

## **At a Crossroads between Allegiance and Profits, Fruit of the Loom Moves to More Fertile Ground**

Francis E. Raymond  
Bellarmino University

Bradley A. Stevenson  
Bellarmino University

### **ABSTRACT**

This case study explores the economic and ethical ramifications of Fruit of the Loom, Inc.'s decisions to close manufacturing plants located mainly in smaller towns in the southeastern U.S. in order to move much of its manufacturing abroad. To that end, the case study provides a structured approach for analyzing the potential ethical ramifications of Fruit of the Loom's management team to relocate production abroad where labor is less expensive, but also likely to be less productive. Our approach also serves as an ethical guide for policy makers and managers faced with decisions that could potentially have similarly devastating consequences, especially for smaller more isolated communities.

Keywords: Outsourcing, Ethics, Manufacturing, Monopsony, Textiles



Copyright statement: Authors retain the copyright to the manuscripts published in AABRI journals. Please see the AABRI Copyright Policy at <http://www.aabri.com/copyright.html>

## INTRODUCTION

In the past half-century, the economy of the United States has undergone a period of significant structural adjustment as job growth has become increasingly concentrated in the technology and service sectors. Although manufacturing and assembly amounts to 24% of U.S. GDP, it now accounts for only 10% of jobs in the United States (NIST, 2023). Outsourcing abroad is often blamed, but the relative decline in manufacturing jobs is primarily due to improvements in productivity spurred by innovation and advances in complementary technology. However, in textile manufacturing, technological improvements combined with intense global competition and cheaper offshore labor have led companies like Fruit of the Loom, Inc. to move manufacturing to other countries where labor is less expensive, but is also typically less productive.

The Fruit of the Loom Company was originally founded in 1851 in Warwick, RI as B. B. & R. Knight, Inc. by brothers Benjamin and Robert Knight, and the company originally produced muslin cloth for textile shops. Rufus Skeel, the owner of one such shop, was a customer who resold the Knight brothers' cloth. Skeel's daughter found that attaching a print of an apple aided sales and she later added other fruits to the rendering. In 1856, the Knight Brothers adopted the Fruit of the Loom name, and, within a few years, the famous Fruit of the Loom logo was adapted from Skeel's daughter's artwork. In 1871, the patent for the logo was one of the first granted following the passage of Congressional patent law (Fruit of the Loom, 2023).

By the 1890's more and more families favored ready-made clothing. As a result, demand for cloth used to make clothes at home fell significantly. In 1928, Fruit of the Loom began licensing their cloth to ready-made clothing manufacturers. In 1938, Jacob Goldfarb, owner of The Union Underwear Company based in Frankfort, Kentucky, purchased a twenty-five-year license for the Fruit of the Loom (FOTL) brand name (Zippia, 2023). A second factory was built in Bowling Green, Kentucky in 1941 in order to fulfill orders from the U.S. Army and Navy during World War II. Union Underwear soon became the largest manufacturer of undergarments in the United States. In response to growing demand, a third manufacturing plant was opened in Campbellsville, Kentucky in 1952. This investment led Union Underwear, and subsequently Fruit of the Loom, to establish its administrative headquarters in Bowling Green, where FOTL currently employs approximately 930 workers at its headquarters and distribution facility (WNKY, 2021).

In 1985, Union Underwear Company was reorganized and rebranded as Fruit of the Loom, Inc. Subsequently, Fruit of the Loom has transformed into a manufacturer of casual and sports apparel. At its height, Fruit of the Loom's corporate headquarters in Bowling Green and its manufacturing plants in Kentucky (Jamestown, Frankfort, Campbellsville, Franklin, Greensburg, Princeton, and Bowling Green) employed more than 11,000 people. In 1995, Fruit of the Loom employed 27,000 people in the U.S. and 11,000 workers abroad.

Despite efforts to modernize production and expand the products it offered, beginning in the 1980s Fruit of the Loom and the rest of the U.S. textile industry faced increasingly intense competition from abroad. Although FOTL had previously intended to invest an additional \$125

million in its North American and European plants, in 1993 the company recognized that it had over-estimated its manufacturing needs.

To help combat the structural changes gripping the textile and apparel industries, from 1993-1994 FOTL looked to expand its market by acquiring other labels, particularly in the athletic wear market. The company purchased several sports related clothing manufacturers and acquired the rights to the Wilson brand (Company-Histories.com, 2022). At the same time it was trying to expand its market, Fruit of the Loom continued to move more of its U.S. manufacturing overseas in order to better manage costs. In 1995, FOTL announced plant closings in Florence, AL, Franklin, KY, Acadia Parish, LA, and Batesville, MS. These closings eliminated 3,200 jobs in small towns predominantly located in the southeastern portion of the U.S. (Solomon, 2015). In 1997, due to increasing competition from Hanes, Calvin Klein and Tommy Hilfiger, and the need for cash to pay off debt and legal judgments, Fruit of the Loom announced layoffs of 7,700 employees at seven plants. Two of these plants were scheduled to close completely.<sup>2</sup> In 1998, FOTL moved its financial operations from Chicago to the Cayman Islands to legally avoid U.S. taxes (Weimer, 1998).

## TIMELINE

- 1998: Fruit of the Loom closes a textile and apparel plant in Campbellsville, KY [11,146], eliminating 812 jobs. Workers offered the opportunity to transfer to Jamestown, KY factory (Chicago Tribune, 1998).<sup>1</sup>
- 1999: FOTL states it plans to expand FOTL's overseas production to 80%.
- 1999: FOTL files for Chapter 11 bankruptcy.
- 2000: Fruit of the Loom, Inc. was purchased by Berkshire Hathaway, Corp. (The Adair Group, 2024).
- 2000: Fruit of the Loom closes its apparel plant in Frankfort, KY [26,297], eliminating 280 jobs (Women's Wear Daily, 2000). Plants in Greensburg, KY [2,367] and Princeton, KY [6,491] subsequently closed as well.
- 2002: Fruit of the Loom closes Fayette, AL [4,808] plant in the face of continued weakness in textile and apparel sales (Encyclopedia of Alabama, 2024).
- 2006: FOTL acquires Russell Corp., owners of the Spalding brand for a little less than \$600 million. The company closes its last factory remaining in Donegal, Ireland [147,264]. These FOTL factories once employed 3,000 workers (The Irish Times, 2006).
- 2007: FOTL purchases Vanity Fair Intimates for \$350 million in cash (Vanity Fair, 2007).
- 2007: The company closes its Jerzees de Choloma facility in Choloma, Honduras [est. 139,100]<sup>2</sup> to consolidate in the face of changing demand; 800 workers laid-off (The Norwich Bulletin, 2007).
- 2014: FOTL closes its Jamestown, KY [1,728] plant, laying off more than 600 workers. Operations moved to Honduras (Beam, 2014).
- 2016: FOTL closes its Vidalia, LA [3,995] plant, eliminating 167 jobs (The Natchez Democrat, 2016).

---

<sup>1</sup> Populations for the year indicated are in brackets (U.S. Census Bureau, 2024).

<sup>2</sup> Population for Choloma, Honduras obtained from Mongabay (2007).

- 2019: FOTL cuts 100 jobs at its Bowling Green, KY [70,222] headquarters as it transfers its information technology services to a company located in India (Associated Press, 2019).
- 2021: FOTL's Bowling Green, KY distribution center announces the addition of 50 jobs (WNKY, 2021).
- 2024: FOTL closes its Summerville, Berkeley County, SC distribution center, laying off 119 workers in order to consolidate operations (WCSC, 2024). Fruit of the Loom, Inc. manufactures 82% of the products they sell. The company has over 27,000 employees spread across eleven different countries (Fruit of the Loom (supply chain), 2023).

The Union Underwear Company and subsequently Fruit of the Loom selected towns like Campbellsville, Jamestown, and others because the company wished to cultivate a steady stream of dedicated workers. However, in doing so, FOTL was able to exercise a degree of monopsony power. Firms exercise monopsony power when they are able to impose wages, benefits and other conditions that are more favorable to the firm. This is more likely to occur when people have fewer comparable alternatives for work; this is often the case for those living in smaller more isolated towns.

With fewer job alternatives than similarly skilled workers living in Louisville, Cincinnati or Lexington, workers in these small rural towns were intensely loyal. They were more likely to remain in their jobs for many years and were less likely to demand higher wages and benefits due to more limited job opportunities in the area. When a plant such as FOTL closes, in the U.S. or elsewhere, it causes a great deal of economic hardship, uncertainty and stress concerning the future. When a plant paying good wages closes in a small town, laid-off workers find it comparatively more difficult to secure even basic needs such as food, housing, and healthcare.

As an example, consider the Jamestown, KY manufacturing facility. FOTL closed the plant in 2014, laying off over 600 workers. The resulting stress and uncertainty were evident in the words of those laid-off and of others in the community (see Appendix 1). Jamestown is situated in Larue County, KY (14,120), the birthplace of Abraham Lincoln. The plant closing in Jamestown left hundreds out of work with limited options. Those who were five to ten years from retirement had even fewer alternative employment options. Moreover, the following article illustrates that the plant closure triggered a multiplier effect on the economic well-being of the small town as many other businesses in the area depended upon purchases of goods and services by FOTL and its employees. In addition, the subsequent reduction in local tax revenues affected public services such as education, and police and fire protection (Central KY News Journal, 2014).

The 2014 article, "Local Economy Impacted by Fruit of the loom Closing" by Larry Rowell is presented below in its entirety. It illustrates the extensive economic and personal impact of the FOTL plant closing in Jamestown, KY. Plant closures across Kentucky and elsewhere have created similar hardships for many stakeholders.

Steve Burchell shakes his head in utter disbelief as he talks about the news he received at work on Thursday.

"I'm shocked. There were people crying when they told us," Burchell said, referring to Fruit of the Loom COO Tony Pelaski informing 601 employees

that the textile plant in Jamestown was closing by Dec. 31. Layoffs will be scheduled in phases, beginning June 8, according to a letter given to employees.

But for Burchell, the closing was a *deja vu* event — he was laid off from Fruit of the Loom in Campbellsville in 1998 after having been there more than 21 years.

“I started in Campbellsville on Jan. 22, 1977 and had perfect attendance while I was there,” he said.

Transferring to the Jamestown plant in 1998, Burchell, a mechanic in the knitting room, also boasts a record of never having missed a day in the 16 years he’s been there. At 57 years of age, Burchell’s not sure what he’ll do when the job he now holds is terminated. And that day can come any time from now until Dec. 31.

As concerns future work prospects, Burchell is still trying to digest the layoff.

“I ain’t really thought about it. I just try and delete it out of my brain. You don’t really want to accept what has happened,” he said.

Nearing retirement age, Burchell also wonders what will happen with the money he has saved in his retirement account over the years.

“I don’t know exactly. We do have a 401K over there. I don’t know how that’s going to work. They haven’t given us that information yet,” he said.

But if there’s any silver lining at all in this scenario, it’s how Burchell will trade the stress of losing his job for another — work related pressure.

“The stress level runs really high over there. They expect too much out of the older people. They forget it’s the older people who made the company what it is today,” Burchell said.

Gwen Russell, a Casey Countian who’s worked at the plant for almost three years, said that she was shocked to learn the news, and on her day off.

“I had already heard about it on Facebook and from friends working the day before,” said Russell, who will be 60 in November.

But Russell, who said that she enjoyed working at Fruit of the Loom, isn’t too worried about the future.

“I don’t know what I’ll do. I’ll just wait and see what the Lord has in store,” she said.

The closure of the plant will also affect other businesses in Casey County and it’s only now beginning to become reality.

### **Economic impact**

Kenny Pratt, who owns Pratt Trucking Company in Liberty, said that losing work for the Jamestown plant will hit his bottom line.

“It’s a pretty good chunk. It’s probably about \$80,000 a year. We’ve done work for them for about 20 years. We work on their trailers,” Pratt said, adding he had no idea this was coming. As to how many Casey Countians worked at the plant, a call placed to plant manager Jeff Wiles was not returned.



But the greatest financial loss to the area will be to the City of Jamestown and Russell County. City Clerk Tony McGowan said that they are still reeling from the news and will have to make adjustments to Jamestown's budget.

"It's bad. But I don't know how to explain \$208,000 worth of bad," McGowan said, referring to the occupational tax the city receives from the plant's workers. And it's just not only the occupational tax that the city will lose.

"We sold them about \$1.6 million in water and sewer last year," he said. The county will fare no better in what they lose.

Russell County Judge-Executive Gary Robertson said that the county also received occupational tax monies from the plant. "We got about \$165,000 in occupational taxes last year," Robertson said. Robertson received the news while attending a meeting in Frankfort where Gov. Steve Beshear was speaking.

"When he got done, I got a chance to talk to him and he wasn't aware of anything. I told him we need all the help he can give us from their side of it with Economic Development and Workforce Services," he said.

While workers, businesses, and government bodies are dealing with the loss, Burchell said he has a message for the company owned by Warren Buffet and Berkshire Hathaway. "Why are you taking all our jobs to Honduras? You don't think we like to live a lifestyle of having a home and all the features that goes along with life? I like having insurance and retirement," he said. (Casey County News, 2014)

## ETHICS ANALYSIS

Questions 1-6 are designed to lead you towards a logical and thoughtful analysis of the decisions made by Fruit of the Loom to lower costs by closing U.S. plants and shifting production abroad in response to the impact of increasing global competition in the apparel industry.

### *FOTL's Stakeholders*

As a private company, the stakeholders of Fruit of the Loom, Inc. include shareholders, executive officers and the board of directors, senior management, middle managers, employees tied to production, other companies that are part of FOTL's supply chain, and its customers.

In addition, FOTL generates positive externalities for the local population. Positive externalities are benefits enjoyed by people who are not directly involved in FOTL's daily operations. For example, FOTL's contribution to local tax revenues helps to fund education, police, fire protection and other services. Income earned by FOTL workers supports complementary businesses like grocery and other markets, local doctors, nurses and other medical staff, entertainment venues, and so on. All of these entities are likely to be affected by FOTL's decisions.

### ***FOTL's Mission***

Fruit of the Loom's mission is to "make a positive impact to the quality of life of all the people whose lives are touched by the production and consumption of our products by focusing on our Operating Principles and Code of Conduct." (Fruit of the Loom, 2023).

### ***FOTL's Core Values***

Fruit of the Loom states that its core values are Respect for people, Integrity, Passion to exceed expectations, The will to win, but not at all costs, Teamwork, Good citizenship and Make it fun (Fruit of the Loom, 2023).

You are to consider the six questions that follow in light of the information provided so far and subsequent guidance for evaluating ethical behavior.

### **Step I.**

To get started, one must compile a list of the stakeholders. This is a complete list of all individuals, businesses, officials and others in the community affected by the decision.

It is helpful to adopt a definition for ethical behavior.

*Ethics are standards of conduct that indicate how one should behave based on moral virtues and societal responsibilities arising from principles of right and wrong.*

Consider how stakeholders are affected when answering question 1.

### ***Question 1.***

Businesses and organizations should consider the impact of major decisions on all stakeholders.

Briefly describe the impact of Fruit of the Loom's decision to close a particular plant on the following stakeholders. Feel free to consider other individuals or groups who are affected by the decision as well.

- a) FOTL workers,
- b) Local business community,
- c) Fruit of the Loom owners/shareholders, and
- d) Local government.

You will evaluate the decision of Fruit of the Loom to close several of its U.S. manufacturing plants in three stages. First you are asked to contemplate the five core values associated with ethical behavior. Second, you are asked to consider four ethical dilemma paradigms. These dilemma paradigms force the decision maker (or critic) to prioritize and focus on ethical objectives they believe to be most important. Third, you will be asked to consider three decision-making principles to help you process and potentially resolve the ethical dilemma faced by the executive management team at FOTL. Keep in mind that with any decision, there

are opportunity costs; by choosing one option you forgo the opportunities associated with the next best option. So, even when equipped with a guide for making ethical decisions (or critiquing others' decisions), one may find the resolution not entirely satisfying.

## Step II.

In order to consider the ethical issues concerning Fruit of the Loom's decisions to close U.S. plants in order to take advantage of cheaper off-shore labor, consider five *core values* when making difficult decisions that adversely affect individual stakeholders (Institute for Global Ethics, 2017).

- 1) Honesty - *Adequately acknowledge all known facts independent of [your] goals or opinions.*
- 2) Fairness - *Apply [your] decisions logically, uniformly, and without bias.*
- 3) Responsibility - *Adequately acknowledge all the ramifications (opportunity costs) of [your] decisions.*
- 4) Respect – *Weigh the impact of [your] decisions on others as if personally affected in a similar manner.*
- 5) Compassion – *Take reasonable action to mitigate the distress of those who are adversely affected by [your] decisions.*

## Question 2.

- a) Describe the trade-off faced by the executive management team of Fruit of the Loom.
- b) Why might some people consider decisions of this nature to be ethical dilemmas?
- c) Which of the five core values do you believe are most important to adopt when making decisions of this nature? Place the five core values in order of decreasing importance; list the most important first.

## Step III.

In order to properly frame the ethical dilemma herein, next consider four *ethical dilemma paradigms*. These paradigms force one to prioritize and focus on what they consider to be the most important ethical issues to consider.

- *Truth vs Loyalty*: Contrasts telling the truth or being honest with the values responsibility or promise-keeping. “Telling the truth” most commonly means accurately reporting the facts, whereas loyalty focuses on allegiance to a friend, a group, or a set of ideas.
- *Short-term vs Long-term*: involves the immediate needs of the present conflicting with those of the future.
- *Individual vs Community*: pits the interests of the individual, standing all alone, against those of some larger group (to which the individual also often belongs). Or it could be about the interests of one person compared to another, or the interests of a small group compared to those of some larger group.



- *Justice vs. Mercy*: is a choice between going by the book and bending the rules. It involves choosing between fairness and equal treatment of everyone on the one hand, and compassion and allowing for exceptions on the other hand.

### **Question 3.**

- a) Which ethical dilemma paradigm do you think the executive management team of FOTL would say best describes the dilemma they faced when deciding whether to close the U.S. plants and relocate off-shore? Explain.
- b) Which ethical dilemma paradigm do you think FOTL workers in the U.S. plants slated for closure would say best describes the dilemma the executive management team of FOTL faced when deciding whether to close the U.S. plants and relocate off-shore? Explain.
- c) If your answer in (a) differs from (b), is one group's paradigm ethically more correct (less wrong) than the other? Explain.

### **Step IV.**

In order to process the facts and context of the ethical dilemma, now apply one or more of these three decision-making principles. These rules help one to logically process and potentially resolve the ethical dilemma.

- 1) *Ends-based thinking* or consequentialism: consider the consequences of your action. The most common form of consequentialism states that one should do what produces the greatest good for the greatest number.
- 2) *Rule-based thinking* or deontology: an action is right only if it conforms to a universally applicable moral rule. The most common moral rule that is thought to be universally applicable is Kant's categorical imperative: "act only according to that maxim through which you can at the same time will that it should become a universal law."
- 3) *Care-based thinking*: asks us to empathize with others and consider their needs. It is most famously expressed as the Golden Rule: "do unto others as you would have them do unto you."

These three decision-making principles are useful for resolving ethical dilemmas, which arise when two core values come into conflict (Institute for Global Ethics, 2017, p.5). When this kind of situation occurs, one must decide between two right actions (Kidder 2009, 2011).

### **Question 4.**

- a) Which decision-making principle(s) most closely resembles a positive economic approach or thinking?
- b) Which decision-making principle(s) most closely resembles a normative economic approach or thinking?

**Question 5.**

Consider three stakeholders, the executive management team at FOTL, the workers at U.S. plants slated for closure and ONE other distinct type of stakeholder. Which decision (stay or move off-shore) do you think each stakeholder would make using *each of the two decision-making principles* you identified in Question 4? Very briefly explain the position of each stakeholder using each of the two decision-making principles. Note: you will identify and explain six (3 stakeholders x 2 principles) different decisions.

**Step V.**

Judging ethical outcomes can be uncomfortable. In addition, depending on the relative weight of one's core values, individuals may arrive at differing conclusions. Nevertheless, performing a careful ethical analysis *ex ante* (in advance) helps to safeguard communities from indiscriminate decisions predicated on selective self-regard.

When decisions are made without considering all consequences on all stakeholders, the likelihood that those decisions will be deemed unethical is much greater. In cases where it is not entirely clear whether an ethical analysis was completed, a pot-hoc analysis can still help to persuade future decision makers to consider all consequences of a decision on all stakeholders.

**Question 6.**

- a) Review your responses to Questions 1-5. Do you believe it was ethically wrong for Fruit of the Loom to close U.S. plants and shifting production abroad in response to increasing global competition in the apparel industry? Briefly explain.
- b) Consider the top three core values you identified in Question 2c. Do you believe that FOTL effectively and sufficiently addressed the top three core values that you identified? Which of your top three core values could have been addressed more effectively by the executive management team at FOTL? In what ways?

Please think about each question before responding. Provide responses that are clear, concise, yet comprehensive!

**REFERENCES**

- Adair Group, The. (2024). The History of Fruit of the Loom Apparel. <https://www.theadairgroup.com/blog/the-history-of-fruit-of-the-loom-apparel/> .
- Associated Press, The. (2019, May 23). Fruit of the Loom is Losing about 100 Jobs, Most in Bowling Green. *The Courier Journal*. <https://www.courier-journal.com/story/money/companies/2019/05/23/fruit-loom-cutting-100-jobs-most-bowling-green-kentucky/1203042001/> .
- Beam, A. (2014, April 3). Fruit of the Loom Closing Jamestown Plant. *The Courier Journal* (Associated Press). <https://www.courier-journal.com/story/money/companies/2014/04/03/fruit-loom-closing-jamestown-plant/7268277/> .

- Chicago Tribune, The. (2021, August 11 [reprinted from 1998, April 16]). Fruit of the Loom Plant Closing; 812 Job Toll. <https://www.chicagotribune.com/1998/04/16/fruit-of-loom-plant-closing-812-job-toll/>.
- Company-Histories.com. (2022). Fruit of the Loom, Inc. <https://www.company-histories.com/Fruit-of-the-Loom-Inc-Company-History.html>.
- Encyclopedia of Alabama. (2024). Russell Corporation. <https://encyclopediaofalabama.org/article/russell-corporation/>.
- Fruit of the Loom, Inc.. (2023). <https://www.fotlinc.com/>.
- Institute for Global Ethics. (2017). Moral Courage™ Seminar. The Citadel [https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwjN5r7fkpWFAxXx3kGHYaxD2AQFnoECBwQAQ&url=https%3A%2F%2Fweb.citadel.edu%2Froot%2Fimages%2Fkrause\\_center%2Fleadership\\_day%2Fldrs%2520311%2520mctmscb.pdf&usq=AOvVaw1lCp5BVUiFoCIL9Y0X51Vu&opi=89978449](https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwjN5r7fkpWFAxXx3kGHYaxD2AQFnoECBwQAQ&url=https%3A%2F%2Fweb.citadel.edu%2Froot%2Fimages%2Fkrause_center%2Fleadership_day%2Fldrs%2520311%2520mctmscb.pdf&usq=AOvVaw1lCp5BVUiFoCIL9Y0X51Vu&opi=89978449)
- Irish Times, The. (2006). Fruit of the Loom Closes Final Donegal Factory. <https://www.irishtimes.com/news/fruit-of-the-loom-closes-final-donegal-factory-1.783321>.
- Kidder, RM. (2009). How good people make tough choices: Resolving the dilemmas of ethical living. Revised edition. Harper Collins, New York.
- Kidder, RM. (2011, December 4). Rush Kidder: 4 Paradigms of Dilemmas. Southern Association of Independent Schools. <https://www.youtube.com/watch?v=0wwQ5uTAJ5g>.
- McKinney, Calen. (2014, April 9). Local Workers Experience Secnd [sic] Fruit of the Loom Closing. [https://www.pmg-ky2.com/cknj/archives/local-workers-experience-secnd-fruit-of-the-loom-closing/article\\_bd0de359-1cea-588d-a13f-d9df3465408d.html](https://www.pmg-ky2.com/cknj/archives/local-workers-experience-secnd-fruit-of-the-loom-closing/article_bd0de359-1cea-588d-a13f-d9df3465408d.html). *Central Kentucky News Journal* (Paxton Media Group).
- Mongabay. (2007, February 18). Choloma, Honduras. <https://population.mongabay.com/cities/honduras/choloma.html>.
- National Institute of Standards and Technology (NIST). (2023, December 5). U.S. Manufacturing Economy. <https://www.nist.gov/el/applied-economics-office/manufacturing/manufacturing-economy/total-us-manufacturing>.
- Norwich Bulletin, The. (2007, September 20). Fruit of the Loom Closing Plant. <https://www.norwichbulletin.com/story/news/2007/09/20/fruit-loom-closing-plant/64937981007/>.
- Rademaker, Melissa. (2024, January 31). State, Local Programs Prepare for Closure of Fruit of the Loom Distribution Center. *WCSC Live 5 News*.
- Rowell, L. (2014, April 8). Local Economy Impacted by Fruit of the Loom Closing. *The Casey County News* (Paxton Media Group and Landmark News Service). [https://www.pmg-ky2.com/casey/archives/local-economy-impacted-by-fruit-of-the-loom-closing/article\\_7a2c729a-c738-5ce5-84ba-560898bad023.html](https://www.pmg-ky2.com/casey/archives/local-economy-impacted-by-fruit-of-the-loom-closing/article_7a2c729a-c738-5ce5-84ba-560898bad023.html).
- Shelton, Lindsey. (2016, May 11). Vidalia Fruit of the Loom Plant Closing, 167 Jobs to be Lost. *The Natchez Democrat*.
- Solomon, Scott. (2015, January 23 [reprinted from 1995, October 30]). Textile Company to Reduce Workforce, [https://greensboro.com/textile-company-to-reduce-work-force/article\\_0e8b1324-485e-5871-a65d-c0f4fc235e40.html](https://greensboro.com/textile-company-to-reduce-work-force/article_0e8b1324-485e-5871-a65d-c0f4fc235e40.html). *Greensboro News and Record*.

United States Census Bureau. (2024). Quick Facts, United States.

<https://www.census.gov/quickfacts/> .

Vanity Fair. (2007, April 2). VF Completes Sale of Intimate Apparel Business to Fruit of the Loom, Inc. <https://www.vfc.com/investors/news-events-presentations/press-releases/detail/914/vf-completes-sale-of-intimate-apparel-business-to-fruit-of->

Weimer, De' Ann. (1998, May 11). Fruit of the Loom: A Killing in the Cayman's? *Bloomberg*. <https://www.bloomberg.com/news/articles/1998-05-10/fruit-of-the-loom-a-killing-in-the-caymans> .

WNKY News 40. (2021, July 29). Fruit of the Loom Announces Distribution Center Expansion, <https://www.wnky.com/fruit-of-the-loom-announces-distribution-center-expansion/>.

Women's Wear Daily. (2000, March 17). FTL to Close Kentucky Site, Cut 280 Jobs. <https://wwd.com/fashion-news/fashion-features/article-1191510/> .

Zippia. (2023, July 21). Union Underwear Co. Inc. Company History Timeline, <https://www.zippia.com/union-underwear-company-careers-42821/history/#> .



## TEACHING NOTES

Hints and Suggestions for FOTL Case Questions.

**Question 1.** Businesses and organizations should consider the impact of major decisions on all stakeholders.

Briefly describe the impact of Fruit of the Loom's decision to close a particular plant on the following stakeholders. Feel free to consider other individuals or groups who are affected by the decision as well.

- a) FOTL workers have lost jobs, lost wages. Generally, they have less economic security.
- b) Local business community sees a decline in business revenues from former FOTL workers. This impacts the economic security of local businesses and their workers.
- c) Fruit of the Loom owners/shareholders benefit from higher profitability and FOTL becoming more financially secure. This financial security can lead to higher share prices and potential stock dividend disbursements.
- d) Local governments receive less tax revenue for schools, roads, police and fire, etc. Those who heavily rely on public services, including children who live in the community, will have fewer options as a result.

### **Question 2.**

a) Fruit of the Loom has a higher risk of bankruptcy and closure if they keep production in the U.S. where wages are significantly higher. By moving manufacturing abroad where productivity may be low, but wages are even lower, profitability and economic security for FOTL is likely to improve. Ultimately, FOTL management is responsible for maximizing shareholder wealth. On the other hand, FOTL employees, including middle and lower management, are U.S. residents who have relied on FOTL for economic security. In return, FOTL has enjoyed a loyal workforce and hospitable communities. These same communities have invested in the physical infrastructure and human capital FOTL has relied on for years to be profitable and grow.

b) FOTL chose smaller more isolated communities due to cheaper land and labor. In economic terms, FOTL was able to exert monopsony power in the smaller communities. This led to lower costs and higher profits over many years. Over time, workers and the communities became more reliant on increased economic activity and higher tax revenues from FOTL. However, FOTL benefited from a loyal and dependable workforce. Also, the communities invested in infrastructure and work-force development with FOTL in mind. However, due to structural adjustment issues arising from changes in innovation, technology and global competition, the relationship between FOTL and the communities may no longer be sufficient to sustain FOTL. Nevertheless, some might think that FOTL should have tried harder to make it work, or in lieu of that, given the communities adequate compensation.

c) 1. Responsibility – FOTL's main responsibility to its shareholders, but it is also responsible for easing the transition for its U.S. based workers. In particular, in so far as FOTL purposely chose these small towns in order to leverage monopsony power, it should do what it can to reduce the pain of FOTL leaving as much as possible.

2. Respect – FOTL's U.S. based workers must be treated with dignity. FOTL should convey how important these workers and the communities were to its previous success.



3. Honesty – FOTL must be upfront with the workers as soon as it is evident that the company will close a plant, despite the possible impact on marketing, share prices, etc.. This will allow workers as much time as possible to transition.

4. Compassion – In addition to respect and honesty, FOTL should do what it can financially and otherwise to mitigate the distress.

5. Fairness – Although important, changes occur over time that can affect viability and sustainability. FOTL should do what it can within reason to assure fairness, but in reality, change often causes distress and disruption until the individuals and communities adjust to the new reality by finding new opportunities there or elsewhere.

### **Question 3.**

a) The executive management team of FOTL would likely say that the most pressing ethical dilemma paradigm they face is **Short-term vs Long-term** since they understand that the financial well-being and perhaps the existence of FOTL is at stake.

b) The FOTL workers in the U.S. plants slated for closure would likely say best describes the dilemma the executive management team of FOTL faced was **Individual vs Community**. Some FOTL workers likely feel that the company was only interested in the community when it suited their interests- when that was the most profitable situation. Once profits began to decline, it is natural that workers may have wished for the company to instead adopt more technology and innovative techniques, perhaps with employee input. These changes may have led to fewer jobs, but the company would still be committed to the community.

c) Two or more things can be true at the same time; one paradigm is not necessarily right and the other wrong. However, the choice of paradigm reflects whether the priorities of the two groups are consistent – or not. This is something that perhaps should have been explored earlier in the relationship. If it was discussed, and subsequent actions by FOTL are not consistent with previous statements, then the paradigm of **Truth vs Loyalty** may be relevant as well.

### **Question 4.**

a) A positive economic approach is fact-based. Positive economics corresponds more with **Ends-based thinking or consequentialism** because it focuses exclusively on what actually occurs as a result of certain actions or decisions. One might instead associate positive economics with Rules-based thinking. However, Rules based thinking focusses exclusively on the adoption and ubiquity of morals.

b) Normative economics focuses on subjective ideals. As such, normative economics could correspond to either Rules-based thinking or **Care-based thinking**. Given that economics studies how choice affects the human situation, it is more likely that normative economics is more aligned with **Care-based thinking**. Moreover, Pareto efficiency is a core tenet of economics. An outcome is Pareto efficient if no action can be undertaken that improves the situations of at least some in a group without hurting others in the same group. In other words, all actions that could help some in a group without hurting others in the group have already been undertaken.

### **Question 5.**

I. The executive management team at FOTL,

- a) using Ends-based thinking – (move off-shore) close US plant(s) and move offshore to ensure future profitability of FOTL.
- b) using Care-based thinking – (move off-shore) In this case FOTL management may decide to try to make the US plants more profitable by adopting new technology and innovation.

## II. The workers at U.S. plants slated for closure

- a) using Ends-based thinking - (move off-shore, but...) In this case FOTL workers would understand that the company had to be profitable to survive. They likely advocate for and aid in further attempts to make the US plants more profitable by adopting new technology and innovation.
- b) using Care-based thinking – (stay) In this case FOTL workers would likely insist upon FOTL adopting new technology and innovation, and for the plant to remain open even if it was somewhat less profitable than a comparable foreign plant. If FOTL had to move or go out of business, workers would then insist that FOTL help workers transition from FOTL to other opportunities.

## III. Local businesses in the community in which FOTL's plant resided

- a) using Ends-based thinking – (move offshore, but...) Local businesses in the community would understand the need for FOTL to be profitable. However, they would request that FOTL try all they could in terms of innovation and new technology before closing the plant(s).
- b) using Care-based thinking- (stay) Local businesses would likely support further attempts to make the US plants more profitable by adopting new technology and innovation. However, they would insist upon FOTL helping workers transition from FOTL to other opportunities if forced to move.

### **Question 6.**

- a) The decision to close the U.S. based plants and move manufacturing offshore was not unethical. Despite its stated mission, as a for profit business, FOTL is required to maximize share-holder wealth. But the decision to close many U.S. based plants was highly disruptive to the communities after decades of evolving mutual dependence.
- b) *Refer to the Top Three Core Values Identified in Question 2c*
  1. Responsibility – FOTL addressed its responsibility to the shareholders well but was less effective in addressing its responsibility to the other stakeholders. FOTL likely has an ethical obligation to help the community transition to new opportunities by identifying new opportunities for the community, financially backing worker retraining, and so on. This is particularly poignant since for years (in some cases decades) FOTL was able to exercise monopsony power over land and labor in these small rural towns in the southern U.S..
  2. Respect – FOTL's decision to close U.S. based plants appears too often to have taken U.S. workers by surprise. As a result, FOTL may not have treated all its U.S. based workers with the dignity they deserved. FOTL can convey how important these workers and the communities were to its previous success by offering more support to its U.S. based workers and their communities during the transition.
  3. Honesty – FOTL has the ethical obligation to be as transparent as possible so as to allow its U.S. based workers the longest possible time to transition. Ideally, there should be some discussion ahead of any decision to close to help identify options. Instead, FOTL's decisions to close plants at least appear to have come with little advance warning.

