Mirroring Canadian Industrial Policy: Strategy Formation at Dominion Textile from 1873 to 1990

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Abstract

This paper tracks the strategies of a "quintessentially Canadian company," Dominion Textile Inc., through most of its history, from 1873 to 1990. Created entrepreneurially, but soon consolidated politically, it became the dominant player in an important industry in Canada, faltering bureaucratically before it renewed itself competitively. As discussed in the conclusions, the company mirrored Canadian industrial policy remarkably closely throughout its life, through the states of "getting there" politically, "staying there" positionally, and "keeping there" competitively. Overall, it was remarkably deliberate in its strategic behaviour, yet that deliberateness exhibited emergent consequences, much as a Slinky toy placed on a top step walks its way down the stairs.

Résumé

Cet article trace les stratégies de Dominion Textile Inc., une entreprise qui représente la quintessence de l'industrie canadienne, tout au long de la plus grande partie de son histoire (1873-1990). Créée sur le mode de l'esprit d'entreprise mais bientôt consolidée sur un mode politique, elle est devenue l'acteur dominant d'un secteur industriel important au Canada, puis a failli s'effondrer sur un mode bureaucratique avant de se renouveler sur un mode compétitif. Comme l'indique la conclusion, pendant toute son histoire cette entreprise a reflété de très près la politique industrielle canadienne à travers les différentes phases qu'elle a connues : y arriver politiquement, y rester stratégiquement, s'y maintenir compétitivement. Dans l'ensemble, son comportement stratégique a été remarquablement délibéré. Toutefois, ce caractère délibéré a pu générer des conséquences émergents, comme un jouet Slinky qui, posé sur la plus haute marche, descend l'escalier tout seul.

This study tracks the strategies of Dominion Textile Inc. in order to tell the history and infer lessons for strategic management of what, in many ways, is the quintessential Canadian company. Dominion Textile has figured prominently in the history of Canadian industry, much as the General Motors and DuPont described by Alfred Chandler (1962) figured prominently in the history of American industry. Indeed, following the evolution of this company is much like following the evolution of Canadian business in general, since not only did its business strategies mirror Canadian industrial strategy over the years, but even its evolving management style has reflected what has often been considered the stereotypical Canadian management style, including dramatic shifts in recent years. Thus, what follows is almost as much of a history of Canadian business as a history of a Canadian company in particular.

This story of Dominion Textile is studied from 1873 until 1990, drawing on the first author's historical study of the company as her doctoral dissertation (Austin, 1985) and using a methodology that has been applied to several organizations in Canada (including Air Canada, ARCOP, Canadelle, the National Film Board, *The Sherbrooke Record*, and Steinberg [see Mintzberg, Brunet, & Waters, 1986; Mintzberg & McHugh, 1985; Mintzberg, Otis, Shamsie, & Waters, 1987; Mintzberg, Taylor, & Waters, 1984; Mintzberg & Waters, 1982; Mintzberg & Waters, 1984]). That methodology is based on the definition of strategy as not only intended, but also as *realized* (pattern in action), in order to contrast *deliberate* strategies that are formulated (intended strategies that were realized, i.e.

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plans manifested in patterns of action) with *emergent* ones that formed (pattern realized in the absence of, or despite, intended strategies; see Mintzberg & Waters, 1985).

The research has proceeded in four steps: (1) Collection of basic data, in particular, traces of actions taken by the organization, studied in terms of main areas of activity, as well as supporting evidence on the organization's behaviour, its performance, and its context to help explain these strategies; (2) Inference of strategies as patterns or consistencies, in particular, streams of actions taken by the organization, as well as inference of periods in the history of the organization through consideration of significant points of change in these strategies; (3) Analysis of each period, based on the intensive study of internal documents, as well as interviews with available key players; (4) Synthesis of conceptual conclusions from the study, based on brainstorming around a series of theoretical questions, dealing with patterns of strategic change, relationships between deliberate and emergent strategies, and the interplay of environment, leadership, and organization in strategy formation.

The study of Dominion Textile is based on an examination of shareholders, directors, and executive committee *Minute Books* in the company's possession, including the associated companies. The firm began in 1873 as the Hudon Cotton Company, became Hochelaga Cotton following a merger in 1885, and the Dominion Cotton Company, in 1890 in a consolidation with six small firms. Dominion Textile itself was created in 1905 by the consolidation of four cotton textile companies. Included in the company's collection of *Minute Books* are those of companies acquired by Dominion Textile, including Montreal Cotton (1873-1948) and Merchants Cotton (1880-1905). This information was augmented by newspaper articles (from the 1870s onward) and information in *The Canadian Textile Journal* since 1883 (Austin, 1983). Many interviews were held with retired and current company executives. E.F. King, who joined the company in 1920, was particularly helpful in explaining company policies for over fifty years. In addition, a thorough examination was made of several rival companies, including Wabasso (Austin, 1993) and Hamilton Cotton (Austin, 1992). Joining the authors in the brainstorming session were William Taylor, a Canadian academic who has conducted similar studies, and Deborah Dougherty, an American academic, now at McGill, known for her work on new product development.

Section 1 summarizes the company's strategies as inferred from the data in six areas (materials, fabrics and processes [considered together], product markets, geographic markets and competition, marketing, mill expansion, and organization structure), as well as a review of labour policies. Section 2 reviews the company's history in terms of seven distinct periods inferred from the strategies, while Section 3 presents a conceptual interpretation of the study.

1. Strategies of Dominion Textile

Materials, Fabrics, and Processes

Figure 1 shows the various materials, fabrics, and processes found at Dominion Textile over the years. For the first fifty years, the company processed cotton through the basic processes of spinning, weaving, bleaching, and dyeing or printing. Printing was expanded in the 1920s when fabric finishing became important. Rayon fibre was first used in 1926, followed for a time by flax and wool, until polyester became important in the 1960s.

From 1963 to 1980, Dominion Textile, expanded into a wide range of fabrics, including doubleknit, corduroy, carpet yarns, and nonwovens, integrating forward into garment manufacturing in 1981. The 1975 acquisition of DHJ expanded the firm's expertise into denim and interlinings.

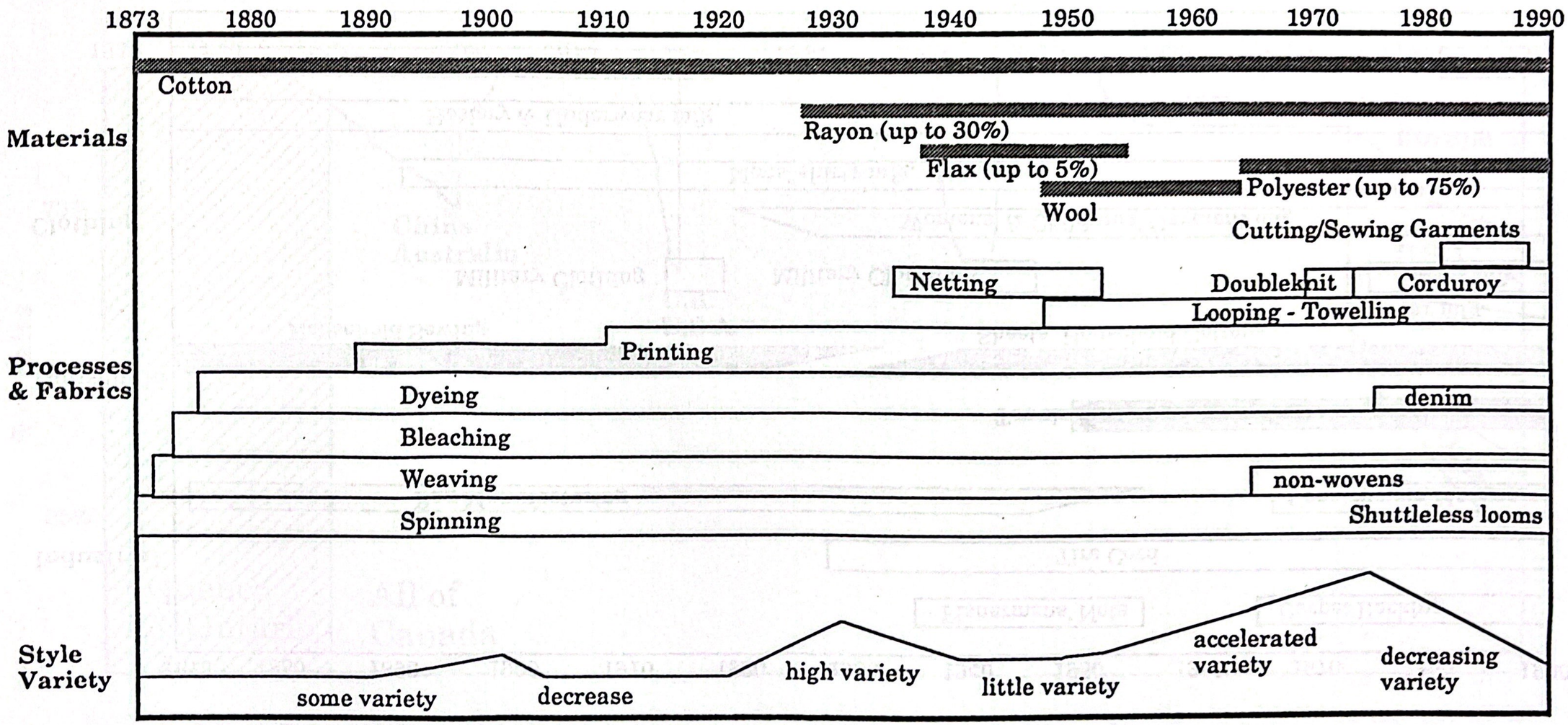
Product Markets

Initially, the company sold coarse cotton fabric as a finished good to households and to industry, particularly for bags used to transport commodities (Figure 2). Sales to garment manufacturers, first for men's shirts in the 1890s, and in the 1920s for women's and children's clothing, and sheets and towels, became the most important product use. During both wars, 1914-1918 and 1939-1945, military uses dominated production. In the late 1920s, the firm became the major Canadian supplier of tire cord and rayon fabric. Between 1953 and 1975, the company's products expanded into most product areas available in textiles, including carpet backing, and construction materials. After 1975, Dominion Textile selectively served niches it developed in denim, industrial engineering fabrics, workwear, interlining, and carpets.

Geographic Markets And Competition

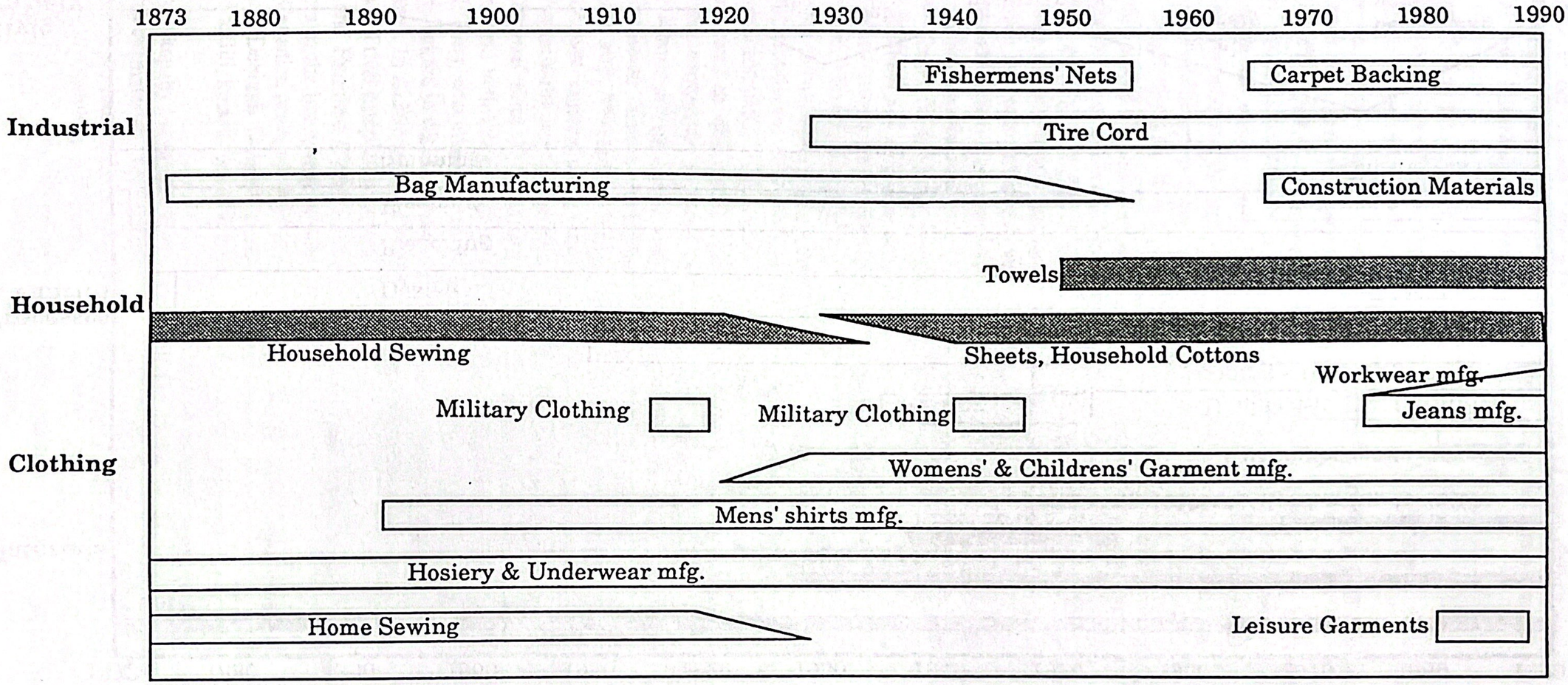
In the early years, Dominion Textile sold its goods exclusively in Quebec and Ontario, expanding sales in 1890 to the Maritimes and Western Canada (Figure 3). Periodic markets were developed in China and Australia in the 1890s, in the U.K. during both world wars, and in the U.S. during World War I. Beginning in 1955, U.K. sales again were developed, and after 1975, markets in the U.S., Europe, and China were expanded. By 1990, three-quarters of the company's sales were outside of Canada.

Figure 1.
Materials, Fabrics, Processes, Style.



Revue canadienne des sciences de l'administration
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Figure 2.
Product Markets.



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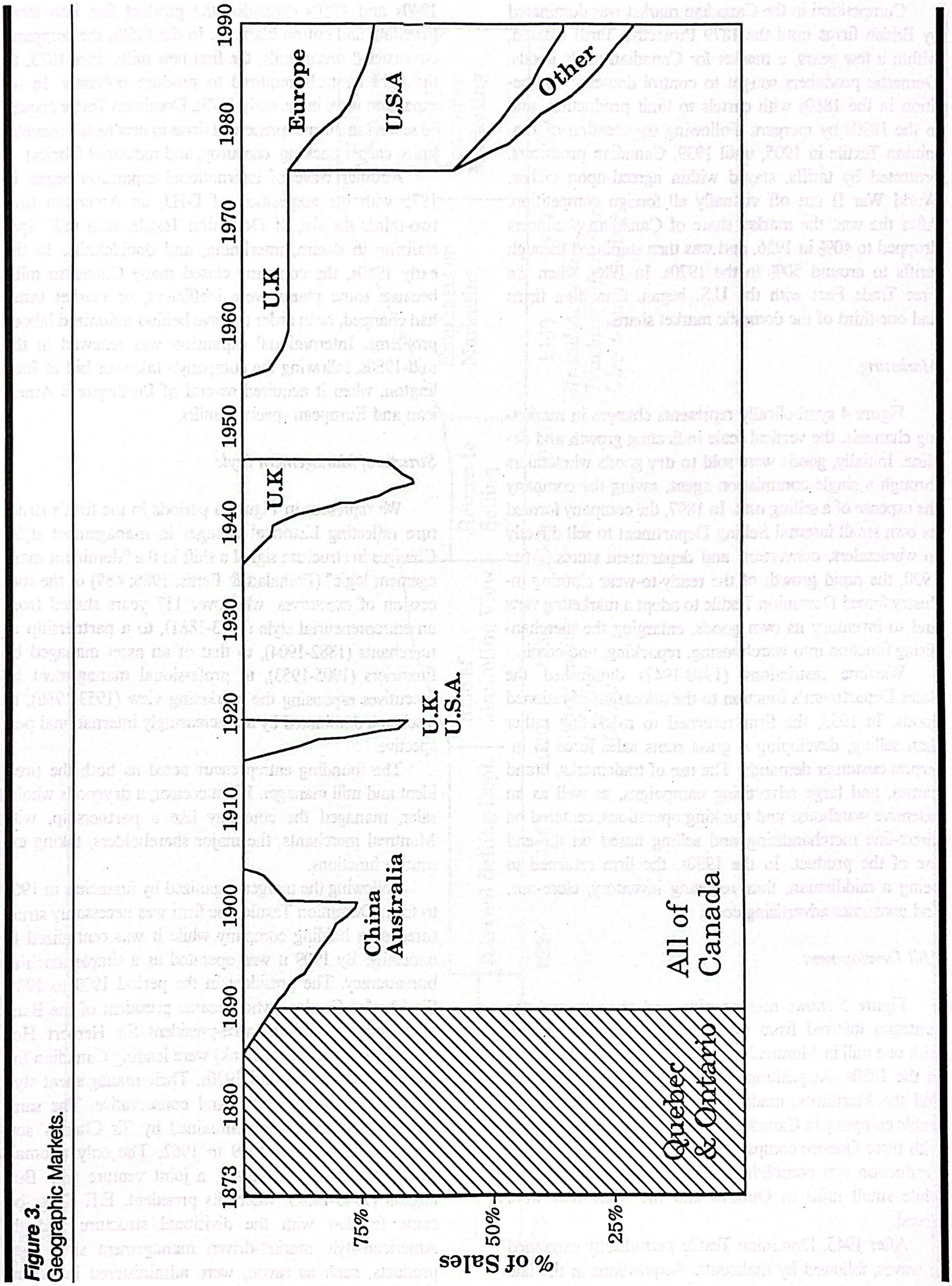


Figure 3.
Geographic Markets.

Competition in the Canadian market was dominated by British firms until the 1879 Protective Tariff created, within a few years, a market for Canadian-made goods. Domestic producers sought to control domestic competition in the 1880s with cartels to limit production, and in the 1890s by mergers. Following the creation of Dominion Textile in 1905, until 1939, Canadian producers, protected by tariffs, stayed within agreed-upon niches. World War II cut off virtually all foreign competition. After the war, the market share of Canadian producers dropped to 40% in 1956, and was then stabilized through tariffs to around 50% in the 1970s. In 1989, when the Free Trade Pact with the U.S. began, Canadian firms had one-third of the domestic market share.

Marketing

Figure 4 symbolically represents changes in marketing channels, the vertical scale indicating growth and decline. Initially, goods were sold to dry goods wholesalers through a single commission agent, saving the company the expense of a selling unit. In 1897, the company formed its own small internal Selling Department to sell directly to wholesalers, converters, and department stores. After 1920, the rapid growth of the ready-to-wear clothing industry forced Dominion Textile to adopt a marketing view and to inventory its own goods, enlarging the merchandising function into warehousing, repacking, and credit.

Wartime restrictions (1940-1947) diminished the Sales Department's function to the allocation of rationed goods. In 1953, the firm returned to marketing rather than selling, developing a grass roots sales force to interpret customer demands. The use of trademarks, brand names, and large advertising campaigns, as well as an extensive warehouse and trucking operations, centered on direct-line merchandising and selling based on the end use of the product. In the 1980s, the firm returned to being a middleman, thus reducing inventory, close-out, and consumer advertising costs.

Mill Development

Figure 5 shows mill opening and closings and the strategies inferred from the data. The company began with one mill in Montreal and acquired two Quebec mills in the 1880s. Acquisitions in 1890 in Quebec, Ontario, and the Maritimes, made Dominion Cotton the largest textile company in Canada. In 1905, the company merged with three Quebec companies to form Dominion Textile. Production was consolidated in the large Quebec mills, while small mills in Ontario and the Maritimes were closed.

After 1945, Dominion Textile periodically expanded in waves, followed by shakeouts. Acquisitions in the late 1940s and 1950s expanded the product line into terry towelling and cotton blankets. In the 1960s, the company constructed seven mills, the first new mills since 1873, to the tight controls required to produce polyester. In an expansion wave in the early 1970s, Dominion Textile acquired several small entrepreneurial firms in new niches (doubleknits, carpet backing, corduroy, and industrial fabrics).

Another wave of international expansion began in 1975 with the acquisition of DHJ, an American firm two-thirds the size of Dominion Textile, with mills specializing in denim, interlining, and doubleknits. In the early 1980s, the company closed many Canadian mills because some plants were inefficient, or market tastes had changed, or in order to leave behind unionized labour problems. International expansion was renewed in the mid-1980s, following the company's takeover bid of Burlington, when it acquired several of Burlington's American and European specialty mills.

Structure/Management Style

We represent in Figure 6 periods in the firm's structure reflecting historical changes in management style. Changes in structure signal a shift in the "dominant management logic" (Prahalad & Bettis, 1986: 489) of the succession of executives, who over 117 years shifted from an entrepreneurial style (1873-1881), to a partnership of merchants (1882-1904), to that of an asset managed by financiers (1905-1953), to professional management by executives espousing the marketing view (1953-1980), to a schema dominated by an increasingly international perspective.

The founding entrepreneur acted as both the president and mill manager. His successor, a drygoods wholesaler, managed the company like a partnership, with Montreal merchants, the major shareholders, taking executive functions.

Following the merger organized by financiers in 1905 to form Dominion Textile, the firm was necessarily structured as a holding company while it was centralized financially. By 1909 it was operated as a simple machine bureaucracy. The president in the period 1909 to 1939, Sir Charles Gordon (who became president of the Bank of Montreal), and the vice-president Sir Herbert Holt (president of the Royal Bank) were leading Canadian financiers in the 1920s and 1930s. Their management style was remote, bureaucratic, and conservative. The same management style was maintained by Sir Charles' son, Blair, president from 1939 to 1962. The only anomaly was in the rayon subsidiary, a joint venture with Burlington (1945-1952), where its president, E.F. King, became familiar with the divisional structure and the American-style market-driven management style. New products, such as rayon, were administered in subsid-

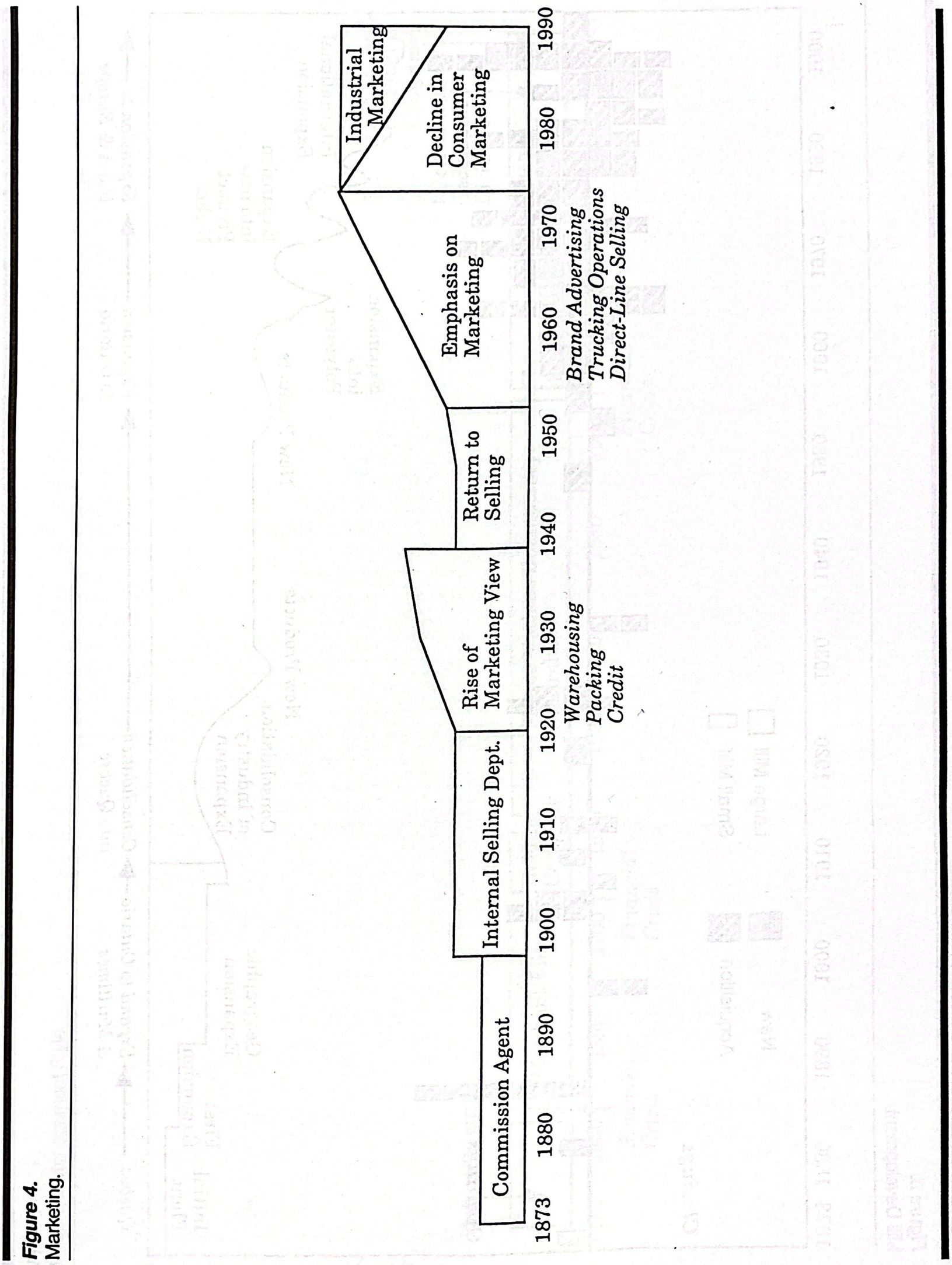


Figure 4.
Marketing.

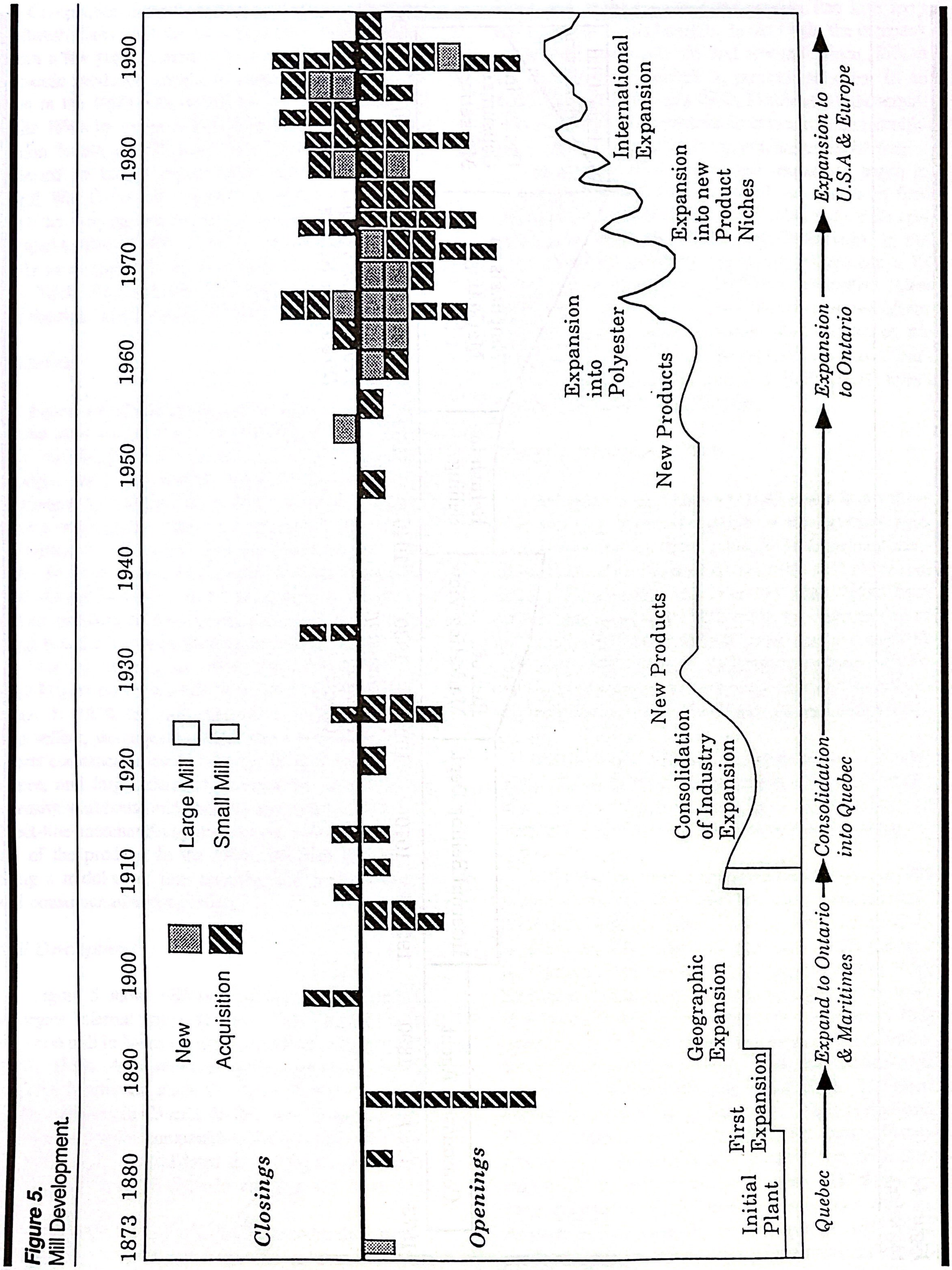
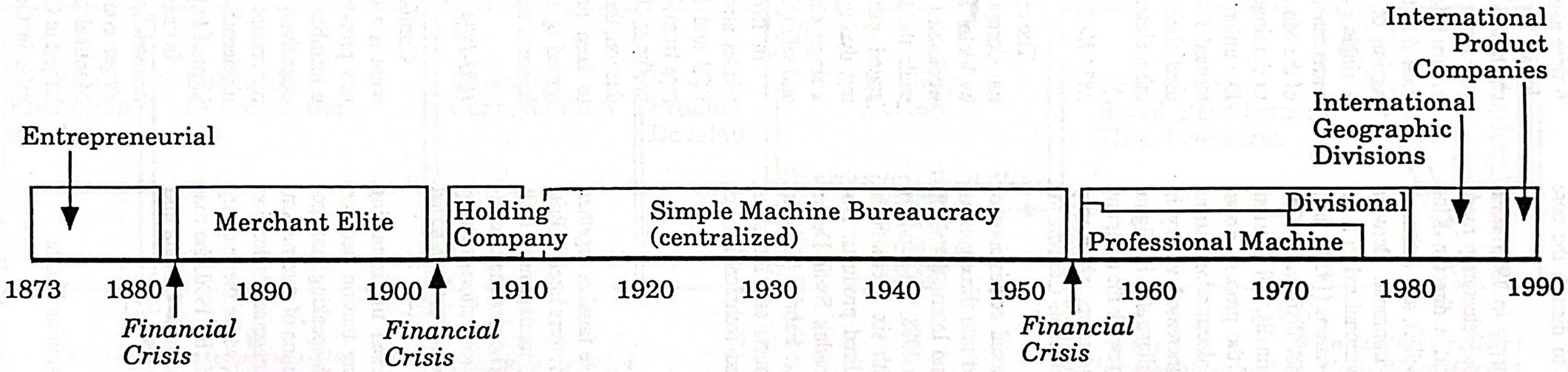


Figure 5.
Mill Development

Figure 6.
Structure/Management Style.



iaries, termed sideshows, so as not to disturb the core operation.

Management style changed sharply in 1953 when Blair Gordon, facing a financial crisis, reluctantly made E.F. King vice-president of sales and a director. King introduced basic changes in values, beliefs, and attitudes, especially in responding to the environment. Between 1953 and 1977, the structure was divisionalized in a deliberate set of steps: first, product divisions (1953); then, sales divisions (1955); then, two major divisions (1970); following that, four divisions (1974); finally, full divisionalization of all functions (1977). In the process, about 30 subsidiaries were absorbed as the decentralized structure could now accommodate the increased variety in processes, products, and markets as illustrated in Figure 1. The executives were determined to rework the company to reflect their personal goals of expansion, which they saw as limited by the declining market in Canada for domestic textiles.

By 1980, reflecting the international acquisitions of DHJ, Dominion Textile was grouped into three geographic companies (Canada, the U.S., and International) directed by Montreal headquarters. In 1988, the structure was changed to a matrix form, with six international product companies based on specialized products: Dominion Yarn Group (U.S. and Canada); Swift Denim (U.S., Canada, and Europe); Apparel Fabrics (Canada, Italy, and Ireland); Consumer Products and Industrial Products (both U.S. and Canada); and Technical Fabrics (worldwide).

Labour

The early mill hands, often whole families together, were former farm workers. Technicians were hired in Britain. To retain experienced workers, management built cottages and recreational facilities. The paternalistic attitude reached its peak in the 1930s, with efforts to keep all the mills operating, even at a loss, to reduce social distress in the mill towns.

A crippling strike in 1947 marked the increasing power of unions, as well as growing tension between French-speaking workers and English-speaking management, and the beginning of the dissolution of paternalism. A bitter strike in 1966 influenced management's decision to expand, when possible, to the U.S., where the majority of textile workers were nonunionized. By 1990, the majority of the 13,000 employees were outside Canada and nonunionized.

2. Periods in the History of Dominion Textile

The diagrams of strategies shown in Figures 1 to 6 were aligned for analysis in the brainstorming session. Joined by other academics, we debated the various changes, and identified seven basic periods in the 117-year history, which are shown in Figure 7 and discussed in turn below. Single critical changes, or several important ones that together suggested significant shifts in the direction of the company, were examined. For example, a single event, the management change in 1882, from entrepreneurial leadership to that by large shareholders of the Montreal business elite, allowed the firm to expand to dominate the Canadian market, culminating with the Dominion Textile consolidation in 1905. The period is termed Political Consolidation, because the shareholders used their considerable political influence to lobby for the maintenance of tariffs to sustain production.

1873-1881: Founding Entrepreneurship

The origin of Dominion Textile was the Hudon Cotton Company, a small cotton-spinning operation started by Victor Hudon, an entrepreneurial Montreal drygoods wholesaler. The Montreal mill used British machinery, while the layout followed the American model of integrated operations, which soon included weaving, bleaching, dyeing, and printing. The goods were consigned to a single commission agent who handled merchandising and selling.

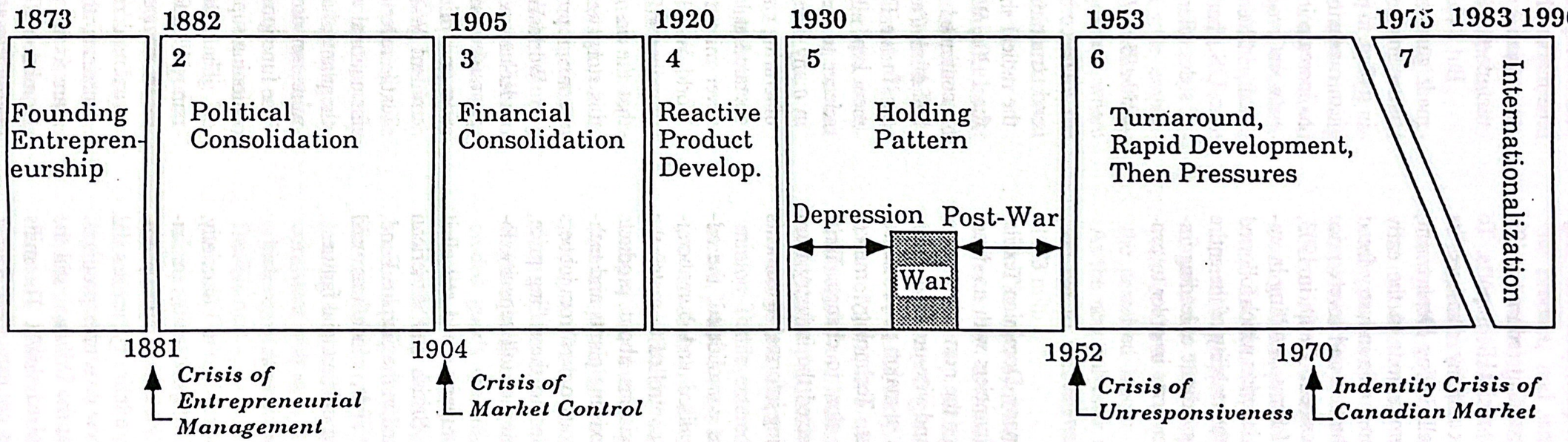
In 1879, the government's 25% tariff on imported textiles attracted new entrants to the industry. Between 1879 and 1883, the number of Canadian cotton mills rose from 4 to 23. The tariff initially brought enormous profits to the company, but as new mills came into production, the Canadian market was soon saturated, leading to keen price competition. The founder, Hudon, was ousted by the directors in 1881 and replaced with a professional mill manager, and Andrew Gault as president.

1882-1904: Political Consolidation

Conflict of interest between business and government is a twentieth-century concept. In this period, the new president, Gault, used political leverage (his brother, a member of the federal parliament, and Senators were executives) to lobby to maintain high tariffs. Multiple directorships in competing firms were another feature of nineteenth-century business practices. Gault became president of four leading textile companies.

In the 1890s, a period of cyclical downturn in the industrialized world, these informal connections could no longer control the textile market. With the support of Montreal merchants and bankers, the firm, already the largest in Canada, expanded geographically, acquiring six mills in Ontario and the Maritimes, to control 25% of the market. Agents sent to China, Australia, and British

Figure 7.
Periods in the Development of Dominion Textile.



colonies in Africa, developed an export market (see Figure 3).

In 1897, a new Liberal government reduced tariffs, resulting in an increase of U.K. and U.S. imports. To become more competitive, the company dismissed its commission agent, formed a small Selling Department, and introduced branding and promotion. In the early 1900s most firms in the Canadian textile industry faced bankruptcy because of over-production and severe price competition. The death of the president, Gault, in 1903, ended his multiple presidencies of firms, resulting in unrestrained competition. The financial crisis which followed in this major industry threatened the stability of the entire Montreal business community. A syndicate of leading financiers organized a merger of four firms in order to protect their mutual interests.

1905-1919: Financial Consolidation

The directors of the new company, Dominion Textile, were no longer merchants, but financiers with no direct experience in managing firms. For the next thirty years, the president, Charles Gordon, and vice-president, Herbert Holt, managed the firm as a major player in the Canadian business establishment. Technology, market size, and fashion demands were slow to change. Tariff increases in 1907 and 1911 protected the industry from severe foreign competition, allowing informal agreements among competitors.

Just as financial assets were consolidated, the administration was gradually centralized and bureaucratized. The volume of output was controlled to match the cyclical demand for goods. Decisions about products were seen as determined by the existing plants and technology. The Selling Department took orders from jobbers twice a year. Wage rates were tied to the selling price, raised when the mills were running at full capacity, lowered when orders fell off.

During World War I the company could sell all it could produce, including to the British and American armed services. Profits accumulated in the Surplus Fund, invested in the stock market by Holt, which was used in the 1930s and the 1950s to ward off financial failure.

1920-1929: Reactive Product Development

Once it had consolidated politically and financially, Dominion Textile defined its market position by emphasizing manufacturing efficiency while entering into promising new product areas. A mature industry, textiles did not share in the 1920s boom in new consumer products. Preferential tariffs determined that the U.K. was still the main competitor. Technology evolved slowly. The mills were kept in good repair but were not expanded. Rather than compete directly, the company preferred to control the market through agreements with other textile firms, to specialize in certain lines to gain economies through manufacturing efficiencies.

But a change to ready-made clothing after 1920 soon made garment manufacturers the company's largest customer group. To meet their demands for a wider variety in styling, in part the result of the spillover effect of American magazine advertising, Dominion Textile was forced to increase its inventory of goods and shorten the time between production and delivery. The Selling Department, influenced by the rise of the marketing view in the U.S., persuaded the company to increase the range of styles offered to respond to customer demands.

1930-1952: Holding Pattern

The company's strategies in its products, processes and structures changed little during this period, despite the radical shifts in the environment—the Depression in the 1930s, World War II, followed by a business boom. It continued to dominate the industry, producing about half of all Canadian textile output.

In the Depression, despite a loss in sales, management kept all mills operating, motivated by a social conscience to maintain jobs in its mill towns. Selling prices in many lines were so low that goods were sold at manufacturing cost with no profit margin. Dominion Textile operated at losses from 1930 to 1936, but survived, and never missed a year's dividend, selling securities in the World War I Surplus Fund when necessary. Managers proudly told the authors, during interviews in the 1980s, that the company had never missed a dividend. When this story was checked back to 1905 with the financial records, it proved correct.

World War II brought a complete turnaround, from under-use, with imports having 30% of the market, to guaranteed sales of all products. Textile industry production and prices were placed under control of the government Wartime Prices and Trade Board. Dominion Textile reverted to a production strategy, giving the need for national war supplies its complete attention. By 1943, the plants, having operated continuously at full capacity, were run down and production figures began to drop. The function of the Selling Department was allocation—rationing supplies to customers.

The boom conditions continued until 1948, when the removal of federal price supports brought sudden and severe competition from virtually tariff-free imports. International competition in the Canadian market—first American, then Japanese—forced the domestic market share to fall from nearly 100% in 1947 to 45% in 1957. Dominion Textile survived by gradually replacing its equipment and emphasizing productivity. While the pro-

ductivity drive doubled output in the late 1940s, it caused clashes with increasingly militant unions. During several bitter strikes between 1948 and 1952, the company executives gradually lost their sense of social responsibility to the workers.

The long production runs of wartime had left operations inflexible. The Manufacturing Department had difficulty returning to smaller batches and a styling variety. Marketing skills which had withered away during the war were needed after 1948, but were only retained in the rayon subsidiary under E.F. King. Dominion-Burlington, a joint venture from 1945 to 1952 with the American textile giant, gave Dominion Textile expertise in synthetics technology, and Burlington access to Canadian consumers. The freer management style, emphasizing individual initiative, that King developed there contrasted with the bureaucratic style at headquarters, where senior managers were remote figures to the rest of the company, committed to their own financial interests and personal careers.

After 1948, Canadian textile manufacturers could not meet the low prices and diversification of styles and fabrics of U.S. textile imports. Several large domestic producers closed. It seemed likely that Dominion Textile would soon have to follow. To hold market share, it operated at a loss between 1950 and 1955, using the last of the World War I Surplus Account to survive.

1953-1974: Turnaround, Rapid Development, then Pressures

The period 1953-1961 saw Dominion Textile develop into a modern corporation by adopting a new management style which broke with the protective style of the past. The success of the company involved a combination of new marketing concepts leading good manufacturing management. In 1953, Blair Gordon brought Edward King back into the parent organization from the rayon subsidiary, marking the company's reluctant acceptance of post-war conditions. Since the 1920s, King had been an enthusiastic practitioner of aggressive marketing. The old guard was admitting the conservative manufacturing orientation no longer worked, a signal that the company would make a radical break from a top-down manufacturing orientation to a consumer-driven strategy.

King became V.-P. Marketing, and a director, to counterbalance the influence of the Manufacturing Department. Structure became a tool of the marketing strategy. Product units, defined by customers served, a concept familiar to King from his contacts with Burlington in the rayon joint venture, were gradually introduced into the Marketing Department in 1955. The product line was redesigned with greater attention to quality, and reflecting New York style trends. Domtex launched an intensive national advertising campaign aimed at the end user of the product, and emphasizing trademarks and brand names, stressing Tex-made on its sheets.

The international textile industry underwent broad changes after 1960, a result of major technological breakthroughs in equipment and processes, particularly with the introduction of polyester, a substitute for cotton for many purposes. Starting polyester/blend operations was considered risky because it radically changed textile manufacturing, requiring new machinery, buildings, and production techniques to meet strict tolerances for temperature and humidity. In the early 1960s, Dominion built three new polyester/blend mills. By 1975, polyester accounted for 75% of production. The new plants were built in Ontario, staying in Canada, but remote from the perceived labour and political tensions of Quebec. As the new polyester mills came into production, plants too old to renovate were closed, including the original 1873 mill.

The new synthetics had provided opportunities for entrepreneurs to form companies to produce new specialty products, making innovative use of synthetic fibres. This fragmented group of companies went through a shakeout in the early 1970s. Dominion Textile acquired some of them, in a wide variety of processes—corduroy, doubleknits and industrial fabrics—widening the already considerable product line.

As its less adaptive domestic competitors failed, Dominion Textile entered into some of the newly-vacated niches. It had always been the company with the broadest product line, but Domtex produced an ever increasing variety of fabrics, colours, and designs. International competition, including Asian and Communist block countries, tended to specialize in long-run lines at low cost. When Dominion Textile could not match these imports on cost, it expanded its style range, further fragmentizing operations. The broader product base included goods manufactured directly for the consumer market.

Reaching new customers in the Canadian market meant a large increase in the number of small orders. Eventually the diversification of styles got out of hand, leading to inventory and control problems. It was not consistent with the company's product policy of low cost, which required concentration on long runs. But by being flexible and responsive in reacting to changing consumer tastes, Dominion Textile was able to expand its share of the declining domestic market.

External pressures increased enormously, through international G.A.T.T. agreements, Canadian government legislation on environmental, health and safety routines, and nationalistic social legislation of the Quebec government. In 1970, the federal government policy statement on textiles called for stabilized protective tariffs in some

lines but designated Canadian textiles a sunset industry (see Mahon, 1984).

On the surface, in 1975, Dominion Textile appeared to be a mature firm, overwhelmingly dominant in an otherwise declining industry. Underneath, new configurations, a capital- rather than labour-intensive technology, and a structure of four operating divisions was evolving. The senior executives were predisposed to confound government experts and act when an opportunity was perceived for international expansion.

1975-1990: Internationalization

Activity in this period was dominated by the realization that, in order to grow in textiles, the company would have to expand outside of Canada, particularly to the U.S. which offered a larger, more protected market, and lower wage structures, building and operating costs. In 1975, eager to try their skills on the American market, the executive team, headed by the new president, Tom Bell, bought DHJ, a company with two-thirds Domtex's annual sales, the fourth largest North American denim producer, as well as an international marketer of interlinings. DHJ became a bridgehead, awakening the company to opportunities in international markets.

In the early 1980s, following further U.S. acquisitions, Dominion Textile redefined itself as a North American company producing goods with a strong market position in both in the U.S. and Canada. The divisions were made into separate companies on a geographic basis with Montreal the holding company headquarters. The U.S. operations became Dominion Textile (U.S.A.) Inc.

In 1984, the company faced a flood of imports and was forced to admit that Canadian sales would continue to decline, especially as a free trade pact between Canada and the U.S. seemed inevitable before 1990. Manufacturing operations in Canada were further reduced. Executives blamed the downsizing of their Canadian operations on the federal government for allowing more duty-free imports from low-wage countries. But the the declining domestic market reflected the policies of international cotton regulatory groups, such as G.A.T.T. and the Multi-Fibre Agreement (M.F.A.). Government actions and international trade agreements affected Dominion Textile more than any other Canadian textile firm because it was the overwhelming industry leader, while in the U.S., Dominion Textile was one of many players.

Dominion gradually moved from producing a wide to a selective product line, especially when it could be a specialty producer in both the U.S. and Canada. For example, in 1979, Dominion Textile started production of denim in Canada and soon dominated the field. The product policy of geographic and product balance meant the number of styles, which had risen to around 800 in 1970, gradually was cut back, to around 100 in the early 1980s. Marginal Canadian lines were dropped. Between 1982 and 1988, 15 of the 31 Canadian plants, those not competitive or with severe labour problems, were closed, and the remainder realigned and consolidated.

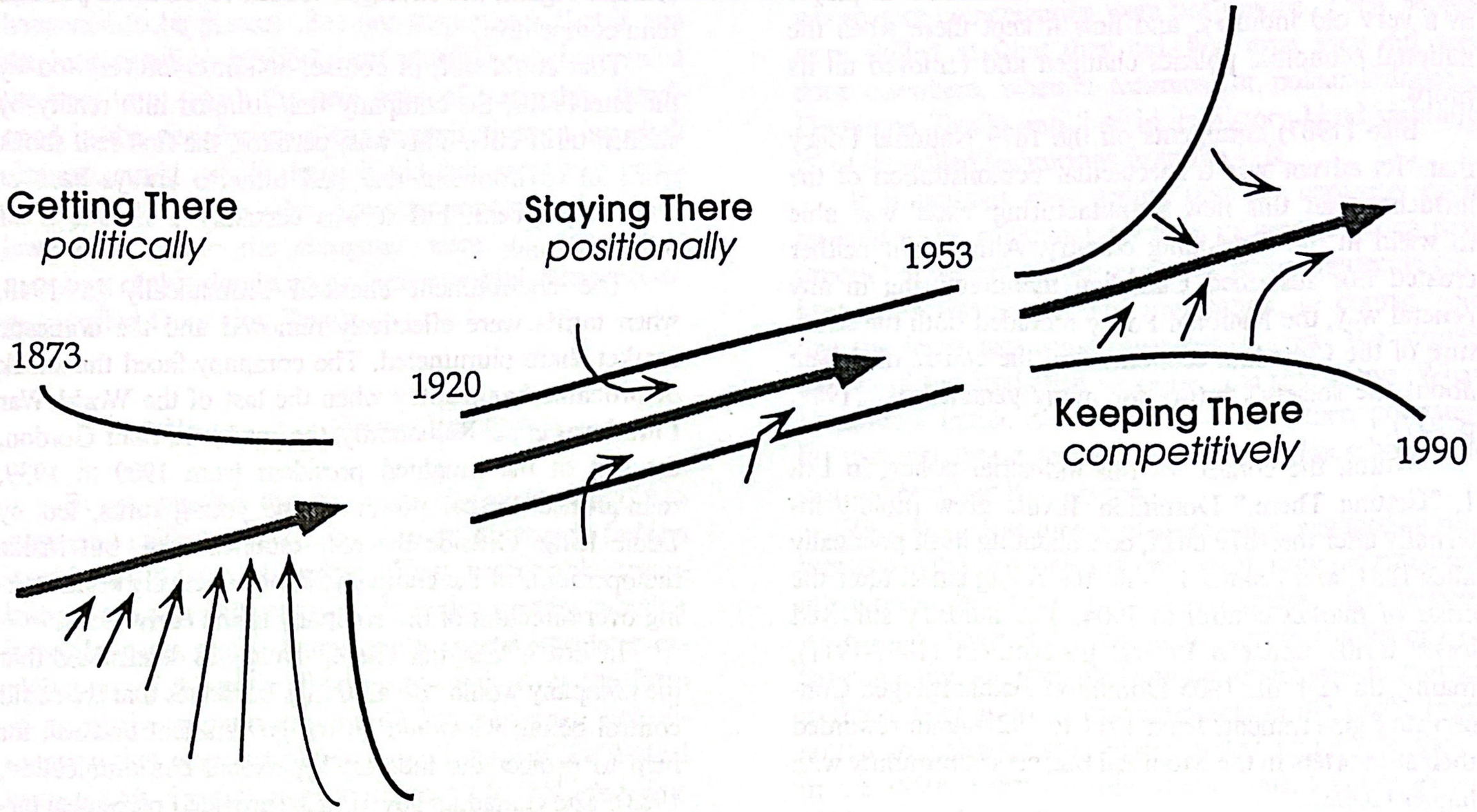
Pressured by the increased globalization of trade, the impending Canadian free trade pact with the U.S., and the prospects of more open markets in Europe in 1992, the company shifted its focus from the Canadian to the American market. In 1987, Dominion Textile failed in a takeover bid for Burlington Industries, the largest U.S. textile company. To finance its leveraged buyout, Burlington executives were forced to sell to Dominion Textile its largest denim operation, making Domtex the leading denim manufacturer in the world. The acquisition of Burlington's European plants gave the company European leadership in workwear, while another acquisition made Domtex the U.S. leader in carpet backing, further strengthening its world product mandate in selected niches. In 1988, Charles Hantho, former president of C.I.L. Canada (the I.C.I. subsidiary), was named president, the first external appointment in the firm's history. The structure was changed to a matrix basis to reflect the new acquisitions and the global product focus of six major lines—denim, industrial products, yarn, consumer products, apparel fabrics, and interlining. Each line was represented by a separate company, to coordinate management of these global products.

An important part of Dominion Textile's response in going international was its pride in its long history. Executives saw it as their responsibility to pass on the successful record. In 1983, senior management of the company was wholly Canadian, not the result of a deliberate policy, but because the company could not recruit American managers to live in Quebec. Initially, the international operations used Canadians. By 1990, 75% of the managers were not Canadian and had been with the company for less than two years. The corporate history and traditions that had developed over a century were quickly lost. The company had survived by becoming international, but this success had brought dangers. As the survivor in the Canadian textile industry, Dominion had learned to be flexible. But by 1990, in place of its perception of itself as the Canadian industry leader, had become a "caught-in-the-middle" firm internationally.

3. Conceptual Interpretation of Dominion Textile's History

Dominion Textile's history has been described in terms of seven periods (Figure 7) inferred from an analysis of the firm's strategies in areas such as products, markets, and structure. In essence, this is a story of three

Figure 8.
Three Eras in Dominion Textile's History.



eras, each interrupted by a crisis that bumped the company up to a faster pace of evolution when management realized that their view of the environment was based on schemas that were historical and not current (Kiesler & Sproul, 1982: 557). In the upheavals of the 1920s and 1950s, conditions had radically changed. Survival was dependent on management finding a new "dominant logic" (Prahalad & Bettis, 1986: 498). Figure 8 shows our conceptual depiction of the company in terms of these three eras.

We call the first "Getting There," the building up of the company, first entrepreneurially, but soon politically and financially, into the dominant and highly-protected player in Canadian textiles. That proceded from the 1873 founding to about 1920. Then followed the era of "Staying There," sustaining and exploiting the established position with the necessary moves, without inspiration, which lasted for over thirty years. The third era, following the shock of the early 1950s, and continuing to the end of our study period in 1990, we call "Keeping There"—the by-now necessarily aggressive and competitive actions to try to sustain the historical position of the company. That shock, followed by the gradual removal of other protective coverings, allowed a new style of manager to take over, de facto before de jure. In order to "keep there," the company had to "go elsewhere," literally in terms of expansion abroad, but also figuratively in terms of consolidation around new product lines and even more direct involvement in technological change.

Dominion Textile as the Quintessentially Canadian Company

Dominion Textile achieved industry dominance in 1890, and maintained its control over the industry by its leadership in technology, products, and marketing. It was the firm others followed, historically in terms of cartels, and later, in terms of their competitive force. In the 1980s it became a major international textile firm and an exemplary Canadian firm in terms of going abroad when the national policy tariffs changed. Dominion Textile may not be the typical Canadian company—the country has obviously supported all kinds of firms of every conceivable size and performance—but if DuPont and General Motors represent the quintessentially American corporate success stories, as described by Chandler (1962), then Dominion Textile must be the Canadian equivalent. The stories are different, but in the same ways that the national industrial policies, derived from politics, economic scale, and financial markets of the two countries, have been different. Of particular interest is the way the evolution of this company so closely mirrored Canadian industrial policy over the past century.

The Canadian textile industry was stimulated by tariffs which gave Dominion Textile a momentum it maintained for 110 years. What is remarkable about the company is how it emerged as a major international player in a very old industry, and how it kept there when the national economic policies changed and removed all its props.

Bliss (1987) comments on the 1879 National Policy that "Its advent was a spectacular demonstration of the influence that this new manufacturing 'class' was able to wield in the developing country. Although it neither created nor sustained Canadian manufacturing in any general way, the National Policy moulded both the structure of the Canadian economy and the course of debate about the society's future for many generations" (1987, p. 227).

Within the context of this industrial policy, in Era 1, "Getting There," Dominion Textile grew rapidly internally after the 1879 tariff, consolidating itself politically after 1881, and financially into the ruling cartel after the crisis of market control in 1904. The industry survived lower tariffs under a Liberal government (1897-1911), mainly through the 1905 Dominion Textile merger. Conservative governments from 1911 to 1921 again rewarded their supporters in the Montreal business community with higher tariffs.

Textiles, traditionally the first manufacturing industry of an industrializing country, had been a major player in the government's industrial policy until the end of World War I. But by 1920 the industry was mature, and gradually superseded in importance by other industries such as pulp and paper, and automobiles. Government tariffs sustained employment in the industry from 1920 to 1939, but did not encourage its growth.

Era 2, "Staying There," represents the company's stance by the early 1920s as the dominant player in Canada, not unresponsive to market forces, but hardly leading them aggressively either. Having gradually evolved its products, markets, and plants, it settled into its managed environment, sufficiently protected to respond to changing market tastes at its leisure.

Gradually, however, through decades of what amounted to a strategic holding pattern, led by an elite and detached management, the company became increasingly moribund (as, some might argue, did Canadian industry in general). It was sustained, remarkably, by World War I profits for three decades after that war ended.

Dominion Textile was certainly a proactive company—the aggressive first mover in its industry in Canada (and, of course, the reason why it became the subject of this article, being the most visible survivor)—but on the world stage it was reactive, the acquirer of established technologies and product ideas, even if often the most aggressive promoter of these within Canada. Indeed that acquisition philosophy pervaded the company, for even at home, Dominion Textile was far more inclined to purchase its plants for expansion than to build them from scratch. Again, the strategies tended to be more political than competitive.

That could not, of course, continue forever, and by the late 1940s, the company was stunned into reality by sudden tariff cuts. This was, perhaps, the first real shock from an environment that had hitherto always been at least acquiescent, but it was certainly a harbinger of things to come.

The environment changed dramatically in 1948, when tariffs were effectively removed and the domestic market share plummeted. The company faced the shock of probable bankruptcy when the last of the World War I fund was gone. Reluctantly, the president, Blair Gordon, the son of the knighted president from 1909 to 1939, relinquished formal power to the young turks, led by Eddie King. Outside the elite establishment, but inside the operation of the company, King effectively began taking over direction of the company in the early 1950s.

In Era 3, "Staying There," King was determined that the company would "do all things ourselves that we could control before we would go the government and ask for help to protect the industry" (personal communication, 1983). The Canadian government provided piecemeal tariffs from 1956 to 1989, subject to the dictates of the G.A.T.T. and the M.F.A. regulations. By expanding its products into most niches, building new mills to produce polyester, developing a divisional structure, all aimed at selling customers what they wanted, Dominion Textile overwhelmingly dominated the industry in Canada. It no longer coexisted with competitors, but acquired the promising ones and created competition that other domestic firms could not match. The Liberal government's 1970 Textile Policy made it clear it saw textiles as a sunset industry. Dominion Textile executives accepted the fact that growth was no longer possible in Canada, and so it began in 1975 to reposition its operations in the U.S. and later Europe. When the Progressive Conservative government's Free Trade Pact with the United States in 1989 eliminated textile tariffs in ten steps over ten years, Dominion Textile was deliberately repositioned to survive the end of government support for the industry.

Thus when the Canadian government recognized the futility of protecting its manufacturing sector for domestic production, there stood a newly energized Dominion Textile, poised to move aggressively on the international scene, virtually the dream of the Progressive Conservative government elected in 1984. (Who in Ottawa would ever have imagined that old stodgy Dominion Textile would march alongside Northern Telecom with its high technology?)

Why, indeed, would a textile company, of all things,

with so much of a domestic orientation, so long protected and then suddenly buffeted by severe foreign competition, be the one to make the big moves abroad? Perhaps the events were idiosyncratic, reflecting the leadership that happened to be present. But our suspicion is that it was the long standing establishment mentality that provided the base from which the new wave of leadership, developed in the peripheries of the organization (as we shall discuss), could act. Perhaps it did not seem like going for broke to people who, however marginal they may have been within the company, were still themselves members of that dominant and secure establishment company called Dominion Textile.

A History of Deliberate Emergence

To ask whether this company tended to develop its strategies deliberately or in a more emergent fashion would almost seem rhetorical. What conceivable organization could ever have acted more deliberately, whether it be the early establishment of the cartel, the later exploitation of it, or the final break with it in the form of aggressive expansion abroad? Yet, curiously, one dimension that never seemed to figure in any of the studied history was the set of procedures of formal planning. To understand why, we need to consider both the nature of the industry and the relationship there between environment, leadership, and organization.

Textiles has always tended to be a focused industry. At least before synthetics, companies tended to be dedicated to it. In other words, they knew what business they were in (even if, as Perrow described [1970, pp. 161-165], some were more dedicated to specific fibres than to textiles in general). But industry focus does not necessarily mean tight integration. This has never been the equivalent of, say, the automobile industry, with a tightly integrated value chain from design through fabrication and assembly to distribution (even if the technological changes brought in by synthetics did increase mechanization significantly [Sabourin, 1992]). Theme visions always held the pieces together more than tight gestalts or precise plans.

The pieces could thus be disconnected, or assembled in various ways, with other pieces added peripherally (say rayon production alongside cotton, printing added to weaving, sheets for beds produced alongside bags for bulk goods, or nets for fishing). Companies could, in other words, move sidestream as well as up- or downstream more easily than in many other industries, which are impeded as much by mental predispositions as by actual technological differences (see Galbraith, 1983).

This did not, perhaps, breed opportunism per se, but rather an easy responsiveness. In some ways, we can think of this as a dabbling industry, one that facilitated trying new things within the overall theme, whether new fabrics, new processes, new locations in the stream, or new markets. Bear in mind that this was a company whose core competencies were not unique. Their people were skilled at what they did, but what they did was done elsewhere, whether technical or political. Indeed, Dominion Textile until late in its history hired virtually all of its skilled technicians from the U.K.

It is perhaps most telling that the company itself referred to its additional activities in areas such as new product development (for example, rayon alongside cotton) as its side shows. The implication, of course, was that the focus was some other center stage, the source, in fact, of the funds that supported the side shows. What Dominion Textile did centrally—cotton, then polyester, for garment manufacturers and later as household fabrics—constituted its cash cow.

One key consequence of these easily-engaged-in side shows was that periodically one could draw off sufficient attention so that it quietly took over center stage. Indeed, we can see these shifts repeatedly during the history of the company, for example from the home sewing market to the one for garment manufacturers in the 1920s, from cotton to polyester (via rayon as the initial side show) in the 1960s, from Canada to the United States in the 1970s, even from elite management to the young turks in the 1950s, as these peripheral players (King himself having developed somewhat more freely, and radically by Dominion Textile standards, in the rayon operation) displaced the traditional ones at the center of the business.

The implication of this is that while side shows reflected deliberate efforts to experiment and elabourate, their eventual encompassing of the main show had an emergent quality to it. Each side show may have been developed through conscious intention, indeed perhaps even the idea of supporting side shows was consciously intended. But that any side show should take over center stage, let alone which it would be, would hardly seem to have reflected conscious intention. Even the single most important acquisition of DHJ (the U.S. denim company) in 1975, was described by the Chairman in a 1982 interview as "a bite we think we can handle without sapping the core of our operation." A decade later, producing denim internationally was the core business.

Another characteristic of this particular company, perhaps again a reflection of the dabbling quality of the industry plus its dominant position in it, is that in the interplay of environment, leadership, and organizational factors, the latter seemed to be surprisingly weak compared to the other two. We get no sense of bureaucratic momentum here, notwithstanding the company's size and the machine-like nature of its technology. There was a clear period of management momentum in the 1930s and

1940s, to be sure. But with that management so removed from the operations (geographically as well as in status), that too seemed almost independent of organizational forces. Indeed, when change did finally come, it came from within the operations at the expense of its senior management.

And so the play seemed to be between leadership and environment, with leadership almost always taking a proactive stance vis-à-vis the environment, even if in response to environmental pressures. In other words, when problems had to be solved and crises arose, the leadership moved aggressively, whether it was the political establishment of a cartel in reponse to competitive pressures a century ago, or the competitive move into the United States in response to declining protection in the Canadian market more recently. At almost all stages of the company's history, whether its posture was political or competitive, a proactive management positively attacked the environment. Even the two world wars caused more temporary deflections than any permanent changes, shifting markets and depleting competencies for a time, until things got back on track.

To express this in conceptual terms, we think of this company as having pursued a kind of "Slinky" process of strategy formation, the reference here to the children's toy rather than any pejorative tone of the word. A child puts the Slinky on a step, deliberately guides it to the next step, and then watches it "walk" down the stairs by itself. Leadership is key, and proaction is necessary, but the process also leads to actions of its own. So it has been at various stages of the history of Dominion Textile.

This can be seen even in management itself. Just as the move into rayon could not have been foreseen as the facilitator of the move into polyester, even more so could these sideshows not have been foreseen as the source of the managerial talent that would eventually turn the company around. Eddie King was, in a sense, weaned on the new synthetics; that side show provided a place where he could escape the deadening effect of the central management. When crisis struck, there was a manager with a proven track record of aggressive action. King's protégé, Tom Bell, who was president of the company during its most aggressive years (1974-1989), was mentored by King in the rayon subsidiary in those earlier times. (In 1946, Bell, then in his early twenties, was selected by King from the headquarters' Personnel Department to be a sales liaison with Burlington Industries in North Carolina for the Dominion-Burlington joint venture. In 1987, as president of Dominion Textile, Bell led the takeover bid for Burlington!) And in perhaps the final irony, King told us during interviews that he did not agree with the Bell team's latest moves abroad, but as he was about to retire and since this was to be their company, he let them get started under his chairmanship.[1] In effect, he put the Slinky of Tom Bell's team on the next step and then had to watch it proceed from there.

Such has been the history of Dominion Textile, the quintessentially Canadian success story, with leadership driving environment but surprised by the consequences of the actions it itself began, much as the Slinky goes down the stairs. Of course, a Slinky stops when there are no more stairs. Or else it falls over the edge and collapses when the next stair is too high.

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Note

1. Bell believed that King did agree with the move internationally, but questioned the plan to help Bell and his team closely examine possible problems. Interview, T. Bell, President, Dominion Textile, March 1982.