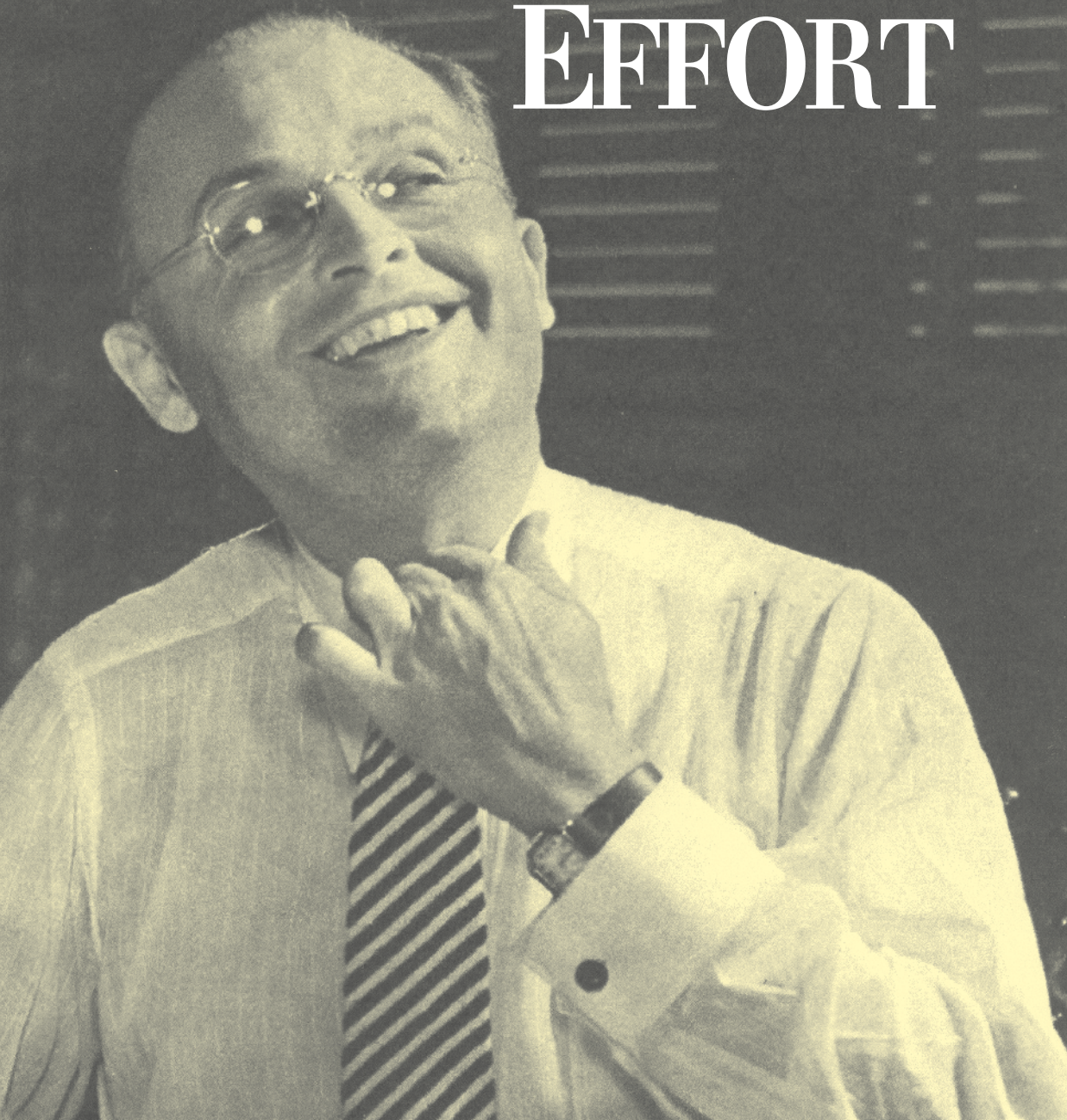


The Harvey C. Fruehauf Story

NO CEILING ON EFFORT



KATHI ANN BROWN

INTRODUCTION

“So far things certainly look dark for the horse. In this age he should have but little chance against a rival that can go faster, farther, and more cheaply. Even in their crude stage of construction and aside from advertising purposes, the horseless carriage can be already used to advantage on good roads for the local transportation of express parcels and such traffic. Several responsible manufacturing establishments have begun the work of introducing their several brands to the American market, and we actually see the ungainly affairs puff and rumble along our city streets.”

SCRIBNER'S MAGAZINE
Volume 19, 1896

Just shy of midnight on March 6, 1896, residents of Detroit's well-heeled Woodward Avenue were jolted out of their slumbers by a highly unusual sound. Hundreds of citizens—curious or consternated—threw open window sashes or poured into the street to investigate the source of the racket.

What onlookers saw amazed them: the city's first “horseless carriage,” rolling up the broad thoroughfare at “the rate of 5 or 6 miles an hour at an even rate of speed,” a remarkable clip in light of the crowds pushing in from all directions to marvel at the noisy contraption.¹

¹ Quoting the *Detroit Free Press*, March 7, 1896 in the Feb. 27, 2009, issue of the *Las Vegas Review-Journal*, “Charles B. King pioneered horseless carriages: Henry Ford was a mere tot when King tested his car in Detroit”, Steve Reive, Wheelbase Communications.

Thoroughly enjoying the attention was the driver of the vehicle, its inventor Charles B. King. King had been mesmerized by a prototype automobile unveiled at the Chicago World's Fair three years earlier. He returned home to Detroit determined to build his own. On that chilly March night in 1896, his dream was realized. Even the threat of a ticket from police for disturbing the peace could not dampen King's enthusiasm.

"I am convinced," King matter-of-factly told the *Detroit Journal*, "that, in time, the horseless carriage will supercede the horse."

A few miles away from the commotion and hubbub, a two-year-old boy named Harvey Fruehauf lay sleeping, blissfully unaware of the fact that the future course of his life—and Detroit's—had just been set in motion.



Harvey Charles Fruehauf was born on December 15, 1893 in the hamlet of Roseville, Michigan, a predominantly German community northeast of Detroit. His father, August Charles Fruehauf, was a native of nearby Frazer and head blacksmith at a neighborhood shop. August's wife of three years, Louise Schuchard Fruehauf, hailed from Roseville. Harvey was preceded by one year by an older brother, Andrew. Three more children would come later. Both August and Louise were from large families headed by parents who had emigrated to Michigan from their European homelands.

Harvey's family, upbringing, early education and first jobs fit the pattern of a child born into a family not long removed from immigrant status. His Fruehauf and Schuchard grandparents all left Eastern Europe at the mid-point of the nineteenth century, members of a mass decampment of people eager to escape failed political revolutions, a famine, a cholera epidemic, and—if possible—systemic poverty. Many of these German and Prussian immigrants headed to the American Midwest, recently made more accessible by the opening of the Erie Canal in 1835. There they settled, built churches, carved out farms or worked at trades, created communities, and generally got on with the business of providing their American-born children with more and better opportunities than they had enjoyed in their homelands.

Harvey's parents—August Fruehauf and Louise Schuchard Fruehauf—were members of that inaugural generation born on American soil. And like many first-generation Americans before and since, they straddled two worlds. One was the Old World culture of the closely-knit and tradition-bound ethnic communities in which they were born and grew up. The other was the larger, somewhat exotic American culture of dime novels, democracy, Mark Twain, telephony, and English. Not until Harvey's generation would the Eastern European habits of the

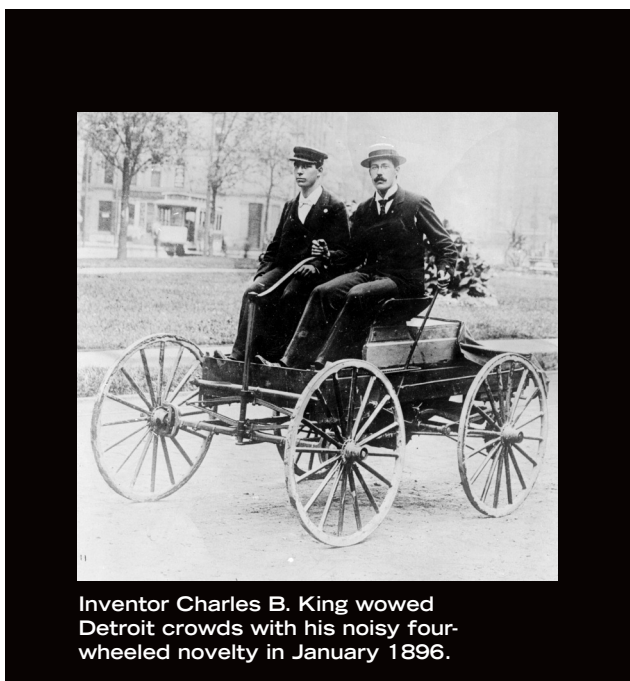
Fruehauf-Schuchard clan be eclipsed by thoroughly American speech, dress, customs, and ways of thinking.

Aspirations for children of working class people like the Fruehaufs were modest at the turn of the century. August and Louise's oldest sons, Andrew (b. 1892), Harvey (b. 1893), and Harry (b. 1896) were expected by family and neighbors to receive a rudimentary education, leave school by age 14 or 15, and settle into manual labor jobs or study a trade to help sustain the family household. Myrtle (b. 1898), the only daughter of August and Louise, was expected to help in the household until marriage. Only youngest son Roy (b. 1908), born a full decade after Myrtle, attended college (for two years) with the family's blessing and, possibly, at least some financial support.

Harvey was simultaneously typical and an exception. He attended a neighborhood school until about age 14 before leaving to take a job in the shipping department at a local foundry. But ambition prompted him to sign up for night classes in accounting at the YMCA. He recognized at an early age that a life spent toiling at a manual occupation—like blacksmithing—was simply not the life for him.

Harvey's determination to follow a different path did not endear him to his gruff father. Their relationship was—and largely remained—challenging through the years. Only after Harvey demonstrated his formidable business talent by transforming his father's struggling blacksmith enterprise into the thriving Fruehauf Trailer Company did "The Governor"—August—concede that his second-oldest son possessed better instincts than he did about the future.

"Some people have that gift of seeing around corners," says Harvey's granddaughter Lisa Fruehauf Prast. "They might not be able to get anyone else to see it, but they enjoy the vision anyway. 'Gosh, won't that be exciting when this happens and that happens!'"



Inventor Charles B. King wowed Detroit crowds with his noisy four-wheeled novelty in January 1896.

“My grandfather had a tremendous, innate business sense,” says Martha Fruehauf, Lisa’s sister. “I think it’s remarkable, considering the education level he had. He definitely had some kind of gift.”

Like Charles B. King, Henry Ford, brothers Frank and Charles Duryea, and other American automotive industry pioneers before him, Harvey Fruehauf sensed—even in his early 20s—that the economic, cultural, and technological landscape of the nation was on the brink of a massive shift in the early 1900s. His perceptive recognition of the imminent (and inevitable) boom in trucking and national highway transportation almost certainly kept the Fruehauf family business from becoming mere memory.

The knack for “seeing around corners” was just one of several characteristics that molded Harvey Fruehauf’s adult life. Another, says his long-time secretary Betty Woods, was a mind constantly whirring with business ideas.

“When he could afford it, Mr. Fruehauf hired a chauffeur to drive him many places,” says Mrs. Woods. “His mind was always on everything except the road. The children were afraid that their father would have a bad accident! So, with a driver at the wheel, he could sit back and just think.”

“I would characterize my grandfather as a ‘chronic entrepreneur,’” says David Bristol, Jr., referring to Harvey’s roles in not only the trailer company but in getting in on the ground floor of fast-food icon Burger King and lumber industry giant Georgia-Pacific in the early 1950s.²

Dave Edgerton, one of the two founders of Burger King, notes that Harvey’s business acumen wasn’t something he trumpeted. “Harvey was quiet so you tended to underestimate him. Which I think is one of the secrets of his success. He wasn’t particularly assertive, but I think lots was going on under the surface.”

In spite of providing a critical cash injection in 1956 that kept Burger King from folding in its infancy, Harvey did not throw his weight around as co-owner of the company.

“Jim McLamore and I usually had to ask him for advice,” says Edgerton. “He never pushed it on us. But when he did give advice, he cut right to the bone. I can’t think of a time when his suggestions were not on the mark.”

Harvey would sometimes break his own rule and dispense advice when he thought it would benefit a friend. Edgerton recalls an episode when Harvey took the two young founders of Burger King to lunch at the exclusive “21” restaurant

FROM HCF’S DESK

“You better know where you are going before you get there.”

² Harvey Fruehauf invested in Georgia-Pacific and later joined its Board of Directors on March 22, 1950. He became a co-owner of Burger King in 1956.

in New York City. Soon after being seated, their host excused himself. Minutes ticked by. Edgerton and McLamore began to worry that something dire had happened to their business partner. The pair discreetly scouted around the restaurant, eventually working their way out to the maitre d's station. There they found Harvey, cheerfully lecturing the doorman on how to invest properly for his retirement.

Harvey's reticence about foisting advice on his much younger business partners was part and parcel of another important trait. He believed that people "should do their job," says Betty Woods. "His expectations were high, but not unreasonably so. If you worked hard and did the right thing by him, you were rewarded."

"He would look for people who were quick with the numbers and who used the numbers properly to evaluate what they were doing," notes his son Bud. "If you came up with the right numbers, he'd overlook a whole lot of other things. But those numbers are critical. You couldn't shoot him a line saying, 'Well, next year I'll make up for it.'"

Indeed, correspondence between Harvey Fruehauf and Jim McLamore from the early days of Burger King show that the older man expected the two founders of the then-tiny restaurant chain to provide him with detailed and regular financial reports—not only for his sake but theirs. Although he owned half of Burger King and had four decades of business experience, he felt that McLamore and Edgerton should not depend on him to spot and correct problems. They needed to cultivate a firm and sophisticated grasp of their own business.

At the same time, he often provided just the kind of encouragement the two required to keep going. In response to a letter from a dispirited Jim McLamore in May 1957, Harvey supplied soothing counsel:

... That is usually the way it is in starting a new business. As soon as you project your debt based on hopes and plans things don't exactly work out, so remember it as a lesson for the future. I have every confidence that you will work out of your trouble. The main thing is not to get yourself sick over it but realize that everyone in business has troubles—some more than others—but every business that was ever built has had to struggle through the ups and downs that come from time to time. Just work as hard as you can, be as economical as you can, and I am sure that you will both work out a satisfactory solution. Whatever you do will have my approval.

In advising McLamore and Edgerton to be resilient, Harvey was drawing on personal experience. An ability to deal with "ups and downs" had come in handy on more than one occasion in his own life. From convincing his dismissive father

to move out of a dying trade in 1916, to weathering a decisive break with the family business in 1953, to building (and preserving) a substantial fortune in the final 15 years of his life, he understood the value of self-restraint and keeping both eyes focused on the future.

“I would say that Mr. Frue was a patient man,” says Susie Fruehauf, his daughter-in-law. “Or at least mostly a patient man. I’m sure he had his moments, like all of us. Then he could probably be quite stern. But I didn’t see much of that side of him.”

Harvey’s investment philosophy likewise reflected his belief that patience is a virtue. With the help of investment counselor David Babson, he implemented a largely “buy and hold” approach to cultivating the family fortune in the 1950s and 1960s. He would analyze the depth and acumen of a company’s management and, if found promising, he was willing to invest for the long haul, sometimes holding stock for thirty or more years. Today, in an era of quick company turnover, such dedication would be less effective, but, during his lifetime and for at least two decades beyond, it worked like magic. Harvey’s initial \$60,000 stake in Burger King, for example, ultimately led to a family cash-out in the millions—an astonishing return on investment.

Harvey’s ability to be patient and look toward the future with relish was drawn, at least in part, from his upbringing in Christian Science. His mother Louise, sister Myrtle, and brother Andrew all became committed adherents to Mary Baker Eddy’s philosophy in the early 1900s. Harvey attended church as a young man and read Eddy’s books and tracts his entire life, but his approach to Christian Science was low-key compared to that of his parent or siblings. He often told his son Bud that he applied what he found genuinely useful in Eddy’s writings and ignored those aspects of her philosophy that seemed irrelevant or over the top.

A key tenet of Christian Science is a belief that the material world—the world of the senses—is an illusion. Thus, little in this life merits prolonged fretting, frustration, exasperation, anger, or regret. Harvey seems to have subscribed to the philosophy of positive thinking, doing his best to let even the most difficult or painful things wash over him. By and large, he was successful. In his book, laughter—and plenty of it—was by far the best medicine.

“We had a portrait painting of Mr. Frue hanging in the office,” recalls Betty Woods. “In it, he looks very stern. That wasn’t him. The best picture of him is one that appeared in *Fortune* magazine. He’s laughing as he straightens his tie. *That’s* the real Harvey Fruehauf.”

Mattie Melton, who has worked for the Fruehauf family for a half century, chuckles while telling tale after tale of jokes that “Grandpa”—her nickname for Harvey—used to play on her, including one on her very first day on the job.

“I was minding Julie and Martha [grandchildren] while Mr. and Mrs. Frue-

hauf, Jr. were out of town. Martha was just a baby. The phone rang. The man on the other end wanted to know if he had reached the Truehauf residence. I said no, *Fruehauf*. He insisted on speaking to Mr. Truehauf. Capital T. I told him nicely but firmly that the name was *Fruehauf*. We went back and forth several times. He finally laughed and 'fessed up to who he was. He was testing me, just to see how well I could handle things. After that, we were always great friends.”³

As much as Harvey preferred an optimistic outlook to a dour one, positive thinking couldn't always compensate completely for things that genuinely bothered him. For example, he often felt that his limited education was a personal drawback.

“I think he considered his lack of education in the humanities a weakness,” says Susie Fruehauf. “His wife Angela had been a teacher and could talk about art and literature, but he couldn't. His strength was his ability with numbers.”

“I think my dad was a little ashamed of the fact that he didn't have a degree or advanced education,” says Bud Fruehauf. “It was one of those love/hate relationships. He'd look at some of these high falutin' guys that he'd hired who had degrees, but soon found out they didn't know an awful lot about life. They knew a lot about Aristotle and the English language and some other things that were wonderful, but those things weren't, in his view, the same as the hard knocks of life on the street. I know my dad always felt that he wasn't up to the job. Mind you, not from a mathematical point of view. He saw the numbers immediately, quickly and without a problem. Figures came to him very easily.”

Politics was another area—a *huge* area—in which no amount of positive thinking could counter Harvey's passionate belief that the country had been running headlong in the wrong direction since the arrival of Franklin Delano Roosevelt and the New Deal in 1933.

“What got his dander up?” says Susie Fruehauf, laughing. “Politics! He was a very conservative Republican and hated Franklin Roosevelt. This is a funny story. I was brought up in a family who voted Democratic. Now, Mr. Frue looked like Santa Claus. He had sparkly blue eyes. He had a sweet face, too. I got into a discussion about politics with him when I was first married, and I watched those eyes turn from blue into steely gray, and, boy, did I drop it! I never discussed politics with him after that! That's just the way it was. He was very generous with his contributions to the Republican Party. He cared about the country a lot.”

³ In the 1922 Detroit city directory, Harvey is listed as Harvey Truehauf. Given his sense of humor and good memory, he probably never forgot the typo.

FROM HCF'S DESK

“The one who progresses is the one who gives his fellow beings better service.”

E.M. STATLER



Harvey C. Fruehauf

One major issue vexed him to no end: the power of labor unions. He wrote fervently, widely, and sometimes bitterly about what he considered the chokehold that labor leaders had on the rank-and-file. He once penned:

[S]o long as radical labor leaders have the power, through collective bargaining, to force employers, time after time, to grant blanket wage increases to one and all, regardless of individual effort or ability—so long as this power remains with such men, the threat of continued price increases will hang over the heads of our people.

Some of Harvey's fervor was fueled by a landmark 1937 U.S. Supreme Court decision involving Fruehauf Trailer and four other companies that had been charged with violating the Wagner Act, a 1935 labor law created under FDR's New Deal.

The company's role in the high court's decision is particularly fascinating because even Bud, Harvey's son and business protégé, knew nothing about the lawsuit and outcome until the research for this memoir. Harvey had never mentioned to him that the family business had been party to an early and decisive test of the power of the National Labor Relations Board, an independent agency created by the Wagner Act in 1935 to investigate charges of unfair labor practices.⁴

Perhaps because Fruehauf Trailer Company and the other defendants lost, Harvey preferred not to discuss the lawsuit with his children or grandchildren. The central issue of the case, however, continued to rankle him for the next 31 years, right up to his death in 1968. At various times and in various venues he wrote articles, pamphlets, and letters to the editor about the Pandora's box of trouble that he felt the Wagner Act had unleashed on American enterprise.

⁴ *National Labor Relations Board v. Fruehauf Trailer Co.*, 301 U.S. 49 (1937) Nos. 420 and 421. Argued February 11, 1937. Decided April 12, 1937.

His frustration with labor unions notwithstanding, Harvey by and large reserved his energies for more rewarding outlets: pondering business ventures, managing his investments, perfecting his golf game, breeding and racing horses, enjoying family and friends, and trying to adhere (not always successfully) to his heart doctor's advice to take it easy.

"He laughed all the time," recalls his daughter-in-law Susie Fruehauf. "I never saw him cry. I doubt that Bud did either. He loved golf. He loved business. He loved his horses."

Perhaps because of his own working class roots, Harvey tended to treat people from different stations in life in much the same way. Even after accruing significant wealth, he remained affable and approachable.

"He was easy to talk to," says Susie Fruehauf. "Whether it was the President of the United States or the policeman on the motorcycle, he was always the same person. Absolutely. He was genuine. That's just who he was and he never pretended to be anything else, and that's why people liked him, I think."

"As bosses go, he was very even-keeled," says Betty Woods. "Some of the girls in the office had their hands full with the other executives. Tantrums. Even yelling. But not my boss!"

Harvey's equanimity might have stemmed in part from simply doing his homework. Susie laughs when asked to describe his usual response to being proved mistaken. "I don't remember anybody ever proving him wrong about anything!"

Harvey credited regular afternoon siestas for keeping him energized and balanced. Writing to a friend in September 1968, just a month before he died, he noted with a touch of humor that he had long depended on naps to help preserve his health:

I usually try to get a rest between one o'clock and six every day and have been doing this for thirty years. After taking off a lot of weight it has made me feel better although I did feel kind of weak for a while. I am feeling real good now and am looking forward to the next twenty-five years. They say the first hundred are the hardest and we are three-quarters of the way down the line, so the other twenty-five ought to be easy.

Without question, the single thing that energized Harvey more than anything else—even more than his daily nap—was business ... especially the trailer business. Long after he left the family company in 1953, he couldn't help but follow its fortunes, through ups and downs, for good or ill. In November 1966, while negotiating a deal with Paul Gerot, chairman of the giant Pillsbury Corporation, he replied to a query by Gerot about Fruehauf Trailer's prospects. Harvey's re-

sponse was succinct, informed, and quietly suffused with the wisdom and pride of a lifetime in the business:

I haven't been in my office very much, having to look after the hunting of wild ducks and my friends. I have really gotten more hunting than I wanted. ... Answering the question about Fruehauf, I think that the company has a very good foundation and is getting better world-wide distribution all the time. The use of truck trailers is terrific as you drive the highways and see how extensive it is. I am sure their earnings and sales ought to constantly go upward. I don't think that it's a cyclical industry ... like it used to be thought of years ago. The truck manufacturers and trailer people were rated more or less in that category. I think that motor transport is growing constantly and is getting a greater share of the total transportation business. The railroads are getting wiser too and are using it where it fits. Heretofore they were opposing motor transport all they could by trying to introduce restrictive legislation. Today there hasn't been much of that going on. Instead I can see some of the restrictions lifted so they are using more of a standard type of freight hauling vehicle. I think the present management of the company is doing a good job, and Mr. Grace has handled himself nicely and I am sure they have a good future.

“No one loved the business like Harvey!” says Betty Woods. A comment to which Harvey’s son Bud simply appends: “Amen.”



AN ELOQUENT SILENCE

On Friday, July 17, 1953, business media in Detroit and New York City buzzed with news of a deal involving one of the Motor City's oldest manufacturers. The previous evening, Harvey C. Fruehauf, long-time chairman of Fruehauf Trailer Company, had quietly consummated a deal to sell the bulk of his personal holdings in his family's company in a single transaction worth approximately \$3 million.¹

The sale was both a surprise and eye-catching in its scale. The chairman's 131,000 shares composed the largest block of company stock held by any individual. The sale transferred control of approximately nine percent of the trailer company's outstanding 1.5 million shares.

Of interest to Detroiters was the buyer in the deal: George J. Kolowich, a former Detroit banker and current president of Detroit & Cleveland Navigation Co. Kolowich was a well-known figure in the local community. His investment portfolio included ownership of Detroit's swanky Whittier Hotel on Burns Drive, overlooking the Detroit River, as well as the Denver-Chicago Truck Lines. He had spent 15 months in prison in 1933 for embezzlement, but the passage of two decades had repaired his reputation.

On the surface, the stock deal looked neat, tidy, and logical ... if unexpected. Casual readers of the newswire stories likely concluded that the 59-year-old Frue-

¹ Drawn from three newspaper articles preserved in files at the HCF Enterprises' office in St. Clair Shores (MI): *Detroit Free Press*, July 17, 1953, no page number; *Detroit Times*, July 17, 1953, by James Boynton, business section, no page number; Dow Jones ticker report, July 17, 1953.

hauf had decided to cash out and enjoy an early retirement. Kolowich certainly appeared to benefit, too. The chance to buy in one fell swoop a significant stake in the world's premier trailer manufacturer would have appealed to someone with existing investments in the long-haul transportation industry. In buying the stock, Kolowich secured what the *Detroit Times* called "a commanding position" in the company. He was entitled to a seat on the Board of Directors, if he requested it.

“The \$64,000 question was obvious: Why hadn't the other Fruehauf family members purchased Harvey Fruehauf's 131,000 shares?”

More savvy readers would have been intrigued by certain aspects of the deal ... and wisely surmised that there was more to the story than the relatively few details that appeared in print. Most interesting was the fact that the long-time head of a family-led company had sold his shares to an outsider, a move that significantly diluted family control. The stock sale reduced the Fruehauf family's stake in the trailer company from 19.72 percent to just over ten percent: 156,000 shares spread

out among a handful of family members. The remaining stock was held by more than 9,300 small shareholders.

The \$64,000 question was obvious: Why hadn't the other Fruehauf family members purchased Harvey Fruehauf's 131,000 shares?

The answer?

Not so obvious. And no one was talking.

Roy Fruehauf, Harvey's youngest brother and president of the company, claimed he had no knowledge of the transaction before it was announced in the newspapers.

George Kolowich declined to comment on his purchase, especially on the question of whether he would seek an active role in company management.

No other company executives or major shareholders offered a public explanation at the time of the announcement.

As for the man who had set the milestone deal in motion, Harvey C. Fruehauf? What did he have to say about the biggest stock transaction of his life?

Publicly, not a thing. Harvey was "vacationing" at the time the deal was announced, according to the *Detroit Free Press*, and "could not be reached for comment."

Privately—at least in his own daybooks—the same: silence. The diary pages covering the two-week period before and after the announcement are blank.

One person who was sitting on the sidelines the day the deal was announced did let his thoughts be known. One of Harvey Fruehauf's stockbrokers, Edward

Cleveland Navigation Purchases Major Share in Fruehauf Trailer

**Deal for Company Is Closed
Through Stock Transfer
Involving \$3,000,000**

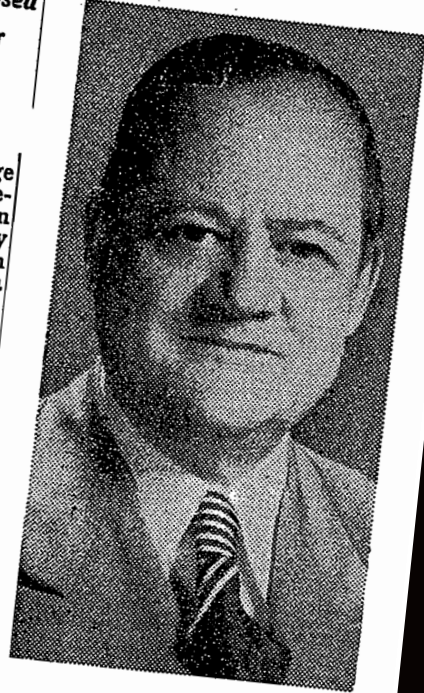
DETROIT, July 17 (AP)—George J. Kolowich, president of the Detroit and Cleveland Navigation Company, said today his company had acquired a major interest in the Fruehauf Trailer Company in a \$3,000,000 stock transfer.

Although the purchase involved only 131,000 shares, or 9 per cent of Fruehauf's outstanding common stock, it actually will give Mr. Kolowich a commanding position in the trailer company which has 9,370 stockholders.

Financial circles here said the Fruehauf family still holds 156,927 shares.

Mr. Kolowich bought the stock from Harvey C. Fruehauf, son of August Fruehauf who founded the company in 1897. Harvey retired on May 7 as chairman of the company and was named honorary chairman and director.

It was reported yesterday that Mr. Kolowich, who plans to make payment for the stock next Thursday, has options to acquire additional shares in Fruehauf Trailer. Kuhn, Loeb & Co. and A. C. Allyn & Co., enabled the Fruehauf purchase by buying £5,000 American Optical Company shares from Mr. Kolowich. Kuhn, Loeb & Co. bought a 10 per cent interest in American Optical two years ago at the same time that Mr. Kolowich bought a 9 per cent interest. These were sold to the public in



George J. Kolowich

a secondary offering yesterday by the two firms.

Together with his family and friends, Mr. Kolowich controls from 30 to 40 per cent of the Detroit & Cleveland Navigation stock. Another large holder is the Alleghany Corporation, D. & C., which controls the Denver-Chicago Trucking Company, now operates "from investments," having discontinued its business of passenger boats on the Great Lakes a few years ago.

T. Bennett, Jr. of Manley, Bennett & Co., sent his client a simple handwritten note with an enclosure:

“Mr. Fruehauf: Thought you might be interested in seeing the enclosed news report which appeared on the Dow Jones ticker today. Congratulations. EB.”

Whether and how Harvey Fruehauf replied to Bennett isn’t known, but his actions—at least in this case—spoke more loudly than words: “Mr. Fruehauf” tucked away his stockbroker’s congratulatory note in a file for safekeeping.

