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It was the purpose of this paper to describe the founding, building up, and maintaining of Burlington Industries, Incorporated, as a corporation primarily engaged in the manufacture, conversion, and sale of textiles. The attempt was begun with no preconceptions, except the assumption that Burlington Industries has been a major textile firm for about two decades.

The main problem faced in the course of writing the paper was the difficulty of locating sources. Most of the existing published sources were too brief, others were either too verbose or slanted. One main source, the personal notebook of J. Spencer Love, was not available.

Once the sources were located, an effort was made to separate the opinions from the facts; and on the basis of these facts, a chronological history of the corporation was written. Opinions occur occasionally, but only to facilitate the writing of the paper according to the original plan. Information was often obtained from direct interviews with persons acquainted with the subject, but such information was always complemented by written sources, so that references to oral interviews were omitted.

The main conclusions of the research are these: (1) Burlington has grown steadily ever since its founding; (2) the real test of the company's ability to survive as a leading concern has just begun to be felt. If the historical record of Burlington to adapt itself successfully to changing conditions is any basis, the company, it would seem, will remain a very strong one.

A HISTORY OF BURLINGTON INDUSTRIES, INCORPORATED

by

Vishwa N. Tahal

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APPROVAL PAGE

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INTRODUCTION

Textiles is one of the world's oldest industries. Records of spinning and weaving cloth can be traced as far back as five thousand years. The story of the American textile industry began with the founding of the Slater Mill in Pawtucket, Rhode Island, in 1790. It was called the Slater Mill after its founder, Samuel Slater, whose textiles are often credited with starting the American Industrial Revolution. For more than a century after the founding of this mill, the American textile mills were concentrated in the north-eastern part of the United States. Since the beginning of the twentieth century, however, they have shifted to and prospered in the South.

The story of the American textile industry has been an interesting one. The founders of the manufacturing concerns normally began with a small amount of capital, and those with the requisite ambition and perseverance, survived. Others hardly survived the first generation. Thus there was a continuous change in the ownership of manufacturing operations. This type of activity in the industry did not make the American textile industry a particularly strong one. However, in the early 1920's a company was formed in Burlington, North Carolina, with the specific purpose of stabilizing the shaky textile industry in that community. The company was called Burlington Mills, as a tribute to the community where it was located. Under the guidance of its brilliant administrator, J. Spencer Love, (until 1962) the company succeeded phenominally. Using rayon, the "poor man's silk," Burlington became so large and vigorous that today it is the major textile corporation in the United States. It plans to become a similar one in Europe.

CHAPTER I

FOUNDING AND EARLY YEARS

James Spencer Love and the Founding of Burlington Industries, Incorporated

Burlington Industries, Incorporated, was founded by J. Spencer Love in 1923, and was then incorporated as Burlington Mills, Incorporated.[1] Spencer Love, as he preferred to be called, was the younger child (the other being his sister, Cornelia Love) of Professor and Mrs. James Lee Love. His father was a native of North Carolina but had moved to Cambridge, Massachusetts, to teach mathematics at Harvard University. Spencer Love was born in Cambridge, Massachusetts, on July 6, 1896, and was educated in the public schools of Cambridge and at Harvard. He displayed unusual industry even during his college years; he completed the usual four-year undergraduate work in only three years and devoted the fourth one to studies in Business in the University's Graduate School of Business Administration. By his twenty-first birthday, Spencer Love had not only completed four years of studies at Harvard, and graduated, but he had completed training in the Army Officers Training School. He failed the latter course but convinced his superiors to give him another try, and he was commissioned a first lieutenant soon after his twenty-first birthday.[2]

He then joined the United States army during World War I. Based in France with the Seventy-Eighth Division of the U.S. Army, he proved to be a capable lieutenant and attained the rank of a major at age twenty-three. In 1919 General John Pershing gave him a personal citation for his "especially conspicuous and meritorious services."[3] Thus Spencer Love earned another distinction which, he expected, would help him in finding a career.

At the end of World War I, Love went back to his home in Cambridge and tried to settle down as a civilian. He could not find employment; and years later he remarked, "I was a bit shocked to find that no one gave much of a damn about my brand new Harvard degree that had taken me four years to acquire, or even my war record."[4] He always recollected those days of financial insecurity with an understandable contempt and bitterness. That no one was willing to hire a young man with his talents and qualifications Spencer Love could hardly accept.

He left for North Carolina shortly afterwards.

Later on he explained his decision to leave:

> After wearing out my shoe leather and the pavements of Boston's Boylston Street, I realized that Boston had an over abundance of cod, culture and average young men looking for jobs. I hied myself to North Carolina and got myself a job in an asthmatic, broken-down textile mill. But at least it was a job.[5]

The hope of getting a job with a textile firm in North Carolina was inspired by the fact that his family had connections in the industry. "The Old Mill," as it was nick-named, and which Love very graphically described, was the Gastonia Cotton Manufacturing Company in Gastonia, North Carolina. The plant was the first one built in Gastonia and his grandfather, R.C.G. Love, had been its manager and president from its inception in 1887 until his death in 1908. The position given to Spencer Love was that of the paymaster.[6] He began his new $120-a-month career in April, 1919. But such a mediocre position was not for Spencer Love; he had too many talents and too much energy to be satisfied. Soon afterwards therefore, he induced his father to launch a joint venture in a textile mill of their own.[7]

The mill that the Loves bought was the same one which had employed Spencer Love. It cost $250,000, but the Loves did not have any such amount of money. The initial payment was made with the $3,000 that Spencer had saved from his army salary, and a total of $80,000 borrowed from a New York Commission House[8] and a North Carolina bank. The balance, the loans, and interest on both were to be paid through future mill profits. The mill they bought was not much, but at least it offered the kind of challenge that the younger Love longed for. Needless to say, the old-time business people did not think very highly of the "experimentation" of the Love clan. Probably no other beginning manufacturers had utilized credit to the extent that the Loves did. People were pleasantly surprised, however, when the Loves' operation did not "fold."

But the new manufacturers soon encountered difficulties because of a sharp drop in cotton prices. The problem, as the Loves realized, was not that they could not run a mill successfully, but that either a stable cotton price or an alternative and more profitable fiber was needed. They did not panic because of the souring of the cotton business; they kept the business running until 1923 when a local real estate boom enabled them to sell the building and property for $200,000 while they retained title to the machinery. The machinery had to be put to work, so the natural thing to do was find another factory.

In this task they were helped by the Burlington (N.C.)

Chamber of Commerce, which wanted to revive its community's decaying textile industry. In 1923, therefore, the Loves founded a new mill in Burlington with the help of the town's Chamber, which agreed to underwrite stock valued at $250,000 and sold it within the community.[9] In July, 1924, the first Burlington Mills plant was completed. In October of the same year Burlington Mills began its business. The building that housed the new corporation's offices was a very modest one indeed.[10]

Making Rayon a Popular Fiber

In October, 1924, when the first Burlington Mills plant went into operation, fiber prices were still low. So the problem of profits continued, and Spencer Love, the president of the company realized that a young company could not afford low profits, to say nothing of losses. He was also perspicuous enough to see that there was nothing to prevent the corporation from weaving fibers other than cotton. But at the time there were only few other fibers available. There were wool and silk, but it would have been impractical to rely on either or both of these. The demand for woolen goods was limited, besides the fact that it was an expensive fiber. Silk was produced mostly in the Orient, so that would not have been a reliable trade. Moreover, items made of silk commanded an even more limited market than woolen items. Thus, some other fiber had to be found.

In 1924, there was only one other fiber that offered some hopes, and that was rayon,[11] the only man-made fiber. For centuries textile zealots had tried to duplicate the work of the silk worm by chemical and mechanical means much as the alchemists tried to produce gold from baser metals. The first commercially successful man-made yarn was produced in France in 1891, by Count Hilaire de Chardonnet. The new yarn was called "artificial silk" until 1925, when, at the suggestion of Kenneth Lord of Galey & Lord, it was named rayon. It was not much different in 1924 than it was in 1891, but J. Spencer Love realized the potentialities it offered. He therefore diverted the entire energies of the new corporation into refining it. At the same time, blending existing rayon and cotton, Burlington produced its first synthetic product - a bed-spread that was ludicrously crude by all standards. "It didn't wear, it was too shiny; it looked, felt and acted cheap."[12] Moreover, the bed-spread had another defect; it had a seam in the middle because the company's looms were too narrow to weave a bed-spread of normal width. Later Love persuaded three local persons to put up $10,000 each and he himself contributed another $10,000 to install full size looms. The width of the bed-spreads improved thereafter; but other qualities remained the same. The experiment, however, was an investment in the future of the corporation and of the textile industry. It was especially an investment in the latter because undeniably the greatest advances in the history of the textile industry have come with the refinement of synthetic fibers. According to American Fabrics magazine, it was "about 1945 when the man-made fibers began to take on a growing importance for textile producers," but by then Burlington had devoted over two decades to the synthetics.[13]

Burlington Mills' initial success with rayon was modest, but its implications were great. The items manufactured by the company sold mainly because of their low prices, but the economic situation in the United States and the rest of the "Free World" was deteriorating, so that the company could count on the popularity of its low-cost goods for some time. Events did turn out that way with the advent of the Great Depression of the late 1920's and 1930's, and so Burlington earned enough capital and had time to improve the rayon for later markets. Encouraged by its customers' demands, Burlington Mills Corporation constructed another plant in 1925; and in 1927 a plant was built for the production of rayon dress goods. The brick buildings of the corporation's plants had one wall made of wood, so that in time of need for expansion, the wooden wall could easily be knocked off for the addition to the facility. The business was so successful after some time that the question of expansion was not if but when.[14]

In the earlier years the company used rayon fibers manufactured by Du Pont, the Celanese Corporation, and American Viscose. Burlington used the material to make synthetic greige (unfinished) goods for apparel manufacturers. Throughout the years Burlington diversified into many other branches but it kept its original division. By 1964, the greige goods market was worth about $500 million annually, and Burlington had the giant's share of it.[15]

Setting a Pattern

Success in the world of American Business requires, among other things, careful and extensive planning -- all the more so if a business is to become the leader in its field. While it is hard to say that the Loves had planned to do what they did with their original mill, and the subsequent set-up in 1923, it is not so difficult to assert that after 1927, Burlington Mills planned a course for its future. In 1941, Spencer Love told John A. Giles, "I decided early in life that to get anything done I'd have to keep planning."[16] The basic plan of staying in business was always there; modifications were occasionally made according to existing conditions. For instance, when the cotton business soured, Love switched to developing rayon.

Once the bright future of rayon was surmised, Love built a master plan to expand the operation in order to take advantage of opportunities ahead. The expansion program of the corporation had a uniform pattern, with a number of elements. The first element was the wooden walls which could be removed easily to add to an existing facility. Often separate facilities were needed, in which case more investment was required. Because the company was a new one, it did not always have surplus capital to invest lavishly. So Spencer Love devised a system by which money could be borrowed for such purposes: after one of the branches had performed reasonably, he would borrow from banks on the strength of the branch's assets. Thus, Burlington was able to expand even when its earnings seemed to counter-indicate expansion.

The second element of the expansion program was concerned with acquisitions. The textile industry in the United States has been noted for the number and variety of its owners. While this characteristic of the industry has been on the decline since the nineteen twenties (because of keener competition from bigger, more efficient producers), the field is still open to families with a reasonable capital and a great amount of ambition. In the nineteen twenties the industry was teeming with family concerns, but they were ill-equipped to survive unfavorable market situations, troubles from organized labor, and other similar conditions. Many of them therefore sold out; but while they were selling, Burlington was buying. Not all acquisitions of the corporation were made in this way, of course. Sometimes healthy concerns were also acquired for mutual benefits.

The third element in the expansion program of the corporation was developed after a little while. That element was diversification. It did not take long for the new corporation to realize the danger of specialization in any one branch of textiles. The textile industry always has been a volatile one. A large company operating in a variety of fields can withstand fluctuations in particular sectors. It is highly unlikely that all the sectors would make a poor showing at the same time. So, Burlington Mills diversified into hosiery, fancy dress goods, and the production of all kinds of cotton materials, woolens, and the like. The corporation's diversification program is very much alive today as well, and has come to cover such fields as furniture, chemicals, and computerized time-keeping services.

But with expansion came the need for more trained personnel. Burlington Mills Corporation was not interested in just average people. From the very beginning, Love developed a system that can be said to be peculiar to Burlington. This was one aspect of the corporate body that Love is regarded as having controlled most thoroughly. Spencer Love had begun his executive's career young in life; he seemed to have retained the belief that young men, when properly trained, turned out to be more productive persons than older persons hired with experiences derived from working elsewhere. Love, therefore, hired young people, trained them himself and gave them highly responsible positions. Some of the very top people, for instance, J. C. Cowan, Jr., and William A. Klopman, were hired as young men and grew with Burlington. By the time of Love's death in 1962 the corporation had several people who could take over his responsibilities.

But there was another reason why Burlington needed highly capable persons who were thoroughly versed in the corporation's business. Unlike other large corporations, Burlington had several divisions with a large amount of autonomy. The separate divisions have always had to manage their own business. The corporation's head-quarters made (and still makes) decisions on broad corporate policies only. Such a structure makes it imperative that division managers know what they are doing. Since this practice is a little different from that found in other American corporations, Burlington had to train its own personnel; it is common knowledge that younger people are easier to educate.[17]

Burlington's expansion program was also conscious of quality. The corporation was conceived at a time of troubles between management and labor. Labor demanded higher compensation, while management said that it could not pay better wages because of the bad predicament facing the textile industry. The dispute led to the realization among textile manufacturers that more and better machinery was needed, if they were to minimize their dependence on laborers. Burlington began its business around this period, and so was able to take advantage of this principle. Moreover, there was, by this time, the realization that there were many jobs traditionally done by people which could be done better by machines. Burlington grasped the importance of efficiency, and tried to use up-to-date means. However, Spencer Love did not always have the best that was available mainly because the corporation could not afford both expansion and latest technology. He was hesitant also because of the fact that such a policy would have put many people out of work. Love was a practical entrepreneur, but he also had humanitarian strains.

Once Burlington had entered the synthetics field, it was not satisfied to continue using rayon only. It tried to discover newer and better fibers. In 1941, when the United States put an embargo on silk imports, Love was correct in saying that it would not

> inconvenience the American women because rayon, nylon and other man-made yarns have been so developed in recent years, that on merit alone they have been gradually displacing silk.[18]

Burlington's pattern of development resulted not only in benefits for the corporation itself, but also for its competitors. By the time Love died, the corporation had gained the envy of many who tried its ways and benefitted. One of the most crucial aspects of the Burlington development program (though it could not be said to be a pattern in any sense other than that of granting the company more independence) was the company's step in taking control over the selling of the goods it manufactured. This was done by forming a Burlington Sales Company in 1935. Traditionally, a textile firm's wares were sold by commission houses. Such a system was detrimental to the producer's profits and thus to its development, because the producer did not always know how much of what material to manufacture. If his products did not sell, he suffered losses, because the commission houses received their fixed commission regardless of whether or not manufacturers profited. Burlington Mills realized the weakness in such an arrangement and the devastating effect it could have on the corporation's future. Burlington had to keep making steady profits or it would stagnate. A rapport between the corporation and the consuming public had to be effected; Burlington had to know what was going to be in demand and the public had to know what was for sale. The latter may sound paradoxical, but in practice it has been working quite successfully. The concept of fashions became really popular in the 1920's, but fashions did not just drop down from the sky. Somehow the tastes were first created by enterprising entrepreneurs, who, after publicizing the tastes, turned around to take advantage of the resulting fad or craze (both are correct). Such a system necessitated that textile firms develop their own talents for anticipating moods and creating fashions to suit them. As Burlington has seen it,

> success in a fashion industry depends not on what the market will bear but on what the market will crave, and this changes swiftly and subtly. To anticipate the changes, <u>even to direct them</u>[19] requires a special set of talents and skills, and a closeness to the market.[20]

Commission houses naturally could not be trusted to do the job according to Burlington's desires. Thus, the corporation formed its own selling company which has always been one of the most vital parts of the Burlington system. The fashion industry has grown tremendously since the nineteen thirties; a larger number and proportion of people today buy clothes with the latest fashion in mind. Indeed, the textile industry would not be as profitable if textile manufacturers had tried to sell clothes only.

Burlington's share of the market would not be so substantial if it did not keep up with the times. Burlington's own sales organization has enabled it to keep up with changes in tastes in clothes. The corporation's slogan "Burlington is woven into the life of America" has been true because the company has known what the life has been and is going to be.

FOOTNOTES

CHAPTER ONE

[1]John Sherman Porter, ed., MOODY'S INDUSTRIAL MANUAL: American and Foreign (New York: Moody's Investors Service, 1962) p. 541.

[2]The Spencer Love Story (Booklet. April, 1962), p. 1.

[3]Ibid.

[4]Jacob Hay, "Spencer Love Took A Gamble, Built Textile Empire", Greensboro (N.C.) Daily News, December 5, 1954.

[5]Ibid.

[6]Burlington Industries, op. cit. (Spencer Love Story).

[7]John A. Giles, ". . . He Feels Silk Embargo Won't Hurt," Greensboro Daily News, September 21, 1941.

[8]"Commission Houses" were concerns which sold textiles on the basis of a fixed commission.

[9]It is often asserted by social critics that Chambers of Commerce and even local governments in the United States as a whole, but especially in the Southern states, subsidize entrepreneurial efforts of this kind, and that this is not a good practice since such ventures often turn out to be exploitive, "sweat-shoppish," etc.. Such assertions fail to realize a host of reasons that explain why such practices have been common all over the U.S. from the very beginning, and why they will remain so in the foreseeable future. These reasons are discussed concisely by Ronald E. Seavoy in his article, "Laws To Encourage Manufacturing: New York Policy 1811 General Incorporation Statute" (Business History Review, Published by the Harvard University Graduate School of Business Administration, Spring, 1972, pp. 85-95).

Connected with the same general topic is Robert

A. Lively's article "The American System: A Review Article" (The Shaping of Twentieth-Century America, Interpretative Articles, selected and with commentary by Richard M. Abrams and Lawrence W. Levine, Little Brown and Company, Boston, 1965, pp. 1-24).

[10]Burlington Industries, op. cit. (Spencer Love Story).

[11]For a short history of the fiber, refer to Appendix I.

[12]Jacob Hay, op. cit.

[13]Ralph Caplan, BURLINGTON: a portrait of the world's largest and most diversified textile company (Booklet: Printed by Case-Hoyt Corporation, 1966.) p. 2 (text).

[14]Ethel S. Arnett, GREENSBORO NORTH CAROLINA: The County Seat of Guilford (Chapel Hill: University of North Carolina Press, 1955), p. 181.

[15]Seymour Freegood, "What Happened At Burlington When The King Dropped Dead," FORTUNE Magazine (June, 1964) p. 216.

[16]Giles, ". . . He Feels Silk Embargo Won't Hurt."

[17]The word "educate" is used intentionally here, for Love actually did more than "train" his young executives. The corporation's Management Committee was used to give a first-hand education in management. Moreover, through the years, Burlington under Spencer Love was a little more than just a business striving to make high profits, it was a model that illustrated how a business could be built up. It seems that what excited Love most was this creativity; he was too colorful to be striving just for bland profits. Higher profits, though, were an integral part of the aims of the process.

[18]Giles, ". . . He Feels Silk Embargo Won't Hurt."

[19]Emphasis added by this writer.

[20]Ralph Caplan, op. cit. (BURLINGTON . . .).

CHAPTER II

BURLINGTON GETS FIRMLY ESTABLISHED

Burlington: 1931-41

It is well known today that the Great Depression which began in 1929 and dragged on into the Second World War was a disheartening period for both individuals and businesses. But Burlington Mills not only survived the debacle, it actually gained a foothold during the time. For example, in June, 1933, the Altavista Journal in Virginia reported, "Cotton Mill Sold To Love Interest: Plant To Be Put In Full Operation Immediately." While many firms were going out of business, Burlington was acquiring and expanding. Expansion was almost a superhuman feat for that time because credit was almost non-existent.

Burlington owed its survival and expansion through that period mainly to four assets. First was Spencer Love, the shrewd and intelligent administrator, a quiet mannered man who carried his cultured heritage into the world of business (two seemingly incompatible fields); he therefore was neither able nor cared to deal effectively with gullible New York converters, whose business consisted of converting the crude rayon fiber produced by Burlington into more finished products, sold to those engaged in manufacturing finished fabrics. Love therefore hired William A. Klopman as the vice president in charge of New York rayon-greige-goods sales. This second asset of the company, Klopman, did a splendid job of persuading the converters to use rayon extensively, thus raising Burlington's sales through the Depression.[1] Another asset of the company was the rayon fiber, of course. Known as the "poor man's silk," the material was cheap, therefore in demand because poverty prevailed at the time. The last but very important asset of the company was its manufacturing executive, John C. Cowan, hired in 1931. Cowan's hard work enabled Burlington to manufacture efficiently, steadily and profitably without troubles with the corporation's factory employees.

The growth of Burlington at the time was of importance not only to the corporation's officers and shareholders, who made profits, but to the country in general. North Carolina, Tennessee, and Virginia citizens found employment at a time when there were few jobs around. Moreover, Burlington indirectly employed people in other concerns which did business with it. The corporation's factory employees not only gained the basic element of survival, financial security, but worked faithfully to keep their jobs which paid higher than those in any other textile firm. The volume of money changing hands because of Burlington's being in business was not great compared with the United States' gross national product at the time, but it was Burlington and its kind which maintained people's hopes in the capitalistic system as the one best for America.

Burlington and the free enterprise system complimented each other from the beginning. In 1927, the company's first rayon goods producing plant went into operation. Sales from the products amounted to $1.8 million that year. By 1932, the annual rayon consumption had increased to ten million pounds and Burlington had twelve plants in North Carolina producing dress materials which used a blend of rayon and cotton. The sales that year amounted to $15 million. In 1933, the corporation produced 60 million yards of the material, employing 4,000 people. The same year it raised its employees' wages by 15 per cent. In 1934, Burlington became the largest producer of rayon in the United States. In addition, in the same year a merger was effected. The result was that Burlington Mills Company, Incorporated, succeeded to the business of Burlington Mills, Incorporated, and five other corporations and of Burlington Mills Company, which had been engaged in the same general business since various dates after 1923.[2]

In 1924, the corporation had begun its involvement in the market for synthetic greige goods. The yarn for this purpose was then bought from Celanese Corporation, Du Pont, and American Viscose. In 1935, Burlington Mills, under the trade mark of "Bur Mills," had fourteen plants, producing a variety of materials that sold for $20 million. In the same year, Burlington formed its own Sales Company with headquarters in New York. By then Spencer Love had gained complete confidence in rayon and tried to keep expanding. Borrowing on the assets of already successful branches and retaining substantial amounts of the profit for investment in new facilities, Love had about thirty separate companies by 1937. The total of all sales that year was $27,319,509, and net income $715,595.[3]

In 1937, the companies were merged. Burlington Mills Corporation, Incorporated in Delaware on February 15, 1937, soon after acquired all assets, property and good will of Burlington Mills Company, Incorporated, and subsidiaries, Rayon Fabrics Corporation and subsidiaries, and Duchess Fabrics Corporation (all of which were North Carolina corporations), in exchange for 350,270.8 shares of common stock in the new corporation. Rayon Fabrics Corporation and Duchess Fabrics Corporation, which had commenced business in 1931, were dissolved.[4] In 1937, the Burlington Mills Corporation stock was also listed on the New York Stock Exchange for public sale. In fourteen years Burlington had established itself as a stable and profitable business.

The corporation's expansion program continued. On December 31, 1938, Puritan Weaving Company, a wholly-owned subsidiary was dissolved and its assets and properties were taken over by Burlington Mills Corporation. Also in December, 1938, the corporation agreed to acquire Cetwick Silk Mills Company of Asheboro, North Carolina. The latter was subsequently dissolved, and Burlington organized a new wholly-owned subsidiary with the title of Cetwick Silk Mills Corporation under the laws of the State of North Carolina for the purpose of acquiring properties and business of Cetwick company. On February 6, 1939, Burlington acquired E. M. Holt Plaid Mills, Incorporated, by exchanging 79,125 of its shares for 5,275 of Plaid Mills' common shares; the latter representing the total outstanding stock of the latter company. The properties were later merged and Plaid Mills was dissolved.

In 1939, six more companies were formed as subsidiaries to engage in the manufacture of women's full fashioned hosiery. Obviously Burlington entered that field because it was getting to be a profitable one. Then, in December, 1940, the corporation acquired control over Ranlo Manufacturing Company of Gastonia, North Carolina, and Armco Finishing Corporation of Greensboro, North Carolina.

In 1941, Town House Hosiery Mills, Incorporated, of Chilhowie, Virginia, became a fully-owned subsidiary of Burlington Mills Corporation. In August of the same year, the corporation acquired the entire stock of Smithfield (Virginia) Manufacturing Company.

Thus, the corporation was fairly busy during the thirties and early forties. The result was that by 1941, Burlington had forty plants in the three states of North Carolina, Virginia and Tennessee. The business was doing well and in 1941 the corporation's sales amounted to $63 million. By the end of the year the United States entered the Second World War, which made Burlington even more active.

All wars are extraordinary events, inflating the demand for things. However, certain items experience a steadier demand than others. For instance, steel, petroleum, textiles become items of strategic importance. Of these, textiles is the only one that is normally considered unimportant. This image of textiles is fostered, no doubt, because of its abundance and "common-placeness." (This attitude of the public reflects favorably on the textile industry of the United States and of the world, because it shows that there is at least one indispensable part of man's civilization -- clothes -- which has been developed to such a degree that the fear of not having it has been almost forgotten.) Wars in general and World War II in particular, demonstrated that textiles are quite important. Textile items were needed for many purposes. American textile firms were contracted by the Government to supply the items. Burlington helped the country's war effort, and itself, by devoting twenty-seven per cent of its operations to Government contracts. The military output included items for parachutes, airplanes, uniforms, tow targets, raincoats, gun covers, and the like. The corporation made profits, of course, and was able to establish itself even more firmly partly because of those profits.

A comparison between sales and earnings figures for the years 1937 to 1941 demonstrates the difference made by Government contracts.

Sales and Earnings:[5]

Year	Net Sales	Net Income	Earnings on Common Shares
1941	$63,165,310	$3,373,559	$4.87
1940*	36,805,112	1,716,037	2.75
1939	39,270,505	2,008,311	3.21
1938	27,196,409	1,239,821	2.27
1937	27,319,509	715,595	1.31

*Nine months, up to September 28, 1940; other fiscal periods (preceding ones only) are calendar years.

TABLE 1

COMPARATIVE CONSOLIDATED INCOME ACCOUNT FOR STATED PERIODS*

	52 weeks to Sept. 27,'47	52 weeks to Sept. 28,'46
Net sales	$216,960,514	$141,544,442
Cost of sales	159,665,329	107,645,860
Selling, general & admins. expns	12,969,945	8,297,245
Depreciation & amortization	3,044,652	1,706,851
Operating Profit	41,280,587	23,894,487
Other income	2,140,465	1,748,581
Total income	43,421,052	25,643,067
Donations	579,134	355,079
Interest expense	527,234	462,686
Other deductions	--------	
Balance	42,314,684	24,825,303
Federal income taxes	14,597,055	7,389,671
Federal excess profit taxes	----------	2,722,428
State income taxes	2,330,726	1,465,011
Contingency reserve	----------	----------
Special credit	----------	----------
Balance	25,386,903	13,248,192
Minority interest	499,192	327,395
Provsns. for inventory conting.	1,000,000	---------
Net profit to surplus	23,887,711	12,920,798
Earned surplus, beginng. of year	20,448,348	13,112,026
Other surplus credits	410,490	145,907
Preferred dividends	1,122,309	944,494
Common dividends	5,225,600	4,046,448
Other surplus debits	1,392,483	739,440
Earned surplus, at year end	$37,006,157	$20,448,348

TABLE 1 - Continued

	52 weeks to Sept. 29,'45	52 weeks to Sept. 30,'44
Net sales	$108,199,847	$93,387,417
Cost of sales	85,800,893	75,057,839
Selling, general & admins. expns	4,982,307	3,703,912
Depreciation & amortization	1,764,245	1,642,612
Operating Profit	15,652,399	12,983,054
Other income	305,840	289,226
Total income	15,958,239	13,272,280
Donations	619,862	@
Interest expense	758,155	704,560
Other deductions		264,666
Balance	14,580,222	12,303,055
Federal income taxes	2,188,465	2,008,153
Federal excess profit taxes	6,555,750	5,860,224
State income taxes	740,788	497,537
Contingency reserve	---------	---------
Special credit	---------	---------
Balance	5,095,220	3,937,140
Minority interest	114,491	2,201
Provsns. for inventory conting.	---------	---------
Net profit to surplus	4,980,729	3,934,939
Earned surplus, beginng. of year	11,266,649	9,272,458
Other surplus credits	246,059	185,597
Preferred dividends	446,019	313,195
Common dividends	2,153,984	1,813,149
Other surplus debits	781,409	---------
Earned surplus, at year end	$13,112,026	$11,266,649

TABLE 1 - Continued

	52 weeks to Oct. 2,'43	52 weeks to Sept. 26,'42
Net sales	$97,641,326	$83,096,803
Cost of sales	80,952,987	65,433,786
Selling, general & admins. expns	3,742,978	3,121,347
Depreciation & amortization	1,619,323	1,408,920
Operating Profit	11,326,038	13,132,749
Other income	142,582	80,424
Total income	11,468,620	13,213,173
Donations	@	@
Interest expense	679,706	499,234
Other deductions	245,914	377,091
Balance	10,543,000	12,336,848
Federal income taxes	1,490,038	1,999,477
Federal excess profit taxes	4,802,933	5,423,097
State income taxes	469,039	536,302
Contingency reserve	---------	1,000,000
Special credit	---------	---------
Balance	3,780,990	3,377,972
Minority interest	2,535	5,585
Provsns. for inventory conting.	---------	---------
Net profit to surplus	3,778,457	3,372,388
Earned surplus, beginng. of year	7,562,986	5,476,740
Other surplus credits	---------	---------
Preferred dividends	323,092	229,472
Common dividends	1,745,893	1,056,670
Other surplus debits	---------	---------
Earned surplus, at year end	$9,272,458	$7,562,986

*Source: Moody's Manual of Investments, 1948, p. 2170.

@Not stated separately, included in selling, general and administrative expenses.

Burlington, 1942 - 1952*

Because the Government's contract with Burlington Mills gave the company extra business, it entered 1942 with added confidence. The period was a busy one, indeed, but Burlington continued its long-term ambitions; acquisitions and building of new facilities were carried on as usual.

In 1942, Burlington acquired Vamoco Mills of Franklinton, North Carolina. In the same year, the corporation absorbed minor interests in Robeson Textiles, Inc., Russell-Watkins Corp., and McLaurin Hosiery Mills, Inc. Subsequently these were acquired completely.

In November, 1944, Burlington assimilated the entire outstanding stock of Harriman Hosiery Mills, of Harriman, Tennessee, and in the same year the corporation began its foreign ventures. First a small rayon weaving plant in Cuba was purchased. Then Burlington organized Burlington Mills (Australia), Limited, in association with business interests in Australia, and operating units were also opened in Colombia, South America.

In 1945, the Company acquired interests in the

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*Information in this section is derived from MOODY'S MANUAL OF INVESTMENTS, 1944, 1948; unless stated otherwise.

following concerns: in July, Sunspun Manufacturing Company, of Asheboro, North Carolina; in August, General Ribbon Mills, Inc., of New York, and affiliated companies, including Stark Brothers Ribbon Corp., Stark Brothers Ribbon Corporation, Ltd., of Canada, and other Stark companies; in December, controlling interest in Phenix Mills, Inc., Nos. 1 and 2, at Kings Mountain, North Carolina. One of the two Phenix units was sold later on.

The Corporation also engaged in other activities in the same year. Its foreign operations were further expanded. Burlington purchased a small full fashioned hosiery plant in Cuba and acquired an interest in a similar plant in Mexico. Subsequently, broadloom fabric was expanded into Canada, through an arrangement with Dominion Textile Company, Limited, of Canada.

The war years were profitable ones for most American textile firms. Surmising their post-war fates, most smaller operations tried to sell their businesses when opportunity offered. Burlington was aware of the reason behind numerous offers to sell, but still purchased those which seemed fairly priced. Burlington itself had done quite well during the Second World War, and years following immediately. The corporation's profits between 1942 and 1948 were $91 million, of which Burlington retained over $61 million to acquire and operate new properties.

In August, 1946, the Corporation bought and established as a new operating division, Cramerton Mills, Inc. (North Carolina), manufacturers of fine combed cotton fabrics and rayon mixtures. Two more acquisitions were made in the same year. One, the plants and equipment of Flint Manufacturing Company of Gastonia, (N.C.) were acquired; two, Steele Mills of Rockingham, North Carolina were also acquired.

Since its founding, Burlington had depended on converters to keep the business alive by utilizing the rayon yarn it produced. Later, the corporation began some converting on its own. In 1947 the Company, through its sales subsidiary Burlington Mills Corporation (New York), acquired a part of the assets of Duplex Fabrics Corporation of New York so as to extend activities in converting or styling of dress fabrics. Moreover, the Corporation organized a new subsidiary, Duplex Fabrics, Inc., which acquired certain assets of Duplex Fabrics of California.

On December 31, 1947 Burlington had full voting power in the following subsidiaries: Burlington Mills Corporation, New York; General Ribbon Mills, Inc.; South Boston Weaving Corp., Virginia; Stark Brothers Ribbon

Corp.; Stark Brothers Ribbon Corp. of Canada Limited; Burlington Mills International Corp.. The Corporation also had ninety-seven per cent voting power in Royal Oaks Hosiery Mills, Incorporated.

The corporation also effected changes in the status of some of its former subsidiaries between June 12, 1946 and December 31, 1948. Those mentioned here were liquidated and their assets transferred to the company or to one or more of its subsidiaries: Sun Spun Sales Corp., Sun Spun Manufacturing Co., Inc., Burlington Hosiery Sales Co., Inc., Cetwick Silk Mills Corp., Burlington Dyeing and Finishing Co., Inc., Steele Manufacturing Corp., Vamoco Mills Co., Ranlo Manufacturing Co., Smithfield Manufacturing Co., Wadesboro Full Fashioned Hosiery Mills, Inc., Statesville Cotton Mills, Inc., Robeson Textiles, Inc., Grayson Full Fashioned Hosiery Mills, Inc., Town House Hosiery Mills, Inc., Salem Full Fashioned Hosiery Mills, Inc., Randleman Full Fashioned Hosiery Mills, Inc., Burlington Mills Hosiery Co., (which was a partnership), McLaurin Hosiery Mills, Inc., Russell-Watkins Corp., Altown Realty Corp., Sequyta Realty Corp., White Sulphur Industries, Inc., South Hill Industries, Inc., Harriman Hosiery Mills, and Burlington Textiles Factoring and Sales Corp.

By January 1, 1948, the Company, its subsidiaries, and affiliates operated sixty-one plants in the United States. Forty were located in North Carolina, eleven in Virginia, three in Tennessee, one in New Jersey, four in Pennsylvania, and two in West Virginia. At the time the Corporation had twelve plants outside of the United States. Production machinery at the plants included 11,000 looms, 475,308 spindles, and 1,632 knitting machines. With few exceptions, properties were owned in fee.

By December 31, 1948, Burlington Mills Corporation was engaged, directly or through subsidiaries, in a variety of activities in the textile industry. It was mainly engaged in the manufacture of woven and knitted fabrics from rayon, nylon, and other synthetic yarns and combinations, and to some extent wool and cotton and a combination of natural and man-made fibers. Furthermore, the Corporation operated throwing, spinning and dyeing units for the production of yarns for its own use and to some extent cotton sales yarn. It also dyed and finished cloth on a commission basis. Burlington by that period was merchandising all of its products.

The principal woven products of the Company included fabrics for dresses, lingerie, linings, suitings for the women's wear trade, which were sold through converters, and suiting for shirting and sports wear, which were sold both directly to manufacturers and through converters. Other woven products included upholstery and drapery materials, bedspreads, curtains, and other similar fabrics for the home.

The corporation also manufactured ladies' full-fashioned no-seam hosiery and men's half-hose; and operated a nylon throwing plant and hosiery plant in conjunction with its hosiery business. The Company's subsidiaries manufactured ribbons and other narrow fabrics. The business was integrated from purchase, spinning and throwing of yarns to finishing of manufactured products and their sale and delivery either in finished or greige state.

Intent on becoming the most outstanding textile concern, Burlington continued its expansion. In July, 1948, the Company acquired the assets and facilities of May McEwen Kaiser Hosiery Company, by issuing 608,000 common shares.

On September 13, 1948, The Greensboro <u>Record</u> reported that Burlington's President, J. Spencer Love, had been appointed by Paul Hoffman, Chairman of the Economic Co-operation Administration,[6] as a representative to aid

Great Britain in solving her production problems. Burlington's success had impressed many people. With his added responsibilities, J. Spencer Love could not conduct Burlington's business as usual.

In December, 1948, Burlington, through its New York subsidiary, Burlington Mills Corp., bought the entire capital stock of Wheatley Fabrics, Inc., a New York textile converting company that sold cloth to the women's apparel industry. Negotiations for the purchase had, in fact, gone on long before the actual transaction. Other than that, Burlington did not purchase any new property until August of 1950, when it acquired a 97 1/2% interest in Brighton Mills, Inc..

In January 1951, the Corporation purchased Arthur Bone, Inc., of Los Angeles, manufacturer, dyer and bleacher of worsted yarns. A year later it acquired stock interest in National Mallinson Fabrics Company, and remaining minority stockholders were offered Burlington Mills' common shares on a share-for-share basis.

Burlington also acquired another company in May 1952, Sarfert Hosiery Mills, Inc., of Philadelphia; and in November, 1952, purchased Peerless Wollen Mills for $15,000,041 and 421,950 common shares. Connected with the same transaction the Company exchanged 40,000 of its common shares for all the outstanding shares of Peerless Textiles, Inc..

The decade, 1942-52, experienced a vast growth of Burlington Mills Corporation. The company grew not only in size but in quality as well. By 1952, in comparison to 1942, Burlington had spread out and up. A glance at the sales figures[7] would best illustrate the difference.

YEAR	SALES
1952	$ 320,261,452
1951	310,129,944
1950	286,970,559
1949	263,497,942
1948	288,000,000*1
1947	216,960,514
1946	141,544,442
1945	108,199,847
1944	93,387,417
1943	97,641,326*
1942	83,096,803
1941	63,165,310

*1Ralph Caplan, op. cit.

*53 weeks (all others, 52 weeks).

Burlington, 1953 - 1962*

The growth of Burlington continued in this period of 1953-62 as in former periods. The pace of the expansion

*All facts in this section, unless otherwise stated, are obtained from MOODY'S INDUSTRIAL MANUAL, 1968.

plan probably was a little too fast, but Spencer Love had always done things rapidly. He was not a person to overlook a reasonable opportunity. Such opportunities were, in fact, plentiful at the time. Smaller operators were coming to realize that the textile industry was becoming too efficient and sophisticated for them to hang on, so they tried to sell. Naturally they came to Burlington, one of the largest, most ambitious, and most important, one whose acquisitions king was known for his sense of fair play. Spencer Love's reputation was a strong factor in Burlington's success.

In May, 1953, Burlington Mills, Incorporated acquired stock control of Klopman Mills, Incorporated, producer of greige textile goods, with plants in Asheboro and Ramseur, North Carolina; and, in December of the same year, the Corporation purchased assets of Interstate Hosiery Mills, Incorporated.

In July, 1954, Burlington Mills acquired controlling interest in Pacific Mills of Boston, Mass., producers of worsteds. The latter was merged with Burlington on November 19, 1959. Then in July, 1954, the corporation acquired controlling interest in Goodall-Sanford, Incorporated, of Maine. The newly acquired company wove famous

Palm Beach suitings, and manufactured vinyl-coated cloth. The company was merged with Burlington on March 28, 1959.

On February 3, 1955, the name of the corporation was changed to Burlington Industries, Incorporated. In the same year the corporation acquired Mooresville Mills, of Mooresville, North Carolina, producer of cotton textiles. The latter became a division of Burlington after some time, specializing in yarn-dyed polyster and cotton fabrics for men's women's and children's apparel. In addition to this, the corporation acquired Ely & Walker Dry Goods Company of St. Louis, Missouri, in September of 1955. This company had been engaged in the business of manufacturing, converting and distributing cotton fabrics.

In 1956, Burlington Industries, Incorporated, acquired the entire capital stock of Hess, Goldsmith & Company, Incorporated of New York. This was quite a significant purchase, because the Company wove fiberglass, with plants at Wilkes-Barre, Taylor and Plymouth, Pennsylvania; Cedar Grove, New Jersey; and Pomona, California. Fiberglass later on came to be used very extensively in home furnishings items.

In August, 1957, Burlington acquired assets of Henrietta Mills and Martel Mills Corporation, which produced staple cotton fabrics at their plants in the Carolinas.

In the following year the corporation acquired New York-based selling agents, Catlin Farish Company, and bought an 82 per cent interest in Sidney Blumenthal & Company, Incorporated. The proportion was later increased to 96 per cent, and soon thereafter the corporation was merged with Burlington in November, 1961. The year 1959 saw more than average activity at Burlington. In that year the Adler Company, producer of men's and women's sport socks, was acquired, as were Charm Tred Mills, Incorporated, manufacturers of tufted man-made fiber and blended rugs; Cheraw Weaving Mill, weaver of fancy drapery fabrics from man-made fibers; and Ivey Weavers, producers of combed-cotton fabrics. In January, 1960, Burlington Industries acquired the assets of Princeton Knitting Mills, producers of high-pile knitted coatings, liners, rugs, and knitted fabrics for underwear, sleepwear, negligee, dress, sportswear, shoe, and industrial trade. On March 25, 1960, the corporation acquired assets and assumed liabilities of James Lees & Sons Company, in exchange for enough common shares (which were not to exceed 2,166,936) to entitle Lees' stockholders to receive 2 1/3 (two and one third) shares of Burlington's common, for each common share held. The latter was an expensive acquisition, but it brought to Burlington a very profitable division in carpet manufacturing.

In January, 1962, Burlington bought a 90% interest in Erwin Mills, Inc., of Durham, North Carolina, for about $23 million. This company, when acquired, was, and still is, a profitable one; it is believed that Erwin Mills' acquisition enabled Burlington to surpass the billion dollar sales margin in 1962. Later on Burlington acquired the whole of the concern, a development which led to a bout with the Federal Trade Commission.[8]

The decade 1953-1962 was a busy one for Burlington Industries. It continued its program of expansion through growth in existing fields and diversification into others. On January 19, 1962, J. Spencer Love completed the 90% acquisition of Erwin Mills, Incorporated. On the next day he was relaxing in Palm Beach, Florida. While playing his favorite game, tennis, he suffered a heart-attack and died. He had devoted most of his years to the creation and development of Burlington Industries. His hard work played a major role in the company's more than one billion dollars worth of sales in the year. After his death his successors continued to add to the enterprise that Love, with their help, had guided.

TABLE 2

Important Statistics Relating to the Years, 1952-63*

Year	Net Sales	Cost and Expenses	Operating Profit	Income Taxes
1952	$320,261,452	$301,985,069	$18,276,383	$7,816,103
1953	360,839,261	335,480,967	25,358,294	11,987,070
1954	347,493,592	327,072,556	20,421,036	9,615,736
1955	515,211,961	478,727,477	36,484,214	17,241,684
1956	636,384,771	601,119,128	35,265,643	15,279,267
1957	671,191,144	629,698,310	41,492,834	18,062,635
1958	651,461,056	619,501,086	31,959,970	13,843,526
1959	805,450,222	742,401,907	63,048,315	29,809,926
1960	912,988,856	832,908,990	80,079,866	38,421,487
1961	866,005,244	808,591,158	57,414,086	27,341,146
1962	1,009,988,856	919,973,262	90,015,109	45,123,459
1963	1,084,918,643	988,700,815	96,217,828	49,077,616

Year	Net Income	Common Dividends	Common Shrs. Outstanding	Earnings/ Common Shre.
1952	$8,601,225	$7,130,707	6,654,838	1.09
1953	10,876,786	4,832,128	7,079,308	1.35
1954	8,437,345	4,199,075	6,964,161	1.04
1955	16,369,712	5,111,025	8,139,525	1.83
1956	15,264,780	8,263,575	8,467,500	1.63
1957	15,361,802	7,617,122	8,507,348	1.64

TABLE 2 - Continued

Year	Net Income	Common Dividends	Common Shrs. Outstanding	Earnings/ Common Shre.
1958	11,686,895	6,367,336	8,519,691	1.21
1959	27,642,895	7,506,335	9,700,832	2.72
1960	35,432,183	13,149,008	12,140,488	2.81
1961	24,853,971[a]	12,086,368	11,968,871	1.99[b]
1962	37,465,959	11,942,705	11,957,582	3.04
1963	40,619,731	14,448,415	12,111,945	3.28

[a]Before $1,579,898 special debit.

[b]After special item - net deduction $1.84

*Source: Moody's Industrial Manual, 1968.

The Passing of J. Spencer Love

When something drastic happens in a publicly held American corporation, various speculations are inevitable. The "something drastic" may be a significant merger like the merger of Hartford Fire Insurance Company with the International Telephone and Telegraph Corporation; it may be the resignation or death of a key officer of the corporation; or it may have a host of other possibilities. The nature of the speculations that follow depends mainly on two criteria. One, how great a stake does the public have in the corporation? Two -- in the case of changes in key personnel -- what particular personnel changes are effected. Burlington produced a significant degree of speculation in 1962. Although textile firms do not attract a great deal of public attention, Burlington proved to be an exception because it has been an exceptional company. In 1962, it directly employed 60,000 people in the United States. While the economic repercussions from its actions would be only mild for the country, certain states, notably North Carolina and Virginia, could be gravely affected. Textile mills in 1962 employed, and still employ, people who normally can do only farm work besides their mill jobs; if they were to be let loose upon the job market, they would produce a tremendous problem. Burlington had, besides, been showing signs of becoming a corporation like the Celanese Corporation. Such possibilities interest people because of investment possibilities and so on. In addition, Burlington attracted speculations from purely curious folks, some of whom had become interested in Burlington because of the stories they had heard of Spencer Love and who now wondered what would happen to his empire after his death.

The news of Love's death left Burlington's headquarters in Greensboro in a short-lived confusion. The quandry resulted from a lack of an heir apparent. The question of succession had undoubtedly occurred to people before Love's death; but no one, and least of all Love himself, had thought of his death at the comparatively early age of sixty-five, especially since his father had lived to be more than eighty. Although the absence of a previously designated successor made things a little difficult, the problem was not as difficult as people had supposed at the time, though. The political infighting that was expected did not materialize because the capabilities of Love's lieutenants were little known to outsiders. Working quietly under the shadow of their leader, they had not had a chance to display their administrative talents. It was not that Love had actually tried to glamorize his position, but that was how it was taken by most outsiders to have been.[9]

After the death of Burlington's President, the need for action on the part of his men became imperative. A replacement had to be found. The crisis disclosed that Burlington had a number of highly capable people. Businessmen like John C. Cowan, Jr., Stephen L. Upson, William A. Klopman, and Edward Zane, had been Love's associates at least since the 1930's and were well acquainted with the company's total program. Still others like Walter E. Greer, Herbert M. Kaiser, Henry E. Rauch, Charles F. Myers, Jr., Love's associates since the 1940's, knew what Burlington's aspirations were. It was true that perhaps no single person could handle as much as Love had handled and do an equally good job, but as a group they could divide the responsibilities and perhaps even surpass Love's performance.

Soon after Love's death the corporation's Board of Directors met in Greensboro, North Carolina, to resolve the question of the succession. The first step the board took was to select a nominating committee from among themselves. At first the committee thought of choosing an outsider for the position, but later agreed on Charles F. Myers, Jr. to be the President and Chief Executive Officer. Henry E. Rauch was chosen as the working board Chairman, to assist Myers. As one member of the nominating committee told Seymour Freegood of Fortune Magazine, the committee "knew that no single person could replace Spencer. He was one of a kind. There was a desire for a team operation."[10]

Although it is beyond the scope of this paper to offer a detailed study of Spencer Love, it would perhaps be well to allude to certain aspects of his personality which had a direct bearing on Burlington as a textile firm. For one, Love was an adventurous person, not afraid of innovation. In 1919, when he bought the old mill in Gastonia, he was taking a bold risk. In 1923, when his new company had an unhappy experience with cotton manufacturing, he diverted the energies of the company towards manufacturing and developing rayon. That was exploration into a largely new territory. Even so, his adventures and explorations were not as reckless as people have often supposed. Most journalists[11] who wrote about him, either openly wrote that he was a gambler or implied that he took a great risk in starting his business. But Love's adventure was founded on the knowledge that a textile operation was a very good possibility. There were numerous operations not only in North Carolina but in the United States at large. He was going to start off in the same manner as the Cones of Greensboro had begun, by investing at first on a small scale and then building up rapidly into a bigger business. DCuring his novitiate as paymaster, he had seen a textile mill in operation. His explorations into the possibilities of rayon was based on a knowledge of the history of the fiber. Rayon had been manufactured commercially since 1891. Its quality was not competitive for a normal and healthy period, but it could keep the company from bankruptcy for some years. And within that period, if the quality of the fiber did not improve or if the cotton situation was bettered, the company could make adjustments. But the quality of rayon as a fiber was bound to improve. This was so because researches were being done in the field by reliable corporations, like American Viscose, Celanese Corporation, and E.I. du Pont de Nemours and Co.. In Love's judgement therefore, rayon could only improve in quality. It did indeed improve, and Burlington gained because of it.

The second aspect of his character which had a direct bearing on Burlington was Love's sheer industriousness. He was known to work about eighteen hours per day, seven days a week. He had a tremendous responsibility within the corporation, and accepted, besides, numerous public, civic, and educational duties as well, so that such long hours were imperative. Interwoven with this quality was his life-long habit of moving swiftly. As we have seen, just after his University life, he went into the army. Returning from the army, he was not satisfied to spend a normal length of time looking for a job. In early 1919, if he had stayed in Cambridge, he might have found a position, but he was too impatient with such delays; so he went to North Carolina where he promptly won a very modest position for a man of his qualifications and aspirations. That however, was better for Love than waiting. Within about six months he made up his mind to begin a textile venture of his own, and went ahead with his plans. In the 1950's he purchased one firm after another. No doubt he often outdid his rivals in the business merely because of his extraordinary pace. As one observer remarked,

> It was like watching the Indian rope trick . . . One minute Spencer was standing there with nothing in his pocket but that one hocked cotton mill in North Carolina. The next

> he was climbing so fast he was practically out of sight.[12]

Through his hard work he found out about new opportunities and then acted without delay.

Spencer Love was also very well versed in the American System, a point on which he was not well understood by the public. Probably those who wrote about him chose not to query him on the matter because of the fear that his explanation might have diverged from the folk myth about rugged individualism. Or perhaps the writers themselves were not aware that the question was worth asking. But Love tried to explain whenever he had an opportunity. One such occasion on which he tried to tell a writer that it was the efforts and co-operation of a number of people that led to the success of the corporation, was in the interview given to John A. Giles in September, 1941. Love is quoted as saying,

> We just got a damn good bunch of people together who have always pulled together with one purpose [success] in mind.[13]

He also said very plainly that the superman myth was not well-founded. The remark was not made with reverse psychology in mind; for his personal accomplishments were well known. But Love knew better than outside enthusiasts how the business had been begun and expanded. Bankers' foresight in granting loans was openly appreciated, converters were given credit for using rayon liberally at a time when the material was little known to the public, and, above all, the loyalty and hard work of the company's personnel was fully acknowledged. Spencer Love had a sense of truthfulness about such matters because he knew that he was only giving the facts.

This is not to imply though, that he did not take pride in his own role. After all it was he who had organized the Burlington system. It was his untiring industry that had converted Burlington from a small concern peddling "poor man's silk" into a vast network engaged in every branch of the textiles. He was an exceptional man in almost every respect and had set a high goal for himself since his youth. Without self-delusion, he accepted the important role he had played and was proud of his accomplishments. But he was too much of a realist to put much credence in the miraculous powers of the conventional idea of individualism. He was a strong believer in competition and encouraged it vigorously in the corporation, with the result that many of his colleagues were embittered, while others appreciated the goals for which he was striving, and they benefited from it. The individual competition was not just a haphazard exercise, though. It required a great amount of understanding and co-operation among individuals if it was to be successful. In such a system, a purely individualistic person could easily come to grief. One had to realize the importance of reciprocity between the individual and the organization. Love's kind of individualism made a person efficient without destroying his uniqueness as an individual. He himself was an excellent example of his preachings.

Spencer Love's magnanimity was well known, even though he often ran into disfavor with his colleagues over one of his policies. It was his practice to use the Executive Committee partly as an educational body. He would put his newly acquired young men on it so that he could train them himself. Those who met his very high standards were given important positions. Then came the real test, for Love was a ruthless taskmaster. He demanded results, not excuses. If good results were not promptly forthcoming, the person's position at the corporation was terminated. Many junior executives in the mid-fifties fell short of his expectations and were duly removed. Naturally they had little love for their former chief in their later life.[14]

It was, however, not the discarded who were the bitterest; rather, it was the senior executives who had been criticized by their juniors. Once the seniors heard the "news", they were often obliged to reply in a similar manner. The result was that the boss ended up having the complete story while the others had only their own side of it. Far from discouraging such unconventional and forthright behavior, Spencer Love encouraged it. The system kept all employees on their toes, and the corporation gained because every one felt driven to do his best. This was one of the reasons why older officers disliked his practice of hiring young people for important positions.

The second reason for hard feelings on the part of many was somewhat less directly connected with the C ompany. In the American system, it is considered normal for young people to begin from the bottom and work themselves up. The custom is often used by those in upper echelons to satisfy their former frustrations and disappointments by punishing the beginners. The result of the whole ritual is that by the time the younger person gains the aimed-for position, he has expended most of his energies. Filled with bitterness, he applies the same strategy to the next younger group, and so the vicious circle continues. The custom has become so ingrained that a departure from it is considered un-American. (One can sometimes by-pass the system, though, if one has extraordinary talents or important connections).

Spencer Love was a man well-known for ignoring shibboleths. He also had a first-hand experience of what the particular shibboleth meant for a highly intelligent and ambitious person. He had encountered it himself in his initial confrontation with the business world. But his response to the practice was different from the ordinary, once he became what he had wanted to be. Instead of trying to break the spirit of the young people who came to him for employment, he gave them a chance. Many failed the challenge, but they could hardly blame Love for their failure. Those who made it, of course, were grateful. Spencer Love's aims were not always well appreciated. Many no doubt thought that he was simply trying to give a youthful image to the company.[15] It is rather interesting to note that such a view would be held, in spite of the fact that Love never tried to build any kind of an image for the sake of an image.[16] He just did not see any good reason in abiding, say, by Andrew Carnegie's way of doing things when his own methods would be better for Burlington. Incidentally, after Love's death, the practice was done away with and now Burlington often finds it necessary to acquire people from the outside to fill important vacancies. Burlington has therefore become a more conventional American corporation.

Love had a number of responsibilities. The public often wondered how he managed to keep up with the details of all his enterprises. He was a highly organized man. He planned all his activities, and kept track of the details with the help of his famous "pen notes." He hardly ever talked about Burlington's affairs; he exchanged information in the written form. He had several secretaries and often sent memoranda to his colleagues, and the more he dispatched the more he received. By working fast and long hours he managed to keep up with his work. His juniors were amazed that their chief was so efficient; and he was hardly ever late for an appointment. Whenever he was, he would humbly apologize to the waiting party, a courtesy extended no less to his secretaries than to major officers.

He was a good Presbyterian. With all his money another might have behaved very differently. But Spencer Love's favorite indulgence was a quick milk-shake at the nearest drug-store even in a diverting city like New York. In appearance he was just as simple, and if one did not happen to notice that he would get out of the soda-shop to jump into a waiting limousine, one would not even be aware of the fact that the person he had just passed on the street was an outstanding industrialist. Love's modesty and good manners astounded those who happened to meet him. Although he remained a somewhat shy public speaker all his life, he was also known to be a formidable person if he had reason to be annoyed. Like most efficient people he had difficulty understanding as to why his subordinates failed to do what seemed so elementary to him. Jacob Hay wrote,

> Although it is reported by those who have undergone the dreadful experience that he is capable of dealing out some of the finest tongue-lashings to be heard in the western hemisphere, his manner towards his associates and subordinates usually combines urbane courtesy with humility and consideration.[18]

Naturally many of those who had experienced the sting of his exasperation remember him only by their unhappy encounter. More reasonable people generally minimized the bad encounters and remembered him for the better ones. Their conclusion was the same as that of most other people's: Spencer Love was an able, honest, sincere, hard-working, shrewd businessman; a kind family man; a good friend; a very decent private individual. He was one successful business tycoon who came closest to being a truly good man, in the loftiest sense of that term.

FOOTNOTES

CHAPTER TWO

[1]Seymour Freegood, op. cit. ("What Happened At Burlington . . .").

[2]John Sherman Porter, ed., MOODY'S MANUAL OF INVESTMENTS (New York: Moody's Investors Service, 1944) p. 146.

[3]Ibid., p. 147.

[4]Ibid., p. 147.

[5]Source: MOODY'S MANUAL OF INVESTMENTS, 1944, p. 145.

[6]This body conducted activities aimed at rebuilding Europe so as to make Europe economically strong to trade with the United States.

[7]Figures derived from MOODY'S (Manuals already mentioned), 1948, 1962.

[8]In its letter to the shareholders, the Corporation's 1968 Annual Report said:

> In November, the Federal Trade Commission provisionally accepted an order, to which we consented, restricting Burlington from acquiring any firms in the domestic textile mill products area for a period of ten years without FTC approval. The company was willing to [sic] the order, as the Commission dropped its proposal that Burlington divest itself of Erwin Mills, our last textile acquisition of any significance in the United States.

[9]Seymour Freegood, op. cit. ("What Happened At Burlington . . ."), p. 107.

[10]Ibid., p. 108.

[11]cf. John A. Giles, Jacob Hay, in works cited, for instance.

[12]Seymour Freegood, _op_. _cit_. ("What Happened At Burlington . . ."), p. 216.

[13]Giles, _op_. _cit_. (". . . He Feels Embargo Won't Hurt").

[14]Seymour Freegood, _op_. _cit_. ("What Happened At Burlington . . ."), p. 109.

[15]_Ibid_., p. 109.

[16]Jacob Hay, _op_. _cit_. ("Spencer Love Took A Gamble . . .").

[17]Giles, _op_. _cit_. (". . . He Feels Embargo Won't Hurt").

[18]Hay, _op_. _cit_. ("Spencer Love Took A Gamble . . .").

CHAPTER III

BURLINGTON SINCE 1962

The New Administration

After Spencer Love's death, Burlington's Board of Director's found itself with the responsibility of choosing a new leader. As already mentioned, Charles F. Myers, Jr., was agreed upon as the new President, and Henry E. Rauch his assistant, as working board Chairman. The new administration was a signal for change not only because of the change in its structure (the two above-mentioned positions were previously held by Love alone), but because different people were more likely to have a different temperament than Love. Besides, the successors were primarily specialists in corporate finance, whereas Love had been primarily an administrator.

Charles F. Myers, Jr., is a person vastly different in temperament from his predecessor. He is a native-born Southerner who graduated from Davidson College in North Carolina and from the Harvard University School of Business, and was in the banking business in New York and the

South before joining Burlington in 1947. Myers is an urbane man who likes to work closely with people in a relaxed yet firm manner. Moreover, he does not have as many details to cope with, so that Love's method of working by memoranda has largely been done away with. Also, Myers prefers not to concern himself with small details. Such matters are left to his juniors.

The major similarity between Charles F. Myers, Jr. and his predecessor of course, is that the new President is as much concerned with the welfare of the corporation as Love was. Like Love, Myers works hard to keep a strict control over the numerous activities of the Company. It was done by way of a Management Committee chaired by himself and made up of Henry E. Rauch and seven other most senior officers, each responsible for a group of divisions whose Presidents reported to them and whose operations they discussed at frequent meetings in the corporation's offices at Greensboro or New York.* However, Myers is, as observed by one of the members of the committee,

> more patient than Love, more willing to prolong discussion. Spencer was quick and brought

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*In 1969 Henry Rauch vacated his seat by becoming the Chairman of the newly formed Finance Committee charged with looking after the corporation's financial policy and direction.

> things to a head quickly. Also, we've got teamwork now. We arrive at decisions jointly. Charlie is firm but he doesn't start out knowing all the answers.[1]

Soon after becoming President, Myers changed the composition and duties of the Management Committee. Under Love, it was a rotating body which had younger executives to give the juniors a sense of the broad sweep of Burlington's operations. Myers diminished the role of the younger men in top management by replacing them on the committee with several of their elders like William G. Lord, President of Galey & Lord, one of the Corporation's most profitable divisions and Frank H. Leslie, responsible for Burlington's cotton and synthetic greige-goods sales. Myers explained the reason for the change "at the time of transition I wanted to be able to call on our senior merchants."[2] The reason was quite ambiguous, of course, for it was unclear how not having them on the committee could hinder the communications. One suspects that Love's system in this instance was not very popular with his successors.

Myers, of course, has always appreciated the availability of young persons trained by Love. In 1964, almost thirty-five of Burlington's seventy top manufacturing and sales executives were in their thirties or early forties and there were twelve more in top posts. Charles Myers, Jr., however, terminated Spencer Love's system of preparing young executives for important posts by having them serve as his assistants; neither has he turned to the younger executives for advice. In 1964, Seymour Freegood wrote, quoting one of the founder's old associates, "In Spencer's time Burlington was on a youth kick that sometimes got out of hand."[3] Under Myers the educational aspect of the Committee was completely removed, and it has continued to be a body primarily concerned with operations.

The new team effected other changes. Between 1950 and 1962, Love invested $284 million in cash and stocks to acquire seven large and several smaller concerns. Between January, 1962 (excluding Erwin Mills acquired by Love a day before his death), and June, 1964, Burlington acquired only a substantial interest in Stoffel, A.G., a Swiss manufacturer of high-quality combed cotton and synthetic blended fabrics with annual sales of $14 million. The acquisition was made with the intention of expanding Burlington's share in the European market, and the result proved to be good. During the same period the Corporation did not acquire any additional domestic corporations. The reasons were obvious, for one, during the last twelve years of his career, Love had already acquired a large number of the better ones. Second, the anti-trust division of the Federal Government was fearful that Burlington might acquire too large a part of the American market. Third, during the latter part of Love's reign, the company had acquired too much too fast so that there was neither time nor money to modernize older types of operations.

It was natural that the new management, therefore, should try to make such needed changes. A thorough program of internal expansion and modernization was undertaken by the corporation in the years immediately following Love's death. The suggestion here is not that had Spencer Love lived, these changes would not have been made; the present writer's guess is that he would have slowed down on the acquisitions and concentrated on internal expansion and improvement. Even if he tried to continue expanding through acquisitions, the Federal Government might have asked him to halt. This view is founded on the realization that internal expansion and modernization were logical products of rapid and numerous acquisitions. Without the acquisitions, internal expansion would have been too limited; without the internal expansion and improvement at that time, the business would have suffered.

The new team, therefore, has been concentrating on these aspects. Internal expansion and plant modernization have been no easy tasks, though. In terms of capital outlay, they have become very costly. Spencer Love spent $177 million on modernization between 1959 and his last acquisition, and a part of this amount went into acquisitions. But between February, 1962, and the end of the corporation's 1964 fiscal year, Burlington spent $153 million on additions and improvements to existing facilities. The new team explained its change in policy:

> Through internal expansion we can concentrate on profit improvement in areas where we already have a strong position and proven management, rather than tackling the unknowns that come with acquisitions.[4]

Both Myers and Rauch had been finance people under Love, so that their preoccupation with healthy profits was understandable. Since 1964, the new team's emphasis has been on internal expansion and plant improvement in the United States and acquisitions in overseas countries, especially in Europe. The only substantial domestic acquisitions have been in furniture manufacturing.

The financial background of the new chiefs had other repercussions. They also changed the company's balance sheet. Until the end of 1962 Burlington had four issues of preferred stock in addition to the common. By borrowing $25 million in subordinated debentures, the corporation paid off the preferred stocks. That saved Burlington about $4 million over the life of the preferred stocks. As Myers explained it,

> It made sense to convert to debt. The money market was fairly free and we were able to borrow on a subordinated basis instead of a senior debt basis. This ability reflected the improving status of the company.[5]

In a similar attempt to impress the financial community further, the new team has been trying to pay its stockholders a healthier dividend. At the end of fiscal 1962, the Company's sales amounted to $1,084,919,000. The net profit in 1963 was $40,620,000, representing a return of 10.5% on shareholders' equity. In the same year J.P. Stevens, Burlington's closest publicly-held competitor, paid 5.3%, and the textile industry as a whole averaged 6%. During the last five years of Love's administration, the highest return on the stockholders' equity was 9.8%. But Love's last acquisition, Erwin Mills, was a good one in terms of profits, and was partly responsible for higher profits afterwards.

Burlington has always been noted for its strong Research and Development programs. The corporation has had Research and Development centers at its divisions since the very early days, but in 1959, Burlington began a program of central research at its laboratory located in Greensboro, N.C. The central laboratory concentrated its efforts on matters not covered by the divisions, but it was not until about the end of 1963 that the various activities at the Corporation's divisional laboratories were co-ordinated. Also, certain changes in the activities of the central laboratory were effected. The previous efforts at the corporate research laboratory were devoted to near-term research such as proper dyeing methods.

The Myers administration began the reorganization of Burlington's Research and Development program by appointing a vice president in the person of George E. Norman, Jr., to oversee the centrally co-ordinating effort. Norman expanded the central laboratory's research library to include a technical information service that stored, retrieved, and communicated all pertinent information to about three hundred persons working in about twenty-five divisional laboratories. Simultaneously, the central lab began long-range research on such problems as the adhesive characteristics of polymers and elastomers. With the increased duties of the central laboratory, the number and quality of its technicians were increased. The number increased from fifty-five in 1962 to seventy-five in 1964.

As a result of the change in outlook and purpose, the costs went up. In the 1964 fiscal year the company spent $12 million (a very large sum by any standard) on broad research and development, which included product development and quality control work. Between 1962 and 1964, it annually spent about one per cent of its sales on research and development programs. In the mid-sixties it continued this policy, which ranked about ten times the proportion spent by the textile industry as a whole. Recently many other companies have begun investing generously in this aspect of their operation so that Burlington's average has declined relatively.

In order to keep up its Research and Development works, Burlington planned a new Research Center in 1964. Its construction began on October 1, 1965; it was completed on May 1, 1967. A very impressive facility, the Center's three main areas had a total floor space of 100,000 square feet, and fully equipped, it represented an investment of more than $3.5 million. The furnishings such as carpets, furniture upholstery, curtains, were manufactured by Burlington itself, of course. Located beside Interstate

Highway 40 at Guilford College-Jamestown Road (Guilford County, North Carolina), the Research Center housed many highly specialized laboratories in which scientists and technicians of various disciplines pursued long and short range activities. Some of the activities were these:[6]

Dyeing: Advanced techniques for the application of dyes to all fibers were developed. The technology of computer control in improving uniformity in color was used extensively.

Finishing: Fabrics with new and improved properties were created. The properties included wash and wear, durable press, soil release, water repellency, decreased flammability. A pilot plant for dyeing and finishing applications was also located at the Center.

Polymers: Polymers were made to give fabrics functional properties such as durable press and anti-static qualities.

Electronics: Advanced electronics devices for measuring and controlling the performance of processing equipment were designed and produced.

Fiber Development: Researches were done in the areas of fiber dynamics associated with conventional and non-conventional spinning throwing concepts. Also included were studies of new and chemically or mechanically modified fibers and the exploration of extrusion techniques for the conversion of polymers into yarn and fabric structures.

Composite Structures: Research on the assembly of materials, adhesives, and coatings to form useful new products of importance to Burlington's textiles, plastics and furniture operations were done. A related area was concerned with increasing the value of Burlington's textile waste for re-use or for sale to other industries.

High Speed Photography: Time magnification of operations filmed at high speed was used to reveal the many normally hidden aspects of textile processes and processing equipment.

Pollution Control: Effort was made to develop and implement procedures for the control of water and air pollution. The procedures included the development of new analytical techniques for the measuring of contaminants, improving manufacturing processes, and the devising of new mechanisms for effluent purification.

Technical Information: An excellent technical library was housed in the Center. Technical information services were provided to the scientists and technicians at the Center and the divisions. Moreover, an information storage and retrieval network for internal technical reports and for the published literature was provided.

Obviously, a great deal of work was done at the

Center. As Myers had said,

> We want to search out the best talent, to go on discovering and employing the most efficient techniques to make the finest textile product possible.[7]

Alas, the ambitious program did not succeed. In its 1972 Annual Report, the company reported that the central research facility was sold. The reason given for it was "Analysis of past research programs indicated that divisional product development, keyed to specific market and production requirements, had been more effective. As a result, divisional research programs are being expanded."[8] The central staff was reduced and relocated in Greensboro.

Generally speaking, the new team has done quite well. Specifically, it improved Burlington's overall operations through internal innovations, thus increasing the effectiveness of existing facilities. It also improved the profits to stockholders, except for few years when the bad condition of the general economy prevented it. Both 1967 and 1971 were such years; all others have been good. In 1968 the Company's Annual Report declared,

> Since 1962, when sales first reached the billion-dollar level, the company has based its policy for profitable growth on (1) the most efficient use of existing facilities, (2) internal expansion through substantial capital investment for plant and equipment, (3) new expansion in markets abroad, and (4) diversification into non-textile

> areas in which Burlington's management, marketing and production abilities can be used effectively.[9]

This is still the general plan that the Company follows.

Expansion Through Acquisitions: 1963 - 1972*

In January, 1963, Burlington subsidiary, Klopman Mills, Incorporated, acquired Fabrex Corporation, a New York textile manufacturer, for $5.4 million. In October of the same year the company acquired a substantial interest in Stoffel AG, St. Gallen, Switzerland. The Swiss textile manufacturer had five plants in Switzerland, all of which became wholly-owned properties of Burlington Industries, in 1967.

In March, 1965, the corporation acquired Tricotex Company, of Sherbrooke, Quebec, producer of warp knitted piece goods from synthetic yarns.

In May, 1966, Burlington entered a new field, furniture, by acquiring Globe Furniture Company of High Point, North Carolina, manufacturers of upholstered furniture and occasional tables. Burlington had, in fact, manufactured and handled home furnishings items such as curtains, covers for furniture, and fiber-glass insulations, so that

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*All facts in this section are derived from <u>MOODY'S INDUSTRIAL MANUAL, 1971</u>, unless stated otherwise.

the field was not completely alien.

In February of 1968, Burlington acquired a majority interest in Schappe, A.G., of Basel, Switzerland, producer of texturized and spun yarns for weaving and knitting, and knit dresses and fabrics for apparel. The acquired concern had plants also in France, Germany, Spain, Sweden, and the United Kingdom.[10]

In December, 1968, Burlington acquired United Furniture Company, in Lexington, North Carolina. The furniture operation which was taken on in 1966 had no doubt produced good results so that more effort was expended in the field.

In late 1969, Burlington Industries, Incorporated, acquired 80% interest in Gladbacher Woolindustries A.G., of West Germany. Another 18.94% interest in the same company was acquired in April, 1970, through a tender offer, an offer made by Burlington to buy, and accepted by the acquired company. The acquired concern produced worsteds and worsted blend fabrics for clothing; carpeting for home, institutional and commercial uses.

In 1970, Burlington absorbed its division, Adler, and Erwin Mills, Inc., a subsidiary, and then in August of 1970 the corporation acquired the assets of Stendig, Inc., importers of contemporary furniture for contract market.

In 1972, the Corporation acquired National Upholstery Company of High Point, North Carolina, and its subsidiaries for 140,735 shares of common stock in a pooling of interests transaction. Burlington's success in the furniture business prompted the purchase.

Burlington as of December, 1972*

Burlington continued its leadership position in textiles in 1972. The company's Annual Report mentioned with satisfaction that the year was a better one than the disappointing 1971. The earnings on the common share were \$1.86, 22.4% higher than the \$1.52 earnings per share in 1971; and the sales of \$1.8 billion were 5.2% higher than the \$1.7 billion in 1971. Moreover, the net earnings of \$49,607,000 were 23.6% higher than \$40,141,000 in 1971. Thus, while Burlington did not perform too well compared with many other types of businesses, it did do quite well for a textile concern.

Several factors contributed to the improvement. Some

*All facts in this section are derived from Burlington Industries, 1972 Annual Report, unless mentioned otherwise.

of these were those that helped businesses in general, others were peculiar to Burlington. An upswing in the general economy helped most businesses, just as the new investment tax credit helped the net earnings of most corporations. These helped Burlington too, of course. Moreover, a resurgence of markets for certain types of apparel fabrics helped textile manufacturers who produced such fabrics. Burlington also gained from growth in the home furnishings area where it has always excelled. But the company gained most from changes it had initiated since 1970. Foresight, based on extensive research therefore, played the major role in improving Burlington's profits in 1972. For example, in 1970 the sales from knit and stretch woven apparel fabrics amounted to only $93 million, but the company foresaw the soaring demand of these products in the near future. It accordingly diverted extra energies in this area and the 1972 sales amounted to $271 million.

A similar increase was also experienced in the sales of home furnishings products. Constituting about one third of the 1972 sales, the home furnishings division brought in $592 million, an increase of about 18% over 1971 and 31% over 1970. Because this division is expected to continue doing well, two more furniture operations were begun in 1972, and a third plant was converted to the manufacture of furniture. Still another plant was completely re-equipped to dye, finish and print products in Burlington's home furnishings area. Moreover, towels and blankets were added to the domestics department.

The changes in the corporation's production direction were accomplished without the construction of new plants. This was of course possible because of the large number of plants the company possessed. The existing facilities were converted to accomodate the new or expanded departments, while some small operations which did not fit into Burlington's overall plans were sold or closed. Burlington's ability and willingness to shift emphasis according to the prevailing conditions continue to enable it to be in the forefront in the textile industry. A shift in emphasis entails accelerated and even extensive conversion of existing plants to new product lines, and the latter involves money. Although the effect is therefore a reduction in the net earnings, the change enables the corporation to do better in the future, so that the expenditure is justified.

A clearer picture of the corporation in 1972 can be had by a closer look at its operations during the year.

The following attempts to do this:

Products for Apparel

	Sales	Percentage of total sales
1972	\$1,138 million	62.7
1971	\$1,150 million	66.6

The company's products for the apparel markets include a wide variety of woven and knitted fabrics, yarns, and men's and women's hosiery.

Products for the Home

	Sales	Percentage of total sales
1972	\$592 million	32.6
1971	\$503 million	29.1

The division is made up of plants manufacturing carpets and rugs, sheets and pillowcases, blankets, towels, draperies, drapery fabrics, upholstery fabrics, mattress ticking and furniture.

Products for Industry

	Sales	Percentage of total sales
1972	\$86 million	4.7
1971	\$74 million	4.3

Burlington produces a wide range of fabrics and yarns for industrial uses. These products experienced a strong and continuing demand through 1972. Fiber glass products and fabrics for the tire and other rubber products industries were especially strong. New products included protective fabrics for law enforcement agencies and consumer safety products.

In August, 1972, the corporation sold its Goodall Vinyl division, which had an average annual sales rate of $12 million. The division was sold because its "product lines and markets were not compatible with Burlington's primary industrial business." The corporation hoped to better the output of products for industrial uses through expansion of its existing production and development of new products.

Raw Materials Usage

The corporation uses numerous types of fibers in the production of its textile goods. The following major fiber categories were used in 1972:

Man-made:	75%	(76% in 1971)
Cotton:	19%	(17% in 1971)
Wool:	6%	(7% in 1971)

The analysis shows fiber content based on the value of the fiber used, and non-fiber materials have been excluded.

The price of raw cotton was higher during most of 1972, but in the latter part of Burlington's fiscal year -- which runs from October 1 through September 30 -- the prices declined because of larger crops. The prices of most man-made fibers were stable or a little higher during 1972. The only exception was filament polyester, whose prices declined significantly. Raw wool prices, very low in 1971, increased substantially in 1972.

International Operations

Burlington's consolidated international operations brought in sales amounting to $210 million in 1972. The 1971 sales of these operations were $177 million. However, the increase did not accurately reflect the state of the operations because in 1972 Burlington suffered a loss of $3.9 million in this sector, while the 1971 loss was $3.8 million. Most of the international operations were successful, though, and those which suffered losses faced an adverse market. With their poor operating conditions they could not cope with unfavorable situations.

Burlington has moved to amend the weaknesses in its international branches, so that the 1973 outlook seemed better. Moreover, in 1972 the textured yarn markets in the world were drastically depressed owing to overcapacity of production, but this also showed signs of changing for the better. Meanwhile the corporation took action to balance product lines of international divisions to market conditions, and to reduce costs and increase manufacturing efficiencies. By December 1972, two important operations had completed start-up phases and were running well. Thus, with better market conditions, its international sector should do better in 1973.

Export Operations

The corporation's export sales from the United States increased in 1972 to $52 million. The 1971 sales were $32 million. Burlington emphasizes export of products manufactured by the corporation's United States divisions.

Burlington was also engaged in other fields related to its business. Most important of these are discussed below.

Advertising and Promotion

The corporation spent $15 million for these purposes in 1972, compared to $17 million in 1971. The 1973 budget set aside $16 million for the activities. The company's advertising campaign succeeded in increasing consumer awareness mainly through its utilization of prime-time network television, that is, television advertisement during early evening.

Burlington spends heavily on advertising its brand name consumer products. These include Burlington House (home furnishings), Burlington Hosiery, Burlington Socks, Lees Carpets, and Burlington and Klopman fabrics for home sewing.

Environmental Control Program

In 1972, the company invested $2.2 million in 16 projects to install or improve pollution control facilities. In 1971, the company had invested $3.5 million, and expected to spend $4.5 million in 1973. The effort may sound modest, but it is better than average in the industry.

Burlington's already improved waste treatment facilities and techniques reduced water, air and solid waste pollution in the year, and the company planned to continue this effort. Moreover, the corporation tries to co-ordinate its pollution control efforts with cleaner and more efficient manufacturing methods. Success in such an effort would help both the environment and the company's employees.

Occupational Health

Just as the coal-mining industry is notorious for its dangers in black lung diseases, the textile industry is notorious for its noise. Moreover, in fiber glass manufacturing plants, the danger is the inhalation of the cancer-causing dust. The tiny particles of the fiber also irritate skin. Burlington has a safety and health committee responsible for initiating efforts in the identification and elimination of potential hazards. Furthermore, individual plants have their own personnel to cope with the problems of each.

The total corporate occupational health programs include medical screening of personnel, hearing protection for employees in noisy plants, and control of such environmental conditions as temperature and smell. Safety depends on co-operation on the part of all, and the corporation attempts to promote such a co-operation.

Financial Review

Consolidated sales

For the fiscal year ending on September 30, 1972, the sales were $1,816.1 million, 5.2% above the 1971 sales which totalled $1,727.0 million. The quarterly sales were as follows (in millions):

	1972	1971	% increase
December	$438.0	424.0	3.3
March	446.0	446.2	Negligible decrease
June	471.0	428.7	9.9
September	461.1	428.1	7.7
Fiscal year total	$1,816.1	$1,727.0	5.2%

Earnings Before Taxes and Pre-tax Profit Margin

Earnings before taxes in the year were $93.9 million, which was 11.7% above the 1971 figure. The comparative quarterly consolidated earnings before taxes and minority interests were (in millions):

	1972	1971	% Increase (decrease)
December	$21.2	$26.8	(20.9)
March	22.1	24.3	(9.1)
June	23.9	22.2	7.7
September	26.7	10.8	147.2
Fiscal year total	$93.9	$84.1	11.7%

Pre-tax profit margins, obtained by dividing earnings before taxes and minority interests by net sales, increased to 5.2%, from 4.9% in 1971. The corporation's average pre-tax margin for the decade (1963-72) is 8.3%; and its pre-tax profit margin base for the United States operations under the Economic Stabilization Act of 1971 is about 10%.

Net Earnings and Earnings Per Share

The net earnings for fiscal 1972 were $49.6

million, whereas for 1971 they were only $40.1 million.

The comparative quarterly consolidated primary net earnings per share were reported thus:

	1972	1971	%Increase (decrease)
December	$ .44	$ .50	(12.0)
March	.45	.46	(2.2)
June	.47	.40	17.5
September	.50	.16	212.5

Fully diluted earnings per share were $1.83 in fiscal 1972 compared to $1.50 in 1971.

Income Taxes and Investment Credit

The provision made for taxes on income in 1972 was $44.2 million compared to $43.9 million in 1971. In 1972, $39.8 million represented federal, state, and local taxes on income, whereas in 1971 the amount was $40.2 million. The foreign taxes in 1972 were $4.4 million and $3.7 million in 1971. The figures for federal taxes made allowance for liabilities in case of error.

Investment tax credits were included in the year's earnings, and amounted to $7.1 million, equivalent to 24 cents per share, compared to $0.8 million in 1971, equivalent to 3 cents per share. The 1972 credits included 19 cents per share for 1972 capital investments;

3 cents for 1971 capital investments (owing to the delayed enactment of the Revenue Act of 1971); and 2 cents per share under the Revenue Act of 1962.

Dividends

Burlington paid $1.40 per share dividend in fiscal years 1972 and 1971. The dividend pay-out ratio (total dividends divided by net earnings) was 74.9% in fiscal 1972 and 92.1% in fiscal 1971. The corporation's ten-year dividend pay-out ratio has averaged 46.9%

TABLE 3

CONSOLIDATED STATEMENT OF EARNINGS*

Burlington Industries, Inc., and its subsidiaries, for the period, October 3, 1971 to September 30, 1972 with comparative figures from October 4, 1970 to October 2, 1971. All amounts, except per share data, are expressed in thousands.

	1972	1971
Net sales	$1,816,119	$1,727,045
Cost of sales	1,552,703	1,478,821
Selling, administrative and general expenses	146,130	140,593
Interest charges	28,652	28,656
Total costs and expenses	$1,727,485	$1,648,070
	88,634	78,975
Other income -- net	5,296	5,093
Earnings, before taxes based on income and minority interests	93,930	84,068
Provision for federal and other taxes based on income:		
Current	43,968	44,195
Deferred	211	(321)
	44,179	43,874
	49,751	40,194

TABLE 3 - Continued

Net earnings of subsidiary companies applicable to minority interests	144	53
Net earnings	$ 49,607	$ 40,141
Average share outstanding during the period	26,636	26,374
Net earnings per share:		
Primary	$1.86	$1.52
Fully diluted	1.83	1.50
Cash dividends per share	1.40	1.40
Depreciation & Amortization included in above costs and expenses	$ 87,328	$82,075

*Source: Burlington Industries, Inc., 1972 Annual Report, p. 17.

TABLE 4

The following table* illustrates Burlington's diversification in all textile markets and the shift in product mix according to market conditions:

	Fiscal Year	Percentage	Fiscal Year	Percentage
	Sales (in millions)		Sales (in millions)	
Products for Apparel Market				
Finished Fabrics for Apparel	$685	37.7%	$641	37.1%
Unfinished Fabrics for Apparel	85	4.7	81	4.7
Textured and Spun Yarns	267	14.7	313	18.1
Hosiery (Men's, Women's and Children's)	101	5.6	115	6.7
Total	$1,138	62.7%	$1,150	66.6%
Products for the Home				
Carpets and Rugs	234	12.9	218	12.6
Domestics (Sheets, pillowcases, Blankets, Towels)	77	4.2	58	3.4
Draperies, Drapery Fabrics, Upholstery, Ticking Fabrics	222	12.2	191	11.0
Furniture	59	3.3	36	2.1
Total	$592	32.6%	$503	29.1%

TABLE 4 - Continued

	Fiscal Year Sales (in millions)	Percentage	Fiscal Year Sales (in millions)	Percentage
Products for Industry	86	4.7	74	4.3
Total	$1,816	100%	$1,727	100%

*Source: Burlington Industries 1972 Annual Report, p. 15.

Capital Investment

As of December 31, 1972, the corporation's manufacturing facilities included 135 plants in the United States (eighty-four located in North Carolina, sixteen in Virginia, nine in South Carolina; the other twenty-six are scattered in Alabama, Arkansas, California, Florida, Georgia, Massachusetts, Mississippi, Pennsylvania, Tennessee, Texas, and West Virginia); and there are thirty-four plants in ten foreign countries and Puerto Rico.

Aggregate floor space of domestic plants was approximately 39 million square feet at the close of 1972. Production machinery included 40,000 looms, 2.2 million spindles, 5,000 knitting machines and dyeing and finishing facilities.

During fiscal 1972, five plants were either closed or sold, four plants were reopened and eight plants were transferred from one division to another. Capital expenditures for property, plant and equipment in fiscal 1972 were $114.7 million including $8.2 million for consolidated international operations. Expenditures were $103.9 million in fiscal 1971, including $17.3 million for international operations. Approximately 60% of the capital investments in 1971 and 1972 were for modernization and 40% for expansion. In fiscal 1973, the Company expected to spend $110 million to $125 million for the same.

The corporation had other properties in the year. It had, and still has, a large, modern office building in Greensboro, N.C. The company disposed of its new research center in Greensboro with its shift of research responsibilities from the corporate to the divisional level. Burlington also had transportation terminals and warehouses at Burlington, Fayetteville, Ranlo, N.C.; Clarksville, Dublin, Lynchburg, Virginia; Rossville, Ga.; Los Angeles, Cal.; Memphis, Tenn.; and North Bergen, N.J.

Employment

Burlington Industries employed 84,000 people in fiscal 1972, some 2,000 more than in 1971. The table below shows the Corporation's ten-year employment record.

Number of Employees

At the end of fiscal year	United States	Consolidated International	Total
1972	73,000	11,000	84,000
1971	70,000	12,000	82,000
1970	75,000	12,000	87,000
1969	76,000	10,000	86,000
1968	74,000	9,000	83,000
1967	70,000	4,000	74,000
1966	67,000	2,000	69,000
1965	63,000	2,000	65,000
1964	65,000	2,000	67,000
1963	63,000	2,000	65,000

The 1972 increase in the number of employees in the United States mainly reflected higher production requirements and the resumption of business at certain plants which had been closed in 1971.

TABLE 5

CONSOLIDATED STATEMENT OF EARNINGS (In millions)

	1972	1971	1970
Net Sales	$1,816.1	$1,727.0	$1,821.5
Costs and expenses:			
Labor	539.7	497.5	492.9
Raw materials, Labor	650.5	641.7	681.3
Chemicals, upkeep, utilities	243.5	210.7	212.1
Other expenses	46.1	51.5	52.2
Depreciation, amortization	87.3	82.1	78.0
Selling, general expenses	141.2	135.8	135.1
Interest charges	28.7	28.7	24.4
Total costs and expenses	1,727.5	1,648.0	1,676.0
Other income	88.6	79.0	145.5
Net	5.3	5.1	5.7
Earnings			
before taxes based on income and minority interests	93.9	84.1	151.2
Provision for taxes	44.2	43.9	78.7
Less net earnings	49.7	40.2	72.5
of subsidiary co. applicable to minority interests	.1	.1	1.1
Net earnings	49.6	40.1	71.4
Less preferred dividends paid	--	--	--
Earnings available to common shareholders	49.6	40.1	71.4
Common dividends paid	37.1	36.9	36.6
Statistics			
Earnings before taxes as % of net sales	5.2%	4.9%	8.3%
Earnings before taxes as % of capital employed	8.0%	7.2%	13.6%
Net earnings (after preferred dividends), % of common equity	6.5%	5.4%	10.0%
Times interest charges earned	4.3	3.9	7.2

TABLE 5 - Continued

CONSOLIDATED STATEMENT OF EARNINGS (In millions)

	1969	1968	1967
Net Sales	$1,764.7	$1,619.2	$1,364.6
Costs and expenses:			
Raw materials, Labor	677.6	630.8	547.3
Labor	466.8	417.8	359.7
Chemicals, upkeep, utilities	195.3	181.8	155.7
Other expenses	44.2	41.2	33.5
Depreciation, amortization	72.9	65.0	59.6
Selling, general expenses	124.7	102.7	87.3
Interest charges	20.9	17.8	16.1
Total costs and expenses	1,602.4	1,457.1	1,259.2
Other income	162.3	162.1	105.4
Net	3.3	3.4	2.7
Earnings			
before taxes based on income and minority interests	165.6	165.5	108.1
Provision for taxes	86.6	85.5	49.4
Less net earnings	79.0	80.0	58.7
of subsidiary co. applicable to minority interests	.9	1.0	.5
Net earnings	78.1	79.0	58.2
Less preferred dividends paid	--	--	--
Earnings available to common shareholders	78.1	79.0	58.2
Common dividends paid	36.3	31.7	30.2
Statistics			
Earnings before taxes as % of net sales	9.4%	10.2%	7.9%
Earnings before taxes as % of capital employed	16.2%	17.8%	12.4%
Net earnings (after preferred dividends), % of common equity	11.8%	13.1%	10.4%
Times interest charges earned	9.0	10.3	7.7

TABLE 5 - Continued

CONSOLIDATED STATEMENT OF EARNINGS (In millions)

	1966	1965
Net Sales	$1,374.8	$1,313.3
Costs and expenses:		
Raw materials, Labor	560.8	565.2
Labor	340.0	311.0
Chemicals, upkeep, utilities	151.9	135.2
Other expenses	29.6	29.2
Depreciation, amortization	49.7	45.9
Selling, general expenses	85.6	87.0
Interest charges	13.5	11.4
Total costs and expenses	1,231.1	1,184.9
Other income	140.7	128.4
Net	4.2	4.6
Earnings		
before taxes based on income and minority interests	144.9	133.0
Provision for taxes	66.7	62.9
Less net earnings	78.2	70.1
of subsidiary co. applicable to minority interests	1.1	1.5
Net earnings	77.1	68.6
Less preferred dividends paid	--	--
Earnings available to common shareholders	77.1	68.6
Common dividends paid	26.2	20.9
Statistics		
Earnings before taxes as % of net sales	10.6%	10.1%
Earnings before taxes as % of capital employed	18.0%	19.4%
Net earnings (after preferred dividends), % of common equity	15.0%	15.2%
Times interest charges earned	11.7	12.7

TABLE 5 - Continued

CONSOLIDATED STATEMENT OF EARNINGS (In millions)

	1964	1963
Net Sales	$1,206.4	$1,085.0
Costs and expenses:		
Raw materials, Labor	531.6	481.0
Labor	285.7	260.5
Chemicals, upkeep, utilities	125.8	119.1
Other expenses	29.6	23.7
Depreciation, amortization	41.6	37.4
Selling, general expenses	79.5	69.3
Interest charges	10.0	8.1
Total costs and expenses	1,103.8	999.1
Other income	102.6	85.9
Net	2.1	2.4
Earnings		
before taxes based on income and minority interests	104.7	88.3
Provision for taxes	52.4	46.9
Less net earnings	52.3	41.4
of subsidiary co. applicable to minority interests	1.4	.8
Net earnings	50.9	40.6
Less preferred dividends paid	--	.9
Earnings available to common shareholders	50.9	39.7
Common dividends paid	16.9	14.4
Statistics		
Earnings before taxes as % of net sales	8.7%	8.1%
Earnings before taxes as % of capital employed	17.5%	15.3%
Net earnings (after preferred dividends), $ of common equity	12.5%	10.6%
Times interest charges earned	11.5	11.9

FOOTNOTES

CHAPTER THREE

[1]Seymour Freegood, _op_. _cit_. ("What Happened At Burlington . . ."), p. 105.

[2]_Ibid_., p. 110.

[3]_Ibid_., p. 110.

[4]_Ibid_., p. 110.

[5]_Ibid_., p. 110.

[6]Burlington Industries, Incorporated, (Booklet. _Burlington Industries Research Center_. n.d.).

[7]_Ibid_., (no page numbers).

[8]Burlington Industries, _Burlington Industries Annual Report_, _1972_, p. 3.

[9]Burlington Industries, _Burlington Industries Annual Report_, _1968_, p. 23.

[10]_Ibid_., p. 32.

SUMMARY

Burlington Industries was begun by the Love family. In the beginning there was not much to depend on. The senior Love had had no formal education in the field, and Spencer Love had no experience. But James Lee Love had a sound reputation, and his son had extraordinary ambition and courage. Spencer Love turned his inexperience into a great asset by being flexible in the operation of his business. Whereas the questionable quality of rayon (in the twenties) would have prevented an experienced business-man from trying to build a business relying on the fiber, Spencer Love took a bold step and succeeded.

But the career of a business executive had an additional dimension for Spencer Love. He aspired to more than the mere accumulation of wealth. There was an element of creativity in the process of building up the company. His company started out with several young people in very responsible positions, and they grew with Burlington. In later years Love was still anxious to have outstanding young people in the company, no doubt realizing the difference such people could make. He himself hardly lost the vigor of his earlier years, and his famous process of expanding Burlington continued until the very last day of his life.

Perhaps the unique quality of the corporation is its separate divisions. The system has always existed at the company and will no doubt continue. The individual division, each with a large amount of autonomy, decides the quality and amount of products for its market. Whenever there is an over-lapping between the products of two divisions, the divisions compete with each other. They have also their own Research and Development facilities. This practice was temporarily interrupted in favor of a Central Research System, but in 1972 the company sold the Central facility and reverted to Divisional effort. The divisions are better able to handle such activities because of their proximity to their markets. Burlington's Corporate Structure is thus not only highly democratic but also very efficient. The Division Managers are very proud of their independence and the Corporate Officers have more time to concentrate on broader policies of the Corporation.

After the death of J. Spencer Love, his work was taken over by a team made up of Charles Myers, Jr. and Henry E. Rauch. In 1967, Ely R. Callaway assumed the position of Presidency, while Myers assumed others such as Chairman of Executive and Management Committees, while retaining the Chairmanship of the Board of Directors. The new team made some changes: halting the expansion of the Company in favor of internal improvements mainly through the installation of newer systems. But foreign expansion was given a major emphasis which resulted in a greater share in foreign markets - especially those of Europe. The new team also made the company a more normal one by emphasizing profits and reducing the role of younger persons in making policy decisions.

The over-riding goal of the new team (now made up of Ely R. Callaway, Jr., President, and Charles F. Myers, Jr., Chairman) is the same as Love's, though: Burlington's welfare is everyone's supreme concern. The team has succeeded quite well in its goals and is likely to be able to keep the Corporation in the forefront of the textile industry. If Burlington's stocks are any indication of the state it is in, one may say that the corporation has done quite well since the new team's succession. In years immediately following the death of Spencer Love, the company's stocks had almost doubled (from around \$24 to about \$48); but recently they have been ranging from about \$31 to \$35. Such fluctuations are of course normal in corporate history.

CONCLUSION

Ever since its founding, Burlington Industries, Incorporated, has been a very successful business corporation. The company's accomplishments were made possible because its officers understood the free enterprise system in America, and because there was enough room for expansion. Recently however, the corporation seems to be facing a dilemma. Having consolidated a large part of the American textile market, Burlington has to decide whether or not it is going to branch out into other fields; and if so, which fields. Related areas such as furniture and chemicals have already been entered into. Perhaps the corporation could devote more resources and efforts into these fields.

Burlington might attempt to capture an even larger part of the textile market. This may be a little difficult because the Federal Government may not permit such an endeavor. The Federal Government's anti-trust division has been watching Burlington's efforts to consolidate a major part of the American market, so it may not permit Burlington to proceed much further in that direction. The company has been warned not to proceed in attempts to acquire other firms without the Federal Government's sanction, in spite of the fact that the American textile market is so well shared that there is room for more consolidation. The entire textile market in the United States is worth approximately twenty billion dollars annually, and the annual sales of Burlington amount to less than two billion dollars. But the disparity between Burlington and its competitors is great. The Government presumably supposes that Burlington could easily eliminate others if allowed a free rein.

But Burlington has always been able to adjust to the prevailing conditions, and so it is reasonable to suppose that it can do so again. Burlington has been the greatest textile corporation in the history of the textile industry for more than a decade, and it shows all signs of becoming even greater.

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APPENDIX

I. A History of Rayon Fiber: (A history of the rayon fiber can be derived from a number of sources. The one given below is derived from Encyclopaedia Britannica, William Benton, publisher, Encyclopaedia Britannica, Inc., Chicago, 1960, vol. 21, pp. 708-709B.)

The first person to think of the possibility of producing artificial fiber by a process similar to the silkworm's spinning was Robert Hooke, an English scientist, who discussed the subject in his book Micrographia, published in 1664.

René A.F. de Réaumur, a French Scientist, predicted in 1734 the manufacture of an artificial fiber from gums, resins, similar to varnishes then manufactured.

Louis Schwabe, an English silk weaver, exhibited a machine for manufacturing artificial silk in 1842. The machine had nozzles with fine holes through which liquid was forced to form filaments. Today the same principal is used to spin rayon.

In 1846, C.F. Schönbein, a Swiss chemist, discovered nitrocelloluse.

In 1855, first known patent for the manufacture of the rayon fiber was issued to George Audemars.

In 1883, Sir Joseph W. Swan used the previous material and methods to squeeze a nitrocelloluse solution into a coagulating medium and denitrating the filament. In 1885, Sir Swan exhibited a few articles made from the filaments, but did not try to explore the textile possibilities of the invention.

The process known as Nitrocelloluse Process was realized by Count Hilaire de Chardonnet, "father of the rayon industry," in 1878. In that year his experiments began, and in 1884 the first fiber was produced. The process used a nitrocelloluse solution of pulp derived from mulberry leaves, coagulating the filaments in heated air.

At the Paris exhibition in 1889, he showed articles made from artificial fibers and secured a financial backing to build a factory at Besançon, France. There, the first commercial production of rayon began in 1891. (His process was later modified by Lehner, who used a solution of alcohol, instead of warm air, to coagulate the filaments.

In the United States, the first attempt to manufacture the fiber was undertaken by the American Viscose Company, which built a factory at Marcus Hook, Pennsylvania in 1911 for that purpose.

II. In their article, "Taylorism Versus Welfare Work In American Industry: H.L. Gantt And The Bancrofts," (Business History Review) Daniel Nelson and Stuart Campbell describe Taylorism and Welfare Work as follows:

> Taylorism was an outgrowth of the "works management" movement and the pioneering work of Frederick W. Taylor at the Midvale and Bethlehem Steel Companies in the 1880's and 1890's. Its basic premise was that "human activity could be measured, analyzed, and controlled by techniques analogous to those that had proved successful when applied to physical objects."[3] In practical terms, it combined a variety of new and old ideas, the most notable of which were time study and the incentive wage. . . . Taylor's system demanded a thorough reorganization of the shop, new roles for managers and workers alike, and, most ominously, a "mental revolution."[4] Equally ambitious were the promised results: greater output, lowered costs, higher wages, and labor-management harmony.
>
> Welfare work was also a response to the businessman's demand for a more systematic approach to labor problems. . . . "welfare work involves special consideration for physical comfort wherever labor is performed; opportunities for recreation; educational advantages; and the providing of suitable sanitary homes . . . plans for saving and lending money, and provisions for insurance and pensions."[7]