curiosity. This raises the question as to how and why this Quaker ethos was lost, and whether things might have been different.

Before examining this in more detail, we should add a few notes of caution. First, it is easy to over-emphasise the idea of a distinctive 'Quaker ethos' and the role that this played in so-called 'Quaker' businesses. For instance, Rowlinson and Hassard (1993) have argued that it was not Quaker beliefs but rather contemporary social movements of the late 19th century that led Cadbury to develop specific labour-management institutions, which were then retrospectively linked to a Quaker ethos in a (perhaps cynical) attempt to create a distinctive and enduring Cadbury culture and tradition. Moreover, the social ethos associated with Cadbury and Rowntree was not replicated across all Quaker enterprises; for example, the Quaker firm of Bryant and May had extremely poor working conditions which led to the famous matchgirls strike of 1888.

That said, the notion of a "Quaker employer" as an ideal type is still meaningful, while recognising that actual practices varied considerably between firms and industries and across time and space. It was certainly compelling enough in early 20th century to form the basis for a series of Quaker employer conferences, held in 1918, 1928, 1938 and 1948. The overall number of Quaker employers is indicated by the fact that invitations to the 1918 conference were sent to 375 Quaker firms deemed to be employing upwards of 50 persons, while the conference report estimated that Quaker firms employed over 100,000 people at the time. The conferences usually attracted over 100 Quakers from at least 75 businesses, including leading firms like C. & J. Clark, Rowntree, Cadbury, and Reckitt.

An alternative business model emerges

Our central argument is that the emergence of the joint stock company as the popular, if not default, mode of economic organisation in the second half of the nineteenth century was

inimical to the Quaker approach to business. Quaker businesses had little option in the late nineteenth century other than to convert to this organisational form (i.e. to incorporate) but that decision meant that, over time, they lost their Quaker ethos. To understand this, we need to unpack what incorporation meant and how it was so detrimental to the Quaker approach to business.

To begin, it is important to emphasise that Quaker businesses formed from the late seventeenth to the late nineteenth centuries were invariably partnerships, which was the normal form of business organisation at that time. The corporation, as we know it, was not an available option. Up to the late nineteenth century, the collection of ideas that underpin the contemporary corporation were either hotly contested or perceived as distinctly odd, or not applicable to the type of businesses in which the Quakers were involved. There were many different related and separate ideas, but we summarise the following three as central. First, a company is an autonomous entity separate from the individuals who form it. The company continues to exist after the original members have either died or left the company. Second, the potential liabilities of a company's principals can be limited. Third, shareholders have distinctive rights and responsibilities and these are different from those who manage the company's affairs. One such right is the right of a shareholder to buy and sell company shares in a market. Any responsibilities a shareholder might have also end upon the sale of that person's share of the company.

Each of these ideas has a different history and it wasn't until the middle of the nineteenth century that the threads came to be woven together into a coherent economic paradigm. It is useful to chronicle the development of these ideas over time and how the Quaker belief system sat within the discourse.

The company as a separate legal personality

The idea that a company has a separate legal personality would certainly have appeared odd to most business people in the eighteenth and early nineteenth centuries. This is not to say that the idea of a separate, fictitious legal personality did not exist prior to that period; Blackstone (1756, chapter 18) traces the origin of such corporate bodies (*corpora corporata*) to Roman times and their idea of "forming one whole out of many individuals" found expression in various spheres, but particular in religion, where all sorts of spiritual corporations were to be found, and in education, where the concepts of 'university' and 'college' instantiated the idea of being gathered together (Williston, 1888b; a). There is also

a tradition of a partnership being considered a single, distinctive entity, separate from the constituent partners—the word 'college' comes from the Latin *collegium*, meaning 'partnership'—but from medieval times the partnership, as a distinctive entity, had evolved into the joint stock company. Thus, from the early seventeenth century, English businesses took two forms: ordinary partnerships and the joint-stock company (Carney, 1995). The latter, which was essentially an altered form of partnership, had most of the attributes of the corporation including free transferability of shares while limited liability could be achieved by contract or by purchasing liability insurance. Importantly, such joint-stock companies could only gain the status of having separate incorporate personhood only if it was granted by, as Coke put it in the *Case of Sutton's Hospital* (1612), a "lawful authority of incorporation", which he further clarified as meaning that a corporation could only be created by common law, parliament, royal charter, or by prescription (Holdsworth, 1922). As a gift from the crown or the state, incorporation typically came with monopoly rights, and so the right to incorporate was only granted in special cases, such as overseas ventures (the East India Company, which gained its charter in 1600, was perhaps the best-known example) and infrastructure projects—e.g. canals, railways, public utilities—where the capital requirement was high and where there was a clear public benefit to incorporation. And if that right was abused, then the king reserved the power to appropriate the corporation, as the Attorney General, Sir Robert Sawyer, made clear in 1682, when he argued that just as the law recognises the crime of conspiracy, it was appropriate to regulate any group with much greater power than an individual. Hence, ordinary partnerships were by far the dominant form of economic organisation during Britain's industrial revolution, right up to the end of the nineteenth century (Taylor, 2014). In particular, Quaker businesses were invariably partnerships, with notable exceptions such as the Stockton & Darlington Railway Company, formed in 1821 by a group of Quaker businessmen.

At times, the joint-stock mechanism was abused, most famously in the case of the South Sea Company, a joint-stock company that, in 1711, was granted a monopoly to trade with South America and to consolidate the national debt. The company stock rose rapidly in value but then collapsed, with investors losing significant amounts of money in what came to be known as the South Sea Bubble. The government responded with the Bubble Act of 1719 which forbade the creation of joint-stock companies without royal charter, and it also disallowed the creation of freely transferable shares by joint-stock companies as well as denying these entities access to the courts (Carney, 1995). The persistent and pervasive fear of and hostility

to corporations was well articulated by Baron Thurlow when, in 1793, he said that "corporations have neither bodies to be punished, nor souls to be condemned; they therefore do as they like".

But, notwithstanding the law, people found ways to create quasi-corporations. So, even though unincorporated groups of individuals could not own property as a group, they could create a trust to hold the property in trust for the group, with mutual covenants between individual 'shareholders' and selected trustees. Thus, large unincorporated joint–stock associations emerged in the latter part of the 18th century. While these lacked a legal personality, it wasn't quite clear what they were. Amid this confusion, fraud flourished with many investors losing money in the early 19th century having invested in joint-stock associations (Ireland, 2010). Investors—or *rentier* classes—also complained that there were limited opportunities to invest (in 1824, there were only 124 incorporated joint-stock companies in the United Kingdom (Harris, 2013)) and hence they put pressure on the government to repeal the Bubble Act, which was done in 1820. However, the fraud and investors' losses continued, reaching new heights in the railway mania of the 1840s. This eventually led to the Joint Stock Companies Act of 1844 which required the public registration of all companies with transferable shares, and all companies with 25 or more members. Here, the central idea was to *compel* joint-stock companies to incorporate so that their activities would be public. This was a watershed moment in that it turned what had previously been a gift conferred by the state into a right available to everyone.

The Quaker perspective on the issue was framed, most importantly, by their belief in the importance of the individual, which meant that for Quakers, and for many others, the 'corporation' is a collection of individuals rather than a singular, distinct entity. This is clear from the language used: up to the middle of the nineteenth century, companies, whether incorporated or not, were invariably referred to in the plural rather than the singular—the term 'company' being short for a 'company of proprietors' or similar (Taylor, 2014, p. 12). As the idea of the company as a distinctly separate entity emerged around that time, singular verbs and nouns came to dominate and the use of plural constructions to describe the company went into decline (Lamoreaux, 2004, p. 44–45). This was a widely-held belief, but what made the Quakers distinctive was their long-standing tradition of individualism and their consequent suspicion of collectivist models of the world. This was also an important reason why many Quakers disliked trade unions and the socialist focus on collective action,

power and social class (Freeman, 2013). Hence, the notion of the company as a unitary entity, separate from its constituting individuals, was contrary to their individualistic ideology.

Limited Liability

Contemporaneous with the debate about incorporation was a separate but related debate about *limited liability* which we will now outline. Again, the issue had a long history, going at least as far back as the 15th century when monastic communities and trade guilds holding property had the protection of limited liability under English law. In the eighteenth and nineteenth centuries when the Quaker businesses were flourishing, default on a liability was commonplace as the English economy was based largely on a system of debt and credit, rather than a 'cash-nexus'. In this context, since limited liability was generally not available, character, personality and morality were of the utmost importance (Muldrew, 1998/2016; Finn, 2007; Graeber, 2011; Taylor, 2014). But even though limited liability was not the norm, there were long-standing arguments that this should be changed, usually based on the thesis that unlimited liability disincentivized wealthy individuals from investing in risky ventures, which stymied innovation and growth. Developments in the early nineteenth century brought more attention to the issue, following Thornton's publication of his book *Paper Credit*, which advanced monetary theory by exploring the damage caused when money supply and credit contracted (Thornton, 1802). English investors were also being lured to invest their money in France because the French *société en commandite* allowed a form of limited partnerships where the active managing partners were unlimitedly liable but the money-providing, 'sleeping' partners had the benefit of limited liability. This accelerated after 1832 when the French courts allowed this form of partnership to issue shares not specifically registered to any individual but which were instead the property of the holder (Smith, 2004, p. 72). In addition, the state of New York had enacted a limited partnership act in 1822 (Kempin, 1960). Thus the debate heated up considerably around that time. By tradition and sentiment, the Quakers were hostile to the notion of limited liability, which was aligned with their reputation for being scrupulously honest in business, and with their abhorrence of bankruptcy and failing to pay one's debts. However, there were exceptions; most notably some leading female Quakers—Elizabeth Pease, Jane Smeal and Anne Knight—were active in the Chartist movement of the 1830s and 1840s, which was a broad-based movement focused on advancing the cause of the working classes through social and political reform. One plank of the Chartists' strategy was to provide corporate identity and limited liability to working class cooperatives or associations. The problem facing such

entities was well expressed in this exchange at a House of Commons Select Committee meeting (Slaney, 1850):

> 507. *What are the provisions or obstacles in the law which prevent them from associating together for any purposes?*—One is that they cannot purchase land; they understand generally that there are legal impediments to their holding land, except as individuals; and as they have no hope of ever purchasing land but in an associative capacity, that is considered a very great grievance….
>
> 514. *What other difficulties do you perceive?*—We find that any rogue may peril the success of an association, by availing himself of what is understood to be the law of partnership; and even supposing that he is not a rogue, if we take him in as an associate, with legal liabilities weighing upon him, we share them immediately; if he incurs them after he becomes a member of the working association, the resources of the association are pledged legally to their discharge…
>
> 517. *What mode do you suggest for getting over the difficulty?*—That we might associate with limited liability.

The Committee acceded to this request and its final report included a qualified endorsement of limited liability. Similar endorsements were made by other parliamentary committees around that time often on the basis that limited liability would encourage the middle and working classes to participate more fully in the economy (Kahan, 2009). However, the idea was hotly resisted by others, and there was much public debate about the matter, especially between 1850 and 1854 (Saville, 1956). The arguments against the idea might be summarised as follows:

1. Owners with limited liability would not watch over the managers carefully enough (a point made forcefully by, among others, Adam Smith (1776/1981, p. 741-758)).
2. Limited liability would encourage excessive risk-taking, and in the event of failure the loss would be borne by others (creditors and banks). This was the moral hazard argument (Djelic and Bothello, 2013).
3. Corporations with limited liability would drain capital, making it more difficult for traditional partnerships or non-corporate firms to thrive or survive, which would upset the social order and encourage monopolies to emerge.
4. It was unnecessary because there was no shortage of capital in England in the mid-19th century, as businesses usually had sufficient retained profits to meet their investment needs: "The manufacturers were on the whole against the introduction of limited liability" (Jefferys, 1938, p. 41).
5. There was a 'natural justice' argument that individual responsibility for one's debts was right and that changing this would be unethical.

6. This principle of individual responsibility was a foundation of the British economy and underpinned Britain's preeminent position in the global economy. Limited liability was thus seen as "un-English" (Taylor, 2014, p. 7).
7. Some believed that it would create unreasonable and unrealisable expectations among the masses.

The debates were intense in formal public fora (for example in 1854 the Royal Commission on the Mercantile Laws and the Law of Partnership recommended against making limited liability generally available) and in newspapers, debating societies, chambers of commerce and the like. While the Chartists and Christian socialists were advocating limited liability as a way of advancing the cause of the working class and as a way of democratising the economy, it is clear that by the mid-19th century, the rentier class and the liberals were very much in the van (Djelic, 2013). Indicative of the shift in mood what the repeal of the Usury Act in 1850, an Act that had, since 1660, placed strict limits on the interest that private lenders could charge.

The rentier investors and liberals also won the day with regard to limited liability, as the Companies Act was amended in 1855 to give limited liability to corporations but not to partnerships (Ireland, 1996; Djelic, 2013). Banks and insurance companies were excluded until the Act was again amended in 1862. The 1855 Act was confined to companies with a minimum of 25 members but an amendment in 1856 allowed seven or more persons to 'form themselves' into an incorporated company while limited liability was extended to cooperatives in 1862.

For the Quakers, the issue of limited liability struck to the core of their belief system as honesty in trade, including the avoidance of debt, was a condition of membership of the Religious Society of Friends from its inception in the 1660s. As early as 1688, Friends were told, through the system of *Advices*, that none should "launch into trading and worldly business beyond what they can manage honourably and with reputation; so that they may keep their words with all men…the payment of just debts be not delayed" (Society of Friends, 1802, p. 195). The message was consistent and constant. In 1754, an 'epistle'—a letter from one Friends' body to another—exhorted members at monthly meetings "to be properly watchful over one another, and early to caution all against running beyond their depth, and entangling themselves in a greater multiplicity of trade and business than they can extricate themselves from with honour and reputation" (Society of Friends, 1858: Epistle 1754, p. 290-1). The notion of limited liability directly contradicted this, in that, for many, it

rewarded and encouraged dishonesty. And, in line with the 'Protestant ethic,' failure in the realm of work raised suspicions of sin, imprudence and a breach of the religious imperative to make one's outward life congruent with one's inward life.

While advocates of limited liability pointed to the difference between a loss caused by intentional dishonesty and a loss resulting from unintentional carelessness or bad luck, and also highlighted the value of mitigating practices, such as publishing company registration information, such nuances made little impression on the Quakers. This was partly because, notwithstanding their deep engagement in the world of commerce, most Quakers had, with some exceptions, largely withdrawn from the public sphere and mainstream politics during the seventeenth and eighteenth centuries, and up until the mid-nineteenth century they deeply distrusted elections and party politics (Isichei, 1970). Not surprisingly, therefore, they made little contribution to public discourse about the concept of limited liability prior to passing of the Companies Act and its various amendments. Many Quakers at the London Yearly Meeting of 1918 voiced serious concern about the immorality of limited liability, but the reality was that that debate had effectively concluded over fifty years previously.

The shareholder

The effect of these legislative changes was to create a clear distinction between the shareholders and the managers, which marked a major change from the partnership model—favoured by the Quakers—where the owners were invariably actively involved in managing the business.

Quakers saw their business as a service if not a religious calling, with this service motive operating as a counter to the profit motive. This is not to say that the Quakers were against making a profit; rather they saw profit as a necessary by-product of a successful business, which ultimately was for a service to God and the common good. Hence, the Quakers had little truck with *rentiers*—those living on income from property or investments—who became more prominent in the early nineteenth century and who were depicted as wholly self-interested. The problem for rentiers was that industrialists—and Quakers were disproportionately represented within this group—were usually able to meet their financial needs through retained profits, which left the rentiers with few options. They had no desire to become active partners in individual firms, while lending money to the partnership was not attractive as the usury laws limited their maximum rate of return. Many in society took a distinctly negative view of rentiers: for instance, *The Times* derided them in 1840 as wanting

"to be able to embark in business without being a man of business; to be able to share in the profits of trade without knowledge of trade, or any education in it; without abilities, without character, without any attention or exertion" (9 October 1840). However, the Quakers' attitude to rentiers was more profound in that it was informed by a religious belief system that sacralised work for the common good. That said, the Quakers were not against investment and indeed it was their understanding of finance that enabled them to dominate banking in the eighteenth and nineteenth centuries. Quaker bankers financed various transport infrastructure projects, such as the Stockton and Darlington railway which opened in 1825, but such investments were based on individual wealth as well as the trust, confidence and personal relationships that were a feature of Quaker networks (Turnbull, 2014). The issue is further complicated because some saw little difference between the Quakers and the rentiers. For instance, Cobbett (1830, p. 151) was more than disdainful of Quaker retailers stating that:

> …they never work. Here is a sect of non-labourers. One would think that their religion bound them under a curse not to work. Some part of the people of all other sects work; sweat at work; do something that is useful to other people; but here is a sect of buyers and sellers. They make nothing; they cause nothing to come; they breed as well as other sects; but they make none of the raiment or houses, and cause none of the food to come.

Cobbett suggests that a value-added tax should be implemented (p. 365) and perhaps had such a tax been in place his vitriol might have been lessened. Undoubtedly, he would have heaped even more scorn on the rentiers who made a profit through buying and and selling shares and the overall investing model that eventually emerged in the late nineteenth century which allowed rentiers to easily trade shares in all sorts of enterprises. Notwithstanding Cobbett, a fairer interpretation of the Quakers of the nineteenth century is probably that buying and selling consumer goods is categorically different from buying and selling shares.

Regardless of these different understandings, the new joint-stock model clearly differentiated between the rights and responsibilities of shareholders and the management team, and this shift was particularly at variance with long-standing Quaker business practice. Most Quaker businesses were partnerships made up of a small number of closely-related participants who were actively involved in the firm, sharing ownership of the assets, and having joint and several unlimited liability. If there were investors, then these were invariably well-known, if not related, to the partners and were expected to take an active interest in the business. In contrast, the new dispensation created a clear demarcation between shareholders and

managers. Amongst many others, Adam Smith (1776/1981, p. 741) was concerned about the agency issue that this change created:

> the directors of such companies, however, being the managers rather of other people's money than of their own, it cannot well be expected that they should watch over it with the same anxious vigilance with which the partners in a private copartnery frequently watch over their own…Negligence and profusion, therefore, must always prevail, more or less, in the management of the affairs of such a company.

Easy incorporation changed all that, and inevitably ownership was separated from management.

The new shareholder structure associated with incorporation also typically increased the number of shareholders quite significantly, and there was no requirement for the shareholders to know one another, which was quite different from the Quaker partnerships where the owners knew one another intimately. Decision-making by the shareholders in this context was also quite different. Under the shareholding structure, decisions were made by majority vote, a decision-making process with which Quakers have traditionally been uncomfortable (Morley, 1993).

Incorporation and post-incorporation

The legislative changes were slow to have an effect on the ground. Between 1856 and 1865 on average only 500 limited companies were registered annually in the United Kingdom (Ireland, 1984, p. 244). This was partly because many people, especially manufacturers, were against the changes, but it was also because partnerships were not allowed to have limited liability. From 1866 to 1874 the annual average increased to 700, and between 1875 and 1883 it increased to over 1000 (Ireland, 1984, p. 244). However, these numbers are inflated as many companies never survived infancy and many others were not functioning enterprises. Thus, partnerships and sole traders were still very much the dominant form of business organisation in the late 19th century, with Jefferys (1938) estimating that in 1885 limited companies acounted for only between 5 and 10 per cent of all important business organisations, excluding sole traders and public utilities. Two significant events led to a much greater rate of incorporation in the latter part of the nineteenth century. First, the Long Depression of 1873 to 1879 saw an increasing number of bankruptcies—shareholders in the City of Glasgow Bank, which went bankrupt in 1878, had to pay out £2750 for every £100 invested—which highlighted the benefits of the private limited company. Second, in 1877 the company lawyer Francis Palmer published a guidebook, *Private Companies; or how to*

convert your business into a private company, and the benefit of so, in which he observed that even small partnerships and sole traders could incorporate using nominees to meet the minimum requirements of seven members (Palmer, 1877). Palmer's book was influential—by 1900 it was in its eighteenth edition—and the rate of incorporation steadily increased as shown in Table 3 (from Ireland (1984, p. 245).

Period	Average annual number of registrations of limited companies in UK
1856–1865	500
1866–1874	700
1875–1883	1000
1880–1886	1500
1887–1894	2500
1895–1908	4400
1908–1914	6700

Table 3: Average annual number of registrations of limited companies in UK

The Quaker businesses, which were almost all partnerships, followed this pattern, with most of the prominent Quaker businesses incorporating around that time: Consett Iron Company (1864), Ransomes (1884), Bryant & May (1884), Truman & Hanbury (1888); Reckitt (1888), Albright & Wilson (1892), Allen & Hanbury (1893); Carr (1894), Fry's (1896), Crosfields (1896), Rowntree (1897), Huntley & Palmer (1898), Cadbury's (1899), Baker Perkins (1902), C & J Clark (1903) Swan Hunter (1903), Stewarts & Lloyds (1903) (from Grace's Guide to British Industrial History - https://www.gracesguide.co.uk).

The reasons for incorporating were, in many ways, straightforward. The businesses wanted to expand and the availability of incorporation and limited liability was an obvious way to effect this. Converting from a partnership to a limited private company was seen positively by the Quaker partnerships, given that so many of the leading businesses took that route. And while the Quaker businesses were typically growing when they incorporated, that growth usually continued after incorporation (Figure 1).

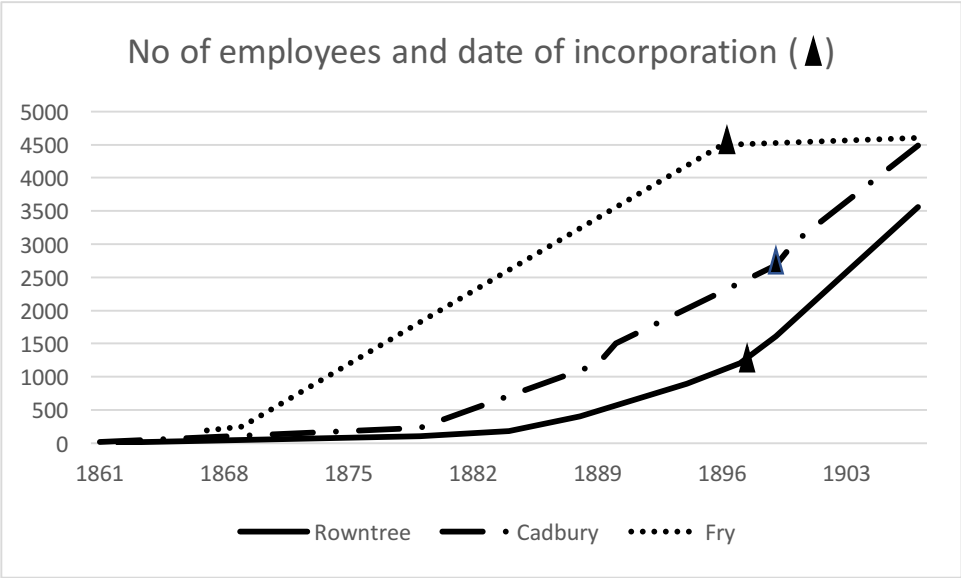

Figure 1. No of employees in Rowntree, Cadbury and Fry's (from Fitzgerald (2007, p. 64)).

Fitzgerald's (2007, p. 69–72) study of Rowntree provides a good insight into the type of reasoning the Quaker firms employed to justify incorporation. Most importantly, these businesses needed capital to fund expansion and it was clear that these monies would have to be publicly raised. Most firms did not become public companies but instead raised preference shares and debentures on regional stock exchanges, while the existing partners and the controlling family were issued with ordinary stock. In Rowntree's case, the controlling partner, Joseph Rowntree, was able to raise the necessary finance without losing control of the firm. Moreover, incorporation also enabled him to give his relatives a stake and formal position in the firm, while the formation of a board meant that directors with specific responsibilities could be appointed. Crucially, the Rowntree family retained ownership and control in an attempt to continue—in fact if not in form—as not only a family enterprise but a *Quaker* family enterprise.

In many ways, incorporation had the desired effect for most of the Quaker firms, with many experiencing significant growth in the early twentieth century. For instance, Cadbury, which took over Fry's in 1916 and became the British Cocoa and Chocalate in 1919, employed 10,000 in Bourneville alone in 1938 and, by 1961, employed some 23,500 workers (Grace's Guide). Rowntree also expanded and, by 1987, when it was taken over by Nestlé, it operated 25 factories in nine countries and employed 33,000 people (Hyde et al., 1991).

However, this expansion and success masked the inexorable decline of the distinctly Quaker ethos in business and it is clear that the great wave of incorporation in the 1890s marked the beginning of the end of the Quaker business philosophy. The issues were complex and

incorporation was certainly not the only reason why the philosophy unravelled, but it did coincide with a major transition in how Quakers conceptualised their role in the economy and society. Important events in that process included the Richmond Conference in 1887, the Manchester Conference in 1895, the London Yearly Meeting in 1918, and the first World Conference held in London in 1920. The seminal Manchester Conference of 1895 marked a transition from 19th century Evangelical Quakerism to Liberal Quakerism (Southern, 2010). Broadly speaking, liberal (or modernist) Quakers rejected reliance on the Bible as the foundation of their faith and instead emphasised the early tradition of the divine "Inner Light" to be found within all people. Liberals celebrated individual reason, worth and experience, believed in democracy and scientific inquiry, held an optimistic world view, and were keen to improve society. At the centre of this shift—sometimes referred to as the Quaker Renaissance—was Joseph Rowntree's eldest son, John Wilhelm Rowntree (1868–1905) who became a director of Rowntrees when it incorporated in 1897. His brother, Seebohm (1871–1954), had similar values and in 1899 he conducted a major study of poverty in York (Rowntree, 1901), which heavily influenced the New Liberalism movement and inspired many liberal welfare reforms of the early twentieth century. The First World War also made Quakers more acutely aware of the connection between war, social order, and capitalism, and in 1915, they established a War & Social Order Committee to look into issues surrounding social inequality and the conditions that might bring about war. This committee reported to the London Yearly Meeting in 1918, which formulated eight principles in a document titled "Foundations of a True Social Order" (see http://www.quakersocialorder.org.uk/). What was becoming clear was that Quaker employers needed to focus on the overall capitalist system, and its potentially horrible consequences, as much as what was happening in their individual businesses. These concerns are well-illustrated by the topics discussed at the first Quaker Employer Conference held in 1918: "the Responsibilities of Quaker Employers"; "the Claims of Labour"; "Wages"; "The Status of the Worker"; "Working Conditions"; "Profit-sharing schemes"; "Security of Employment"; "The appropriation of Surplus Profits".

The major disparity between the wealth of the Quaker employer and the workers instantiated not only capitalism's contradictions but also an inconsistency between Quaker belief in equality and the reality on the ground. Not surprisingly, the Quaker enthusiasm for commerce waned around this time. Even though it would have been possible for the Quaker families to continue to control their businesses by judicious adjustments to the company's

capital structure—much as the Ford family retained control of the Ford Motor Company throughout the 20th century—this did not happen. Instead, the Quakers moved, or were shifted, inexorably out of the commercial world as ownership passed progressively out of the families and into institutions. The dilution typically occurred through a series of mergers and takeovers. For example, Cadbury and Fry merged in 1918 and then Cadbury subsequently merged with Schweppes in 1969; Huntley & Palmer merged with Peek, Frean & Co in 1921 to become Associated Biscuit Manufacturers which was then taken over by Nabisco in 1982; Reckitt's merged with J. & J. Colman in 1938, and this entity merged with Benckiser NV in 1999; Bryant & May merged with various other companies until it was eventually taken over by Swedish Match; Truman's was taken over by Grand Metropolitan in 1971; Albright and Wilson was acquired by Tenneco in 1971; Allen & Hanburys was acquired by Glaxo Laboratories in 1958; Carr's was acquired by United Biscuits in 1972; Lever Brothers acquired Crosfields in 1919; APV acquired Baker Perkins in 1987; Rowntree's merged with Mackintosh in 1969 and this was taken over by Nestlé in 1988. Others were nationalised, such as Consett Iron Company (in 1947), Swan Hunter (in 1977), and Stewarts & Lloyds (in 1951). But even before the mergers, the distinctive Quaker ethos was already in decline in the Quaker businesses: it was gone at Fry by the 1920s and was to decline at Rowntree from the 1930s, though it persisted in Cadbury until 1969 when Cadbury merged with Schweppes (Smith et al., 1990; Fitzgerald, 2007, p. 215).

Conclusion

The Quakers' role in—and ultimate withdrawal from—commerce is a complex story that should not be reduced to a single line of reasoning. It is clear that many liberal Quakers became deeply uncomfortable as they reflected on the inequalities associated with and generated by capitalism. The paternalistic model that had developed in Quaker enterprises during the nineteenth century was also perhaps ill-suited to the scale of operations that mass production demanded. The number of Quakers in the general population was always low—and it decreased as a percentage during the early twentieth century—which is also an important part of the story. What this chapter has highlighted is the profound change associated with the three features of incorporation—the company as a separate legal personality, limited liability, and the distinctive rights and responsibilities of the shareholder—and how these were inimical to the Quaker belief system.

This chapter has described how, in the first half of the twentieth century, the Quakers lost the preeminent position they held in the commercial world for much of the previous two centuries. While many Quakers willingly decamped from this world—preferring to focus on social issues, conflict resolution, justice and human rights—it is also important to recognise the political dimension to how their contribution to and exit from commerce has been represented. For example, the historical evidence casts much doubt on the validity of Chandler's (1962; 1977) argument that the relative success of American multinationals at the turn of the century was because managerial hierarchies became larger and appeared more quickly in these companies than in their British counterparts. According to Chandler, British companies were slow to adopt modern management methods, new techniques of mass production, and novel cost accounting procedures as they were stymied by an outmoded form of British capitalism characterised by the continuance of family control and management. However, Fitzgerald's (2007, p. 187-193) description of management practices in Rowntree and Cadbury and Matthews et al's (2003) study of Albright & Wilson, severely challenges Chandler's thesis and his implicit celebration of "managerialism" and the large firm. Our analysis adds to this by highlighting how the joint-stock companies were essentially political entities and that there is a political dimension to any narrative, such as Chandler's.

We see this political dimension in the way the Quakers have been largely ignored in the management literature and, surprisingly, in the history of management thought, which typically locates the discipline's origins in the mid to late 19th century, well over a century after most of the Quaker businesses had been founded but, hardly coincidentally, just when they were incorporating. For instance, Barley and Kunda (1992) begin their story about the evolution of managerial ideologies in 1870; Eastman and Bailey (1998) start their story in 1890, as does Guillén (1994) when he identified scientific management as the first management model; Shenhav (1995; 1999) begins his study of the (engineering) foundations of organization theory in 1879; Wren (1997: xii) notes that "about 1880…the literature took a quantum jump as a result of the workshop management movement"; while Towne (1886), one of the first engineers to see management as a new social role for engineers, published his influential article, *The Engineer as an Economist*, in 1886. The Quakers, and the particular form of business ethics espoused by Quaker employers, is neatly overlooked in these narratives that invariably celebrate the manager and the particular role that management plays in the contemporary organisation.

Our study also shows that things could have been different. Hence, we do not accept Hansmann and Kraakman's (2000) end-of-history argument that the shareholder-centred corporate governance structure, which emerged in the mid-nineteenth century, is now the only viable model of corporate law. The Quaker story shows that this particular configuration is and was a highly contingent social construction, that other models might have emerged, and could very well emerge in the future. Given contemporary concerns about the corporation, it is timely that we re-imagine the powers and responsibilities of this organisational form and its mode of governance. The Quakers provide a useful basis for such re-imagining.

References

Barley, Stephen R. and Kunda, Gideon (1992) 'Design and Devotion - Surges of Rational and Normative Ideologies of Control in Managerial Discourse', *Administrative Science Quarterly*, 37(3): 363-399.

Blackstone, William (1756) *Commentaries on the Laws of England*. Oxford: Clarendon Press.

Carney, William J. (1995) 'Limited Liability Companies: Origins and Antecedents Llcs Llps and the Evolving Corporate Form', *University of Colorado Law Review*, 66(4): 855-880.

Chandler, Alfred D. (1962) *Strategy and Structure*. MIT Press.

Chandler, Alfred D. (1977) *The Visible Hand: The Managerial Revolution in American Business*. Cambridge, Mass.: Belknap, Harvard University Press.

Cobbett, William (1830) *Rural Rides in the Counties of Surrey, Kent, Sussex*. London: William Cobbett.

Copley, Frank Barkley (1923) *Frederick W. Taylor: Father of Scientific Management*. New York: Harper and Brothers.

Djelic, Marie-Laure (2013) 'When Limited Liability Was (Still) an Issue: Mobilization and Politics of Signification in 19th-Century England', *Organization Studies*, 34(5-6): 595-621.

Djelic, Marie-Laure and Bothello, Joel (2013) 'Limited Liability and Its Moral Hazard Implications: The Systemic Inscription of Instability in Contemporary Capitalism', *Theory and Society*, 42(6): 589-615.

Eastman, Wayne and Bailey, James (1998) 'Mediating the Fact-Value Antinomy: Patterns in Managerial and Legal Rhetoric, 1890-1990', *Organization Science*, 9(2): 232-243.

Finn, Margot C. (2007) *The Character of Credit : Personal Debt in English Culture, 1740-1914*. Cambridge: Cambridge University Press.

Fitzgerald, Robert (2007) *Rowntree and the Marketing Revolution, 1862-1969*. Cambridge University Press.

Freeman, Mark (2013) 'Quakers, Business and Philanthropy', in S. W. Angell and P. Dandelion (eds.) *The Oxford Handbook of Quaker Studies*. Oxford: Oxford University Press.

Furtado, Peter (2013) *Quakers*. Oxford: Shire Publications.

Graeber, David (2011) *Debt : The First 5,000 Years*. New York: Melville House.

Guillén, Mauro F. (1994) *Models of Management: Work, Authority, and Organization in a Comparative Perspective*. Chicago: University of Chicago Press.

Hansmann, Henry and Kraakman, Reinier (2000) 'The End of History for Corporate Law Essay', *Georgetown Law Journal*, 89: 439-468.
Harris, Ron (2013) 'The Private Origins of the Private Company: Britain 1862–1907', *Oxford Journal of Legal Studies*, 33(2): 339-378.
Holdsworth, W. S. C. Full publication date Feb (1922) 'English Corporation Law in the 16th and 17th Centuries', *The Yale Law Journal*, 31(4): 382-407.
Hyde, Dana, Ellert, James and Killing, J. Peter (1991) 'The Nestlé Takeover of Rowntree: A Case Study', *European Management Journal*, 9(1): 1-17.
Ireland, Paddy (1984) 'The Rise of the Limited Liability Company', *International Journal of the Sociology of Law*, 12(3): 239-260.
Ireland, Paddy (1996) 'Capitalism without the Capitalist: The Joint Stock Company Share and the Emergence of the Modern Doctrine of Separate Corporate Personality', *The Journal of Legal History*, 17(1): 41-73.
Ireland, Paddy (2010) 'Limited Liability, Shareholder Rights and the Problem of Corporate Irresponsibility', *Cambridge Journal of Economics*, 34(5): 837-856.
Isichei, Elizabeth (1970) *Victorian Quakers*. London: Oxford University Press.
Jefferys, J. B. (1938) 'Trends in Business Organization in Great Britain since 1856, with Special Reference to the Financial Structure of Companies, the Mechanism of Investment and the Relations between Shareholder and Company'. University of London.
Kahan, Daniel R. (2009) 'Shareholder Liability for Corporate Torts: A Historical Perspective', *The Georgetown Law Journal*, 97: 1085–1110.
Kempin, Frederick G. (1960) 'Limited Liability in Historical Perspective', *American Business Law Association Bulletin*, 4(1): 11–34.
Lamoreaux, Naomi (2004) 'Partnerships, Corporations and the Limits on Contractual Freedom in US History: An Essay in Economics, Law, and Culture', in K. Lipartito and D. B. Sicilia (eds.) *Constructing Corporate America: History, Politics, Culture*. New York: Oxford University Press.
Matthews, Mark, Boyns, Trevor and Edwards, John Richard (2003) 'Chandlerian Image or Mirror Image? Managerial and Accounting Control in the Chemical Industry: The Case of Albright & Wilson, C. 1892 to C. 1923', *Business History*, 45(4): 24-52.
Morley, Barry (1993) *Beyond Consensus : Salvaging Sense of the Meeting*. Wallingford, PA: Pendle Hill.
Muldrew, Craig (1998/2016) *The Economy of Obligation: The Culture of Credit and Social Relations in Early Modern England*. New York: Springer.
Palmer, Francis Beaufort (1877) *Private Companies; or How to Convert Your Business into a Private Company, and the Benefit of So Doing*. London: Stevens and Sons.
Raistrick, Arthur (1950/1968) *Quakers in Science and Industry : Being an Account of the Quaker Contributions to Science and Industry During the 17th and 18th Centuries*. New York: Kelley.
Rowlinson, Michael and Hassard, John (1993) 'The Invention of Corporate Culture: A History of the Histories of Cadbury', *Human Relations*, 46(3): 299-326.
Rowntree, B. Seebohm (1901) *Poverty, a Study of Town Life*. London: Macmillan and Co.
Saville, John (1956) 'Sleeping Partnership and Limited Liability, 1850–1856', *The Economic History Review*, 8(3): 418-433.
Shenhav, Yehouda (1995) 'From Chaos to Systems: The Engineering Foundations of Organization Theory, 1879-1932', *Administrative Science Quarterly*, 40(4): 557-585.
Shenhav, Yehouda (1999) *Manufacturing Rationality: The Engineering Foundations of the Managerial Revolution*. Oxford: Oxford University Press.

Slaney, Robert Aglionby (1850) 'Select Committee on Investments for Savings of Middle and Working Classes: Report, Proceedings, Minutes of Evidence, Index'. *19th Century House of Commons Sessional Papers*.
Smith, Adam (1776/1981) *An Inquiry into the Nature and Causes of the Wealth of Nations*. Indianapolis: Liberty Classics.
Smith, B. Mark (2004) *A History of the Global Stock Market : From Ancient Rome to Silicon Valley*. Chicago: University of Chicago.
Smith, Chris, Child, John and Rowlinson, Michael (1990) *Reshaping Work: The Cadbury Experience*. Cambridge University Press.
Society of Friends (1802) *Extracts from the Minutes and Advices of the Yearly Meeting of Friends Held in London*. London: Society of Friends.
Society of Friends (1858) *Epistles from the Yearly Meeting of Friends, I*. London: Society of Friends.
Southern, Alice (2010) 'The Rowntree History Series and the Growth of Liberal Quakerism: 1895-1925'. *Department of Theology and Religion*. Birmingham, The University of Birmingham.
Taylor, James (2014) *Creating Capitalism: Joint-Stock Enterprise in British Politics and Culture, 1800-1870*. Boydell & Brewer Ltd.
Thornton, Henry M. P. (1802) *An Enquiry into the Nature and Effects of the Paper Credit of Great Britain*. London.
Towne, Henry R. (1886) 'The Engineer as an Economist', *Transactions, the American Society of Mechanical Engineers*, 7: 428-432.
Turnbull, Richard (2014) *Quaker Capitalism*. Oxford: Centre for Enterprise, Markets and Ethics.
Williston, Samuel C. (1888a) 'History of the Law of Business Corporations before 1800. I', *Harvard Law Review*, 2(3): 105-124.
Williston, Samuel C. (1888b) 'History of the Law of Business Corporations before 1800. II. ', *Harvard Law Review*, 2(4): 149-166.
Windsor, David Burns (1980) *The Quaker Enterprise: Friends in Business*. London: Muller.
Wren, Daniel A. (ed.) (1997) *Early Management Thought*. Aldershot: Dartmouth.