



RUNNER-UP

K&S TOOL & MANUFACTURING CO.

Headquarters: High Point

President: Ken Hughes

Vice president: Joe Hughes

Employees: 77

Founded: 1974

Projected 2008 revenue: \$13 million

Business: Contract manufacturer of metal parts

Company stamps out business

One of Joe Hughes' longtime customers came to him four years ago with good news and bad. Forklift maker NACCO Materials Handling Group planned to launch a product line and wanted his family's business, K&S Tool & Manufacturing, to make it. But after K&S worked out the bugs — three or four years hence — NACCO would turn over production to a company in China.

It wouldn't be the first time a North Carolina manufacturer lost business to overseas competitors. Since 2000, the state has seen nearly a third of its manufacturing jobs vanish, and rarely does a week go by without Tar Heel companies shifting work overseas or shutting down because they can't compete with lower-cost imports. Adding insult to injury: NACCO wanted K&S to help smooth the transition. "It might sound crazy," Hughes admits. "Like you're teaching someone how to take away your work."

But K&S had survived three decades by adapting to customer needs. Hughes' father, Ken, started the business in his garage, christening it by taking the first letter of his name and that of wife Sally. During the day, he taught machine

shop at what is now Guilford Technical Community College. At night, he worked in the garage, mostly on small fabrication jobs.

Growing up, Hughes toiled alongside him until he left for Wake Forest University. He earned a bachelor's in business and accounting in 1983, then joined a Greensboro accounting firm. Meanwhile, K&S had grown to about a dozen employees and had moved to the 34,000-square-foot building it still calls home. It also had veered away from fabrication work — much of that was going overseas, often to Taiwan — and had started making parts used in production of furniture, electrical equipment and other products. By 1987, Ken Hughes was having a hard time keeping up with the growth, so his son returned as vice president.

Through the years, K&S built a reputation for service and nimble thinking. "I worked with Joe and his father for close to 20 years," says Marcus Thompson, former vice president of design and engineering of Mirro Products, a High Point manufacturer of advertising displays. "We

literally had a couple hundred different parts with them. They were constantly investing in the latest equipment. They never hesitated to do whatever was needed to get to the next level of manufacturing efficiency."

That's what Portland, Ore.-based NACCO was trying to do. It was redesigning brackets that secure propane tanks to the back of forklifts. NACCO executives knew they would go through several adaptations during the first few years of production and figured that would be easier with an American company than a Chinese one.

Design changes drove up the cost. "NACCO's management got upset. There was a lot of pressure to reduce costs," Hughes says. To do that, K&S brought in Drox Inc., an Underwood, Wash.-based product developer and manufacturer, to help move some manufacturing to China sooner than planned. Over the next several years, K&S worked via Drox with Chinese partners to bring production to full volume.

In all, NACCO needed nearly 20 bracket variations to fit different forklifts. Most are made in China, but K&S retained many of the lower-volume components, which fit the company's smaller manufacturing capabilities. "Instead of losing 100% of the project to China, we were able to retain about 35%," Hughes says.

Though Ken Hughes, 68, is still president, his 46-year-old son has taken over day-to-day operations. Hughes says K&S' overseas connections have led to other business and taught it what its Chinese competitors are good at and what they aren't. "We're better positioned to get involved with other projects we probably wouldn't be competitive on."

— Sam Boykin