

An Early Conglomerate

He made some money investing in Gulf Oil stock, and in the mid-1930s began investing those profits and his inheritance—pocket money, by Mellon-family standards—in bonds of H. K. Porter, then a troubled maker of steam locomotives. Because Porter had defaulted in paying interest on the bonds, he was able to pick up those securities for as little as 10 cents per dollar of face value. Result: When creditors threw the company into bankruptcy proceedings, Mr. Evans emerged as the major bondholder, with enough bargaining power to come out of a court-supervised reorganization as Porter's 29-year-old president—over the objections of several older directors.

World War II helped Porter to recover, bringing profits to a subsidiary producing artillery shells. By 1948, though, it was still recording sales of only \$11 million a year. At that point, Mr. Evans decided to diversify, and in succeeding years he built Porter into the kind of company that is now called a conglomerate. As the locomotive business was phased out, acquisitions pushed the company into production of steel, industrial rubber products, electrical equipment, hardware, paint and refractory brick.

By 1959, Mr. Evans was ready to undertake a new venture. He bought a substantial block of Crane Co. stock as a personal investment. He then hired Alfons Landa, the most feared proxy fighter of the day, as his lawyer and confronted Crane management with a demand that he be made chairman. After a stormy, but brief, battle, he won—and began a transformation somewhat similar to the one he had carried out at Porter. Since he took over, Crane has acquired 30 companies, though it hasn't diversified quite so widely as Porter; it has tended to stick to meters, valves, purification gear and other devices in the "fluid-control" field.

The methods by which he has expanded both companies have generated fierce controversy. To avoid diluting the equity of shareholders (meaning, at Porter, chiefly himself), he has always insisted on making acquisitions for cash rather than by issuing stock. To get the cash, he has sold less profitable assets (including, at Crane, most of the company's once-extensive warehouse system), held inventories to a minimum and insisted on a prompt profit return from any capital investment. He is frank in stating that he also has held down spending on research and new-product development. "When we develop a new product from scratch," he says, "its because we can't buy somebody who already makes it."

Reply to Criticism

All this has given him a reputation for ruthless willingness to liquidate plants and fire workers wholesale if he can see a financial gain in doing so. Friends say he is sensitive to such criticism and regards it as unjust. Mr. Evans himself says only that rapid expansion of Porter and Crane was possible because "there were a lot of badly run companies that we could buy cheap" and that "some of these companies gave us a lot of trouble" after acquisition.

In any case, Mr. Evans' companies are still using the same methods. In July 1966, for instance, Crane bought Glenfield & Kennedy Holdings Ltd., a British concern that makes water purification equipment and that D. C. Fabiani, Crane president, says was on the verge of bankruptcy at the time of acquisition.

"After we took over, there were a lot of firings," says Mr. Fabiani. "It involved cutting the payroll very substantially because a lot of people had been kept on with nothing to do." By October 1966, three months after acquisition, he says, the company was breaking even, and by the end of the year it was making a profit.

Mr. Evans' methods as an operating boss—and, in particular, his relations with subordinates—also stir much dispute. Several Crane vice presidents were fired immediately after he became chairman, and around Pittsburgh businessmen speak of the executive turnover at H. K. Porter with awe. Only three of the eight division general managers listed in the 1963 annual report are still with the company; some of the others have been replaced not once but several times in the intervening five years. At lower levels, the turnover is said to be even more rapid.

To be sure, many executives leave of their own accord or are lured away. Mr. Evans has a policy of hiring relatively young men for such responsible jobs as division general manager or sales manager; executive recruiters frequently go after such men after they've had a bit of seasoning in what has been referred to as "the Evans School of Business." One former Porter executive is said to have kept two telephones in his office—one for regular business purposes, the other, a private line, for calls from recruiters.