

Holland Professional Club **1**

The Rise and Fall of Holland Furnace Company

By Rob Sligh
March 9, 2017

2 Holland Furnace Company was founded in 1906. Ten years later, Holland's warm friend was touted as the largest furnace installer in the world, accounting for half of Holland's industrial output. The peak came in 1948 when the Company rang up \$41 million in sales and \$4 million in profits. They employed 1,500 people in Holland and 5,000 people nationwide. With the marketplace shift to oil & gas furnaces and the advent of air conditioning, it was tough for the Company to make sales and profit goals in the 1950s. Whether the fault of leadership, a culture under pressure or bad apples in the field, the Company started sliding and was not able to recover.

The Michigan Corporation and Securities Commission held hearings in 1951 involving 25 complaints that Detroit branch salesmen exaggerated the risk of asphyxiation, explosion or fire, and the need for repairs or new furnaces. The Company admitted the 25 complaints were serious, but pointed out they were only a fraction of the 25 to 30 thousand house calls made in Detroit during that period.

But Detroit was not the only branch under fire, and complaints soon caused governments across the country to mobilize against Holland Furnace.

In 1954, the FTC charged Holland Furnace with unfair and deceptive acts and practices in commerce. Hearings were held in 14 cities with testimony from 260 witnesses.

3 The case was finally resolved in 1965 when Holland Furnace was found guilty of criminal contempt and fined \$100 thousand. The Chairman of the Board was sentenced to 6 months in prison and two other officers were fined \$500 each.

By 1962 sales diminished to under \$7 million, down dramatically from the \$41 million peak. The Company was suffering losses. Milton Stevens of California made an offer to buy controlling interest and his designates were installed on the board. Stevens dramatically cut prices, fired 40 employees, consolidated 60 branch offices and trimmed the product line. But after two months, Stevens abruptly resigned and announced he would not consummate the purchase. He claimed the Company and its auditor overstated sales and assets and understated liabilities. The Company and its auditor denied the allegations.

By 1964, sales plunged to \$2 million and losses exceeded \$3 million. Following a stock sale in 1966, Athlone Industries made Holland Furnace one of its divisions. Two years later Athlone sold all the assets and that was the end of Holland Furnace after 62 years.

Now, half a century later, people vaguely remember something about unsavory sales practices, a prison sentence and properties around town that once belonged to Holland Furnace.

Tonight, we'll explore how the founders made their way to Holland and what they did to create a Company widely revered for most of its life. We'll recount a tragic event in 1928 that was a turning point for the founding families and the Company itself. We'll try to understand the leaders involved and what they and their Company meant to Holland. We'll get glimpse of what went wrong..... and what went right.

4 A.H. Landwehr was born in Missouri in 1880. He was a dynamic young man with a pleasing personality and a knack for leadership. He tackled his first job at age 16 as an office boy at a publishing house in St Louis. Over the next few months he held nearly all of the positions in that office.

A. H. developed what he later called his rule of three: (1) Prepare for the job ahead, (2) Fill the present job completely and (3) Help the man behind you. This young leader was on the move.

At age 17, the Company sent A.H. to Akron, Ohio to run a publishing operation. He performed so well that they sent him to their headquarters in New York. At age 21, he joined a publishing house in Pittsburgh, leading a team of 128 salesmen.

Landwehr's next venture was with Reliable Match Company of Ashland, Ohio. There he became an owner and the general manager. It was in Ashland that Landwehr met J.P. Kolla's charming daughter Louise. A.H. and Louise were married in 1902.

5 J.P. Kolla had years of practical experience with foundries and blast furnaces. He developed original ideas for a coal-fired furnace that provided the desired heat at the lowest cost. Kolla decided to form a partnership with his son-in-law, A.H. Landwehr to start a new Company.

Meanwhile, in Holland, Michigan, a citizens group conceived of a Bonus Plan to induce manufacturing companies to locate in Holland by offering land and sometimes a factory. Their aim was to create jobs.

G.P. Bowman of Ashland, Ohio had relatives in Holland. He brought Kolla and Landwehr to Holland in 1906 when they were scouting for locations.

6 The Bonus Plan figured in the decision to locate in Holland, but there were two additional reasons: First, freighters could economically carry pig iron to Holland.

7 Second, the molds for foundry castings required great quantities of sand and there were ample supplies of sand in the dunes along Lake Michigan.

The original factory was built on the property now occupied by Black River Public School. Kolla led product development and manufacturing. Landwehr developed the sales organization. The Company started producing furnaces in 1907. Sales were brisk from the beginning.

8 When the Kolla and Landwehr families moved to Holland, they built homes across from each other on East 16th Street near Columbia Avenue, within walking distance of the

Company. They also purchased property on the east side of Black Lake's Pine Creek Bay and used it initially as a hobby farm.

Charlie VanderBroek's great grandfather Bastian Keppel was a founder and president of People's State Bank that opened in Holland in 1904. Interestingly, Keppel was also one of the original members of the Holland Furnace Company Board of Directors where he served for a couple of decades.

9 Holland Furnace produced an innovative, coal-fired furnace that was the best in its day. But Holland's innovative furnaces required different and more precise installation. At first dealers were enthused. In 1907, forty Holland furnaces were installed by the dealer in Grand Rapids. But the precise installation requirements took their toll and dealers started re-emphasizing competitors. Landwehr made a dramatic decision. As a test, he placed a person in Grand Rapids to devote all his time to selling and properly installing Holland furnaces. By the end of 1908, the Company installed 125 furnaces in Grand Rapids, triple the previous year. Landwehr rolled out this branch office concept throughout the country. Branch offices were independent, but focused exclusively on Holland Furnace sales and installations. That was the unique and profoundly positive change that launched Holland Furnace into national leadership, a position the Company sustained for decades.

10 In 1917, the founding families completed new homes on Pine Creek Bay. They dubbed the property, *Hazelbank*. The Kolla home was white stucco in the California style. To the north was the home of A.H. Landwehr and his wife, Louise, J.P. Kolla's older daughter. To the south was J.P. Kolla's younger daughter, Katie.

11 A.H. Landwehr wrote an enthusiastic letter to Company salesmen in 1919, "(Last month) sales closed with the magnificent total of (\$512 thousand), a 79% increase over the previous (record) month.....Golly! Boys! I'm pleased with the wonderful showing you made... and I want to thank each and every one of you for your part in bringing it about."

1919 was also the year that Holland Furnace instituted a health program for all employees. Dr. Leenhouts spent two hours a day at the Company, treating a variety of ailments. This put him in position to observe the relationship between labor and management. He wrote, "On the whole, I observed a friendly feeling of cooperation all along the line; the molders, the machinists, the assembly men, the shipping crew, the office force, all worked with a spirit as if they were working for themselves; no loafing on the job anywhere. A mutual benefit society was organized by the workers for the purpose of social entertainment and extending financial aid to its membership in case of illness or layoff.....This spirit of recognition together with fair wages brought about a cordial, loyal relationship between the management and the working force....."

Holland Furnace brought employees to Holland from all over the country for training, idea exchange and recognition. Landwehr felt Holland needed a large hotel to accommodate business visitors and tourists. When the Ottawa Beach Hotel burned to the ground in November, 1923, the timing was right. In December, Landwehr announced a plan to build a \$500,000 downtown hotel where Holland Furnace would invest \$200,000 and community members were invited to invest up to \$500 each. Less than one month later, the \$500,000 investment was fully subscribed.

12 Some Holland residents questioned the name “Warm Friend Tavern”. To them, it was a reminder of the Company’s abundant influence in Holland and it implied, erroneously, that alcohol would be served.

But the Holland Evening Sentinel expressed the broadly held sentiment, “The Warm Friend Tavern is a name that would be difficult to improve upon, no matter what city in the country was to build it and no matter whose money was backing it. There is not a man, woman or child in this community who has not already benefited, either directly or indirectly, because the Holland Furnace Company is in Holland.”

Contractors broke ground for the Warm Friend Tavern in the spring of 1924. The six story building included 144 rooms, 9 apartments, the Grill Room, the downtown office of Holland Furnace, a gift store, shoe store, barber shop and hair salon. There were 5 sample rooms where travelling men could show their wares, a laundry and public bathrooms. Serving as president was A.H. Landwehr.

13 Paul Landwehr was born in 1907. Paul was the beloved son of the Landwehrs, the favorite of his grandfather J.P. Kolla and the Holland Furnace Company heir apparent. After graduating from Holland High School, Paul went to college at the University of Southern California, staying with George Lyle where they shared an interest in flying.

14 George was in Holland starting a new job as a pilot. It was Friday, July 27, 1928, the day before the annual Holland Furnace Company all-employee picnic. The high for the day was 75 degrees, but the wind clocked to the north and as it strengthened, the weather cooled and the waves came up on Lake Macatawa, then known as Black Lake.

15 Twenty year-old Paul Landwehr invited George Lyle, his best friend Ted Cheff, his 14 year-old cousin John Norstrom and four other friends for an evening ride on his Chris Craft. Ted had an earache and decided not to go. But the remaining six departed from Hazelbank and sped out to Lake Michigan with Paul at the wheel.

Meanwhile, a side-paddle passenger steamer called *City of Holland* was leaving a dock at the east end of Black Lake bound for Chicago. While returning from Lake Michigan, Paul and his friends encountered the steamer just east of Marigold Point. The steamer was making 8 knots. Paul circled at 40 miles an hour. They waved to acquaintances, laughing and having a good time. Paul was on the north side of the steamer when it happened. The strong wind and rising waves pushed the Chris-Craft toward the side-paddle. Suction did the rest. In that terrifying moment, Paul lost control.

The entire bow-end of the speedboat was crushed by the paddle wheel. Paul, his cousin John and two others in the bow were killed instantly. The stern snapped up into the air, throwing two people out and away.

The steamer captain launched life boats immediately and they picked up two survivors. Over 500 people worked all Friday night and Saturday morning to find the other four. A man named John Arendshorst headed the recovery effort. John was the great uncle of Club members John and Tom Arendshorst....or in other words, their grandfather’s brother.

Although suffering grievously from the loss of their son, the Landwehrs comforted the bereaved families. They provided for all the funeral arrangements making provisions in every way equal to the provisions for their own son.

16 But it was all too much. A.H. Landwehr blamed himself, crying out, “If I’d not been wealthy, we wouldn’t own a boat and my son would still be alive.” He suffered a nervous breakdown and never fully recovered.

In and out of mental institutions for years, A.H. Landwehr died in 1937 at Mercywood Sanatorium at the age of 57. He was revered at the Company as an all-around executive, production man, master salesman and financier. He had the ability to inspire people with his positive personality and sense of fair play. Landwehr had a loving disposition, high-character, sterling honesty and a big, benevolent heart. A heart that was broken forever with the death of his son Paul.

17 J.P. Kolla didn’t like the way Charles and Edgar G. Landwehr were running the Company in the absence of A.H. Holland Furnace posted a loss of \$152 thousand in 1931. That was the year the Company completed a new headquarters building.

18 Company spokesmen told newspapers it cost \$250 thousand. But actually, it cost \$600 thousand.

19 J.P. Kolla believed it was too extravagant. He urged his daughters Katie and Louise to help him make changes. Together his daughters owned 25% of the Company.

No doubt shareholder relations were tense in November, 1932 when John Donnelly Jr’s grandfather, Bernard P. Donnelly joined the Holland Furnace Company Board and Executive Committee. In 1910 Bernard founded what was later known as Donnelly Corporation. Bernard felt it would take a while to get the full picture at Holland Furnace and he was spending considerable time there. At the Holland Furnace board meeting in December, 1932, it was a shock when Bernard Donnelly suffered a heart attack and died suddenly at the age of 53.

20 J.P. Kolla did not live to see the changes. He died in 1933. His daughter Louise wrote: “The greatest trial and sorrow that ever came into the life of my Daddy and the one that undoubtedly helped shorten his days, was the terrible shock he received through the accident on Black Lake that took the lives of two of his grandsons and two of their friends. His heart was broken with his two favorites gone, and after that experience he was never the same. To me there is nothing sadder or more heartrending in all the world than to see the most cherished hopes, the aspirations of a lifetime, blighted in just one brief moment. These are the shocks that we do not survive!”

J.P. Kolla’s younger daughter, Katie, was divorced in 1926. After the deaths of her son John and nephew Paul in the 1928 boating accident, she moved to California.

21 The social notices in Holland were short and innocuous in 1931 when 32 year old Katie Kolla married 26 year old Ted Cheff in Pacific Palisades. Later it had quite an impact on the Holland Furnace Company.

Ted Cheff earned his pilot license in 1921 at the age of 16. He was employed in the foundry at Holland Furnace Company, working his way up to foreman.

Ted and Katie comforted each other following the 1928 boating accident that killed Katie's son John and her nephew Paul, who was Ted's best friend. They fell in love. J.P. Kolla questioned the appropriateness of Ted dating his daughter. But when Katie moved to California, Ted went out after her.

Ted was a superb horseman, riding regularly from a young age. In California he played polo with the likes of Will Rogers, Clark Gable and Spencer Tracy. After riding, they hung out at The Polo Lounge in the Beverly Hills Hotel.

Through his polo friends, Ted found opportunities to perform stunt flying and horse jumping for the movies.

A few days after J.P. Kolla's death in 1933, Ted Cheff was appointed to the Holland Furnace Company board and later that year, Vice President and Production Manager. By 1936 Ted was leading the Company and later became Chairman of the Board.

22 Financial performance improved under the new management. In 1935 Holland Furnace posted a \$400 thousand profit and a national magazine gave a glowing report on why Holland Furnace was succeeding during the Depression. Foundry men readily called Ted by his first name. Ted Cheff knew the foundry men by their names.

23 For the Tulip Time Festival in 1940, Holland Furnace brought a group of movie stars to Holland including Dorothy Lamour. The movie stars greeted 200 Company salesmen who were invited to Holland because they exceeded their goals. The movie stars participated in the Tulip Time Parade as part of the Holland Furnace contingent.

24 Afterwards, the salesmen, management and the movie stars boarded the SS South American berthed in Black Lake and embarked on a two night cruise on Lake Michigan. It became a tradition – the Company brought movie stars to Holland annually until World War II.

25 During the war, Holland Furnace shifted from furnaces to the production of armor plates and anchor chains.

26 After the war, sales boomed, from \$25 million in 1945 to \$35 million in 1947 and a record \$41 million in 1948.

Field knowledge and experience was depleted during the war. In the early 1950s, Holland Furnace engaged in an intensive training program to teach and encourage best methods in field repair.

27 Branch leadership was also depleted during the war and destabilized thereafter by promotions and transfers. Consumer complaints were on the rise.

Holland Furnace was the leader in coal furnaces. But to an increasing degree the market favored oil and gas furnaces where other companies had the lead. Air conditioning was an emerging market where Holland Furnace was a late entrant. Sales declined over the next three years to \$34 million in 1951. Profits shrank to \$1.8 million.

28 In 1952 Ted Cheff invited Rocky Marciano to Holland to speak to the salesforce on what it takes to be a champion. Marciano and his manager Al Weill were looking for a new training site. When Ted suggested Holland, Weill and Marciano agreed. The Company set up a training pavilion at the Holland Furnace picnic grounds on 168th Avenue between Lakewood Boulevard and James Street. Ticket sales to see Marciano train were brisk.

29 Rocky ran six miles a day, sometimes next to a horse ridden by Ted Cheff. Marciano quipped, “I thought it would be a good idea to run with (Ted’s) horse. I don’t say I can beat the horse, but it is good conditioning...”

30 In Chicago on Friday, May 15, 1953, Marciano scored a knock-out in the first round. The next day the champ was back in Holland to ride with Ted Cheff in the Tulip Time parade. In 1955 when Rocky retired, he’d racked up 49 wins and no losses - a perfect record that’s never been matched.

In some sense, this was Holland Furnace Company at its height – sports and movie stars in Holland - a major employer that was an integral part of the community. Yet decline was already underway. Holland Furnace had lost the lead. The competitive landscape was changing. Sales practices that would see the Company brought to court were occurring across the country. This is the paradox, frequently encountered, of an organization whose downfall was laid at the moment of its greatest achievements and recognition.

Vern Boersma’s dad, Henry Boersma assisted Ted Cheff in several important roles during the 1930s and 40s. It was Henry who made arrangements for Dorothy Lamour’s visit and Rocky Marciano’s training facilities. Yet Henry was also in position to see the downfall underway.

Disillusioned with Company leadership, Henry Boersma and Vice President and Secretary A.W. Tahaney left Holland Furnace Company in 1949 to join a competitor – the heating and air-conditioning company known as Williamson.

At this stage, we can see what was happening -- a proud sales force used to winning, now fighting a losing battle, desperately resorting to tactics that were unethical at best and illegal at worst. The ethical missteps didn't happen because the people involved were bad. They happened because the need for sales ran up against changes in the marketplace and unanswered challenges by competitors with better products.

Let’s imagine a Holland Furnace salesman who ended up making the wrong choices. He’d always been a good salesman, a winner. Now married with three kids, he had to make sales to support his family. Maybe this was his rant, “It’s more than competitors. It’s homeowners! Why don’t they buy? Don’t they know old furnaces can be dangerous? They could be asphyxiated. It could explode and burn the house down! Next time, if I find worn-out parts, I’m going to tell them it’s unsafe. Unsafe! No one can make me re-assemble an

unsafe furnace. The right thing to do, is to buy a new furnace. People need to do the right thing!”

31 Trouble was coming to a head for Holland Furnace in the early 1960s. Walter Mondale was Minnesota State Attorney General. He called Ted Cheff at 2:00am one morning to say a branch salesman in Minnesota tried to pressure his mother into buying a furnace. He called Ted a crooked bastard. It was the middle of the night and Ted was irritated. He shot back: “Would you call the president of General Motors if your car wasn’t working? Go to your branch office. Straighten it out.”

Mondale straightened it out all right. He filed a complaint accusing Holland Furnace Company of being a monopoly. Ted thought that was ridiculous; like claiming General Motors is a monopoly because they have dealers that sell only GM cars.

Mondale’s indictment also charged that branch salesmen disassembled furnaces and declined to put them back together, claiming risks of fire or asphyxiation. Ted maintained, that behavior was a rarity.

In January 1965 Ted Cheff exhausted appeals relating to the FTC conviction for criminal contempt and was sentenced to six months incarceration. Ted entered prison in June 1966 and was released for good behavior after two months. His wife Katie was very sick and she died two weeks later at the age of 77.

32 Ted initiated the Cheff Center project after Katie died. She left a million dollars for a Cheff Foundation that would create something to do with horses and kids. Ted looked into possibilities and decided upon therapeutic riding. He purchased land near Gull Lake and arranged for the design and construction. Katie left another million dollars to Ted personally which he also invested in the project. When the Cheff Center opened in 1970, it was the first therapeutic riding center in North America. Today, the Cheff Center serves riders of all ages who have physical, emotional or cognitive disabilities and the Center teaches the teachers of therapeutic riding from all over North America.

After his release from prison and Katie’s death in 1966, Ted felt bitter, shunned, alone. Then, in 1971, Ted’s longtime secretary died. Her daughter, Holly Palmer knew Ted all her life and they were there for each other during that difficult time.

Holly’s mother was 59 when she died, Holly was 19 and Ted was 66. Holly’s view went from hero worship to thinking of Ted as a really cool guy. Ted grew to appreciate Holly’s understanding companionship. They were a couple for years and married in 1983 when Ted was 78 and Holly was 31.

33 Ted remained a Master of the Battle Creek Hunt Club until 1989. Ted and Holly rode to the hounds twice a week during the season for many years. Sometimes they brought horses to what’s now Riley Ski Trails, near the old Holland Furnace picnic grounds. Ted died at home in 1991 at the age of 86.

34 Most successful companies run into challenges at some point and many don’t make it through. Polaroid, Woolworths and Pan Am come to mind. Holland Furnace was the leader

in coal-fired furnaces. By the time competitors with oil and gas furnaces and air conditioning were making an impact in the marketplace, Holland Furnace was behind in new product development. Like IBM in its hay day, the Holland Furnace salesforce was used to winning. When they started losing volume and market share, it put pressure on the culture. World War II depleted knowledge and experience in the field. After the war, it was a challenge to replenish and train people in the branches.

Ted Cheff didn't believe the problems with unethical sales tactics were widespread. When he uncovered a problem, he told the manager not to do it again and typically moved him to a new branch for a fresh start.

It's impossible to know how things would be different if Paul Landwehr had steered clear of the side-paddler on Black Lake in 1928.

It's hard to know what changes Ted Cheff or a different leader could have made during the 1930s and 40s to make an important positive difference in the long run. Instead of enjoying the rewards of coal furnace dominance in the 1930s and 40s, it might have meant convincing shareholders, employees and customers it was better to invest more in research and development to gain new market leadership. It probably meant firing instead of admonishing and transferring anyone involved in unethical sales practices, even though the Company was desperate for experience and capacity in the field. All we know is that those and other potential changes did not gain prominence.

But we also know that Holland Furnace was a great company for most of its 62 year life. The Company, its people, products, factories and other enterprises had a profoundly positive impact on Holland, Michigan. For that reason alone we must still consider the Holland Furnace Company, our warm friend.

Thanks!

35 Discussion

36 Brief History of the Principals

37 Ownership Succession for Holland Furnace headquarters and Holland factory property

Background and Sources

1. Herrick Public Library, Holland Area VF, April 1, 1926. "Furniture isn't the only thing made in Holland" announced a newspaper headline in Holland Michigan in the spring of 1926. Furniture represented \$5M of the \$35M output of Holland manufacturers for the year 1925. Holland manufacturing output also included \$2M of shoes, \$1.5M in machinery, \$1M of drug and chemical products and a \$1M in sugar made from beets. But do you know what represented almost half of total manufacturing output in Holland that year? Furnaces. \$16M worth in 1926. And that figure included furnaces from the largest factory of its kind in the world: Holland Furnace Company. Our warm friend.
2. Rick Jenkins of the Joint Archives of Holland provided by email on October 12, 2016 Holland Furnace Company photographs and an outline of the Holland Furnace Company collection: T89-0279.3. Holland Furnace Company (1906-1968). Records, 1926-1992. 3.00 linear ft.
3. Szekely ("Za-ki") Air Motor Corporation was in business in Holland MI in 1928 where George Lyle started a job as a pilot.
4. Warm Friend Magazine July 1931.

5. Herrick Public Library, Holland Area VF Business-Holland Furnace May 15, 1937.
6. Holland Furnace Company newsletter, *The Fire Pot*, July 23 1937.
7. *Holland Furnace Company, 1906-1966* by Donald L. VanReken and Randall P. VanderWater, a 236 page book published in June 1993.
8. *The Holland Furnace Company Tragedy: An Insider's Lament* by William H. Boer, a 128 page book published in 1995.
9. Holly Palmer three hour interview on October 25, 2016. Holly knew P.T. "Ted" Cheff all of her life. They were married from 1983 until Ted's death in 1991 and they were a couple for 21 years.
10. John F. Donnelly, Jr June 2015 presentation to the Holland Area Historical Society, *An Irish-American Family in Holland in the Early 20th Century*. In it he described Bernard P. Donnelly's service on the Holland Furnace Company board of directors and executive committee in 1932. John F. Donnelly, Jr. is a member of the Holland Professional Club.
11. John Arendshorst email correspondence November 14, 2016 regarding the involvement of his grandfather's brother leading the search in the immediate aftermath of the 1928 boating tragedy on Black Lake. John Arendshorst and his brother Tom Arendshorst are members of the Holland Professional Club.
12. Charlie VanderBroek email correspondence January 21-23, 2017 regarding his grandfather Bastian Keppel's service on the Holland Furnace Company board in the early 1900s. Charlie Vanderbroek is a member of the Holland Professional Club.
13. Vern Boersma discussion February 9, 2017 regarding his dad Henry Boersma's experiences at Holland Furnace Company in the 1930s and 40s. Born in 1922, Vern Boersma has been a member of Holland Professional Club since 1955.