

Community-Based Adjustment to Textile Plant Closure and Downsizing

University of North Carolina at Chapel Hill

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Session 1

Presentation: “When do Firms Downsize?”, Patrick Conway

Notes in associated PowerPoint slides.

Discussants: Lee Sullivan, Freudenberg Non-woven Group
David Buchanan, National Textile Center, NC State University

Lee Sullivan’s remarks summarized the evidence of creative destruction and transition evident in his own firm – as tastes for products changed, his company switched its focus from interlinings (originally the most profitable) to spun-bond non-wovens (currently the most profitable).

David Buchanan turned the question on its head and asked “When do Firms Succeed?” He gave a list of four successful textile companies (Parkdale, Springs Industries, Frontier Spinning, Milliken), and provided seven reasons for success:

- Privately owned: less pressure from stock-market investors
- Focus upon innovation in new products
- Focus on quality (Six sigma)
- Provide great customer service.
- Serious about supply-chain management
- Niche (i.e., non-apparel) customers
- They’ve learned to export

The group discussion analyzed the potential features of an early-warning system for plant closures. Among the ideas floated were:

- We don’t really need an early warning system, because all manufacturing plants are at risk.
- The early warning system should be a natural component of community-firm relations. There should be warning before urgency.
- The capital/labor ratio is an excellent early warning signal. Those labor-intensive plants are in trouble.
- Many textile firms are family owned, and for many the succession in management is fraught with problems. A lack of succession plan is an early warning signal.
- The workers provide the best early warning signal. They know when things are not going well.

- A more defeatist view: the early warning system depends upon the transparency of the firm. If the firm doesn't want to publicize a closing, it can thwart these early-warning efforts.

How should a government prepare for future closings?

- Profile the work force of the county. Be prepared to match people with jobs.
- Counties should prepare a plan similar to a disaster management plan.
- Make sure incumbent workers are receiving training. This begs the question, though: what if the workers don't want to train?