



The Buck Stopped Here

Soaring business costs in California were driving Buck Knives to the brink. The company regained its edge by dismantling its factory--and putting it back together 1,453 miles away.

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Rising out of the snow-dusted fields like a gargantuan block of Post-it notes, the Buck Knives factory in the Idaho panhandle looks for all the world like a Northwest native. From the basalt columns adorning the driveway to the moose trophy gazing implacably down on the lobby and the spectacular chandelier built of antlers, the building feels like it belongs here, where the unyielding prairie of the Columbia Plateau confronts the chill hauteur of the Selkirk Mountains.

Appearances can be deceiving, however. Depending on how you look at it, Buck Knives is a transplant, a refugee, or a pilgrim from southern California. The story of how Buck moved its knife manufacturing company from the dusty, sun-drenched hills of El Cajon to this rugged patch of Idaho turf is a case study in business relocation. If it's true that geography is destiny, then Buck's voyage demonstrates that you can shape your destiny if you're willing to redraw your geography.

A California institution

In 1999, a few months before his 39th birthday, CJ Buck received an unusual heirloom: the family business. For a guy who had spent his entire professional life working for the company, it should have been a magical moment. Buck Knives enjoyed loyal customers, great name recognition, and a tradition of quality forged by his great-grandfather, a blacksmith apprentice named Hoyt Buck who got tired of sharpening grub hoes and in 1902 decided to grind his own blades instead. After years of experimentation, Hoyt came up with a secret tempering technique that produced knives that were so sharp, and so hard, they could whack a steel bolt in two. He co-founded the company with his son, Al, in 1947. Buck's Folding Hunter, introduced in 1964, quickly became the top-selling outdoor knife in America and earned a permanent spot on the Christmas lists of Boy Scouts around the world.

From its origin in a wooden lean-to, the business had grown into a California institution with \$33 million in annual sales and 260 employees cranking out more than a million knives a year. But along with the traditions, CJ inherited plenty of headaches. Margins had been sliced to the bone by low-cost Asian competitors, which left the company chronically short of cash. Energy costs, a key factor in tempering blades, were creeping up. The company's work force was experienced, but it also was expensive. "We were losing money," CJ says. "And it looked like there was no end in sight."

One of CJ's first moves after taking the reins was to revamp the company's executive staff. Working closely with his father, Chuck, Buck's chairman of the board, the new team reorganized its marketing strategy, crafting distinct messages for various sorts of customers, such as climbers, hunters, police officers, and military personnel. It streamlined the manufacturing process at Buck's sprawling plant in El Cajon, a suburb of San Diego, and began to make some low-end knives in Taiwan.

These initiatives helped boost sales and trim costs, but they weren't enough. In the spring of 2000, San Diego became the first region of California to taste the delights of energy deregulation. Electricity rates went haywire, soaring from

12 cents a kilowatt-hour to a peak of 42 cents. The spike was subsequently revealed to have been triggered by energy traders seeking to manipulate the market, but that wasn't much consolation to Buck, which consumed 300,000 kilowatt-hours every month. "The numbers were mind-boggling," says Phil Duckett, a burly Welsh engineer who is Buck's executive vice president. But the company couldn't raise prices without ceding market share to the competition.

If there was a bright spot, it was that Buck's new manufacturing process--which organized workers into small groups rather than a single assembly line--used space far more efficiently, freeing up 40,000 square feet of the company's 170,000-square-foot factory. That meant Buck could save money by moving into a smaller facility. As members of the executive team pondered new locations, they were struck by a more radical notion--getting out of California altogether.

At first, it seemed inconceivable. Buck Knives had deep roots in El Cajon. The average tenure of its employees was 15 years. Churches held services in the company cafeteria. Girl Scout troops used the training rooms for cookie distribution. Both CJ and Chuck had been born and raised in the area. Their wives, their children, their friends, their careers--their whole lives were based there. Outside the factory stood a massive boulder inlaid with a brass plaque dedicated to CJ's grandfather, Al Buck. "As this rock stands immovable and solid," the inscription read, "Al was our rock in hard times and in good times." Were they really going to move that rock?

On the other hand, deep roots don't mean much if you go out of business. Electricity bills, workers' compensation, labor costs, and taxes were high everywhere in California, not just in San Diego. The blunt truth was that something had to give. The board told CJ to discreetly explore the idea of moving out of state.

In the summer of 2000, CJ got a call from a folksy, gravel-voiced gentleman named Bob Potter, who ran economic development for Kootenai County in the Idaho panhandle. Potter is something of a legend in business recruitment circles. He has lured more than 70 companies, representing more than 4,000 jobs, to a remote corner of northern Idaho--the vast majority from California. Potter subscribes to the *Orange County Business Journal*, the *Los Angeles Business Journal*, and the *Kiplinger California Letter*. "I read those religiously," the 79-year-old recruiter says. "I know what's going on in California." Thanks in part to his relentless wooing, Kootenai County is now home to 54,000 jobs and is gaining new ones at a rate of about 8 percent a year--one of the fastest employment-growth rates in the nation.

Through his contacts, Potter had heard that Buck was scouting locations around the Northwest. Like most Idaho residents, he was familiar with the Buck brand, which commands a cult following among outdoorsmen. "If you live in Idaho, you've got to have a Buck knife," he chuckles. Potter called to see if Buck might consider moving to the Idaho panhandle. Would the company be willing to let him perform a cost analysis? A few weeks later, Potter flew to California to present his report.

"Uprooting a company is a tough, tough thing to go through. You're uprooting families."

His numbers made CJ sit up straight. Electricity rates were about half what Buck was paying in El Cajon. Workers' compensation was a third. Wages for manufacturing jobs were 20 percent less than what Buck was paying. According to Potter's figures, Buck could shave at least \$600,000 off its manufacturing costs every year by moving to Idaho. It was an impressive presentation, and CJ needed time to mull it over. Potter sympathized. "It's a tough decision--especially for family-owned companies," he says. "Uprooting a company is a tough, tough thing to go through. You're uprooting families, uprooting kids." But he continued to press his case, pointing out that Idaho boasted good schools and affordable homes.

While CJ agonized, Buck's electricity bills kept mounting. In January 2001, Governor Gray Davis declared a state of emergency as blackouts rolled through California. Then came September 11, which shattered the knife business. Sales plunged. CJ laid off 40 employees, froze salaries, and took a 30 percent pay cut.

One day that fall, CJ drove to work and looked at the El Cajon plant with fresh eyes. His father had built it back in 1979; a youthful CJ had even turned the first spadeful of earth at the groundbreaking. He knew every inch of the

factory floor. The whine of mandrels grinding steel in a fountain of sparks, the sweet aroma of coolant gurgling through machinery, the prickly heat of the tempering furnace, the white clouds of condensation boiling from the nitrogen freezer--these were the sights and sounds of his childhood. Many of the workers here had known him since he was a young boy catching polliwogs in a drainage ditch while his dad sweated away another Saturday afternoon at the plant.

Now as he eyed the factory, a terrible thought entered his mind: This place is sinking. In his gut, he knew Buck had to get out of California--soon. "There's a momentum required to move a company," he says. "It's like having an operation that can save your life. We had to do the move before it was too late."

A bidding war begins

The hunt for a new location took on a sense of urgency. Behind closed doors, Buck's executives drew up a wish list for their dream home. Cheap electricity. Good climate for business. Low taxes. A plentiful supply of labor. Good highway and rail connections. Proximity to a major airport. Access to a major port through which to import the cheaper knives from Taiwan. Most important, it had to have a good quality of life. After all, they were planning to move themselves and their families along with the factory.

With these criteria in mind, the Buck team scoured dozens of glossy brochures touting locations across the country. Within a couple of months, they had narrowed the search down to three major contenders: Redmond, Oregon; Spokane, Washington; and Post Falls, Idaho, a growing suburb of Coeur d'Alene.

CJ and Duckett made their first pilgrimage to the region in the late fall of 2001. They booked a hotel overlooking Lake Coeur d'Alene, where geese honked their way across the sparkling water. "The air felt good," Duckett remembers. He picked up a real estate magazine and goggled at the prices. The median home price in Kootenai County was about one-third of that in El Cajon.

Strung out along Interstate 90, just west of Coeur d'Alene, Post Falls is the kind of town where business attire consists of jeans and a Pendleton shirt. Forty years ago, there wasn't a single stoplight. "When I first came here, you worked in the woods, you worked in the mill, you worked in the mines, you pumped gas, or you were a bartender," says the mayor, Clay Larkin. Today the population is about 21,400, three times what it was in 1990. Everywhere you look, subdivisions burst through the fields where the teenagers used to go four-wheeling. Seltice Way, the town's main drag, echoes with the bleat of backhoes digging up dirt or leveling vast mounds of sand. Call centers, furniture makers, electronics, manufacturers, software developers--they're moving here. "The growth has been phenomenal," says Larkin. "We've been discovered." Why do people come? Some are drawn by the rugged grandeur of the mountains, lakes, and forests; some by the abundance of cheap land and affordable housing; some by the dream of escaping the rat race. Above all, they are drawn by the same force that propelled pioneer wagons and immigrant steamships--the promise of a fresh start.

The more they learned about it, the more Buck's team liked Post Falls, but the Idaho town wasn't the only suitor. Manufacturing jobs are the Holy Grail of economic development, and Buck's track record of community involvement made it doubly attractive to recruiters. "We had a good feeling about the company," says recruiter Roger Lee, who led Redmond's effort to land Buck. "After the whole Enron collapse, a family company with lofty commitments looked good."

Buck took a long, hard look at Redmond. Situated in the high desert east of the Cascade Mountains, Redmond is sunny, dry, and considerably warmer than Idaho. Several domestic knife makers are based nearby, which meant a ready pool of skilled labor and easy access to suppliers. Energy was cheap and labor costs, while higher than those in Idaho, were still below California's. Moreover, the quality of life was outstanding, especially if you liked to hunt, fish, raft, or ski. There were drawbacks, of course, such as a rinky-dink airport and no interstate highway, but in the spring of 2002, Oregon recruiters sweetened their offer. They would give Buck heavily discounted land, a five-year

exemption on property taxes, reduced building fees, and a discount on sewer rates. Altogether the package was worth more than \$1.5 million. "Oregon was a real player," says Potter, the Idaho recruiter. "Oregon had us beat."

Potter couldn't match those incentives, although he did persuade the Idaho Department of Commerce & Labor to give Buck \$3,000 in training grants for every job it brought to the state. And he hammered away at his central point--that Idaho offered lower operating costs, lower taxes, and a more predictable regulatory environment. Buck was also attracted to Spokane, which is only 30 miles west of Post Falls and boasted many of the same advantages. Right around that time, however, the *Spokane Spokesman-Review* began publishing editorials lamenting the state of Washington's "big, bossy government." Potter, knowing that Chuck Buck was a steadfast conservative, made sure to send him the clips.

"I want to go to Idaho"

The *Spokane Journal of Business* ran a scoop headlined "Buck Knives Eyes Post Falls." Within hours, word hit the factory floor in El Cajon.

So far, the hunt for a new location had been a closely guarded secret. That changed on April 2, 2002, when the *Spokane Journal of Business* ran a front-page scoop headlined, "Buck Knives Eyes Post Falls." Within hours, word had filtered back to the factory floor in El Cajon. Rumors flew and tempers ran high. Why hadn't anyone told them this was in the cards?

To quell the unrest, CJ convened an emergency all-hands meeting in the company cafeteria. Before a sea of anxious faces, he stood and explained that, yes, Buck was considering a move but had not yet made a final decision. It was a tense encounter. "They felt hurt," he says. "They felt betrayed. They felt like we weren't telling them what was going on." CJ learned his lesson. From then on, he resolved to keep workers in the loop with regular meetings.

The news that Buck might move to Idaho also sent a chill through public officials in San Diego. To encourage Buck to stay, the city assembled what it dubbed the "Red Team," including U.S. Congressman Duncan Hunter, State Assemblyman Jay LaSuer, and County Supervisor Dianne Jacob. They suggested that Buck shift production to evening hours when electricity was cheaper, or move the factory across town to an enterprise zone. "We did everything we possibly could," says Mark Lewis, the mayor of El Cajon. Unfortunately, the Red Team couldn't solve Buck's fundamental problems. The wild fluctuations in electricity rates had subsided, but rates were still high--and now workers' compensation was beginning to spiral out of control. For Buck, the Red Team came a day late and a dollar short. "I don't mean to belittle them, but it was meaningless," says CJ. "Their hearts were in the right place, but they didn't have the resources."

It was time to make a decision. During one skull session, as CJ and Duckett were hashing out the merits of the three sites, Chuck poked his head in the door. He had just come back from a trip to Idaho. He liked the panhandle's down-home attitude--and was uneasy with what he perceived as the liberal tendencies of Oregon and Washington. "I'm a typical conservative," he says. "I wanted to go somewhere where they run things on those principles." Chuck had also discovered that Idaho's governor, Dirk Kempthorne, was a loyal customer who carried a Buck knife whenever he rode his Harley-Davidson. "I want to go to Idaho," he said.

Chuck was the chairman of the board and the majority stockholder. "That pretty much ended the decision process," CJ recalls. It was going to be Post Falls. Now they had to figure out how to make it happen.

Buck reckoned that building a factory in Idaho would cost about \$8.5 million. It would take another \$4 million to relocate key employees and equipment. Offsetting that was the capital Buck could realize from selling the factory in El Cajon. The factory itself was perfectly sound, but the real value of the property lay in the dirt beneath it: 10 acres inside the city limits, which CJ hoped to sell to another manufacturer for \$11 million. If the numbers penciled out, the move would pay for itself in three years.

When no such buyer emerged, Buck began courting residential developers. But that proved problematic as well. The site wasn't zoned for residential use. Even worse, it sat next to Gillespie Field, a small public airport serving light aircraft. Any developer who wanted to build houses would have to get a sign-off from the San Diego County Regional Airport Authority--and the pilots at Gillespie Field were dead set against residential development so close to the runway, fearing that the homeowners who moved in would eventually grouse about airplane noise and push the city into shutting down the airport.

Leery of getting bogged down in a lengthy zoning dispute, developers shied away from the site. Without a deal on its old factory, Buck couldn't raise funds to build a new one. The whole relocation project stalled. "It's a horrid position, to have your whole company waiting to be shut down," says CJ. "It was agony." It took an entire year before Buck found a buyer--developer Lee Boyd, who proposed to tear down the factory and build 97 houses, provisionally named Buck's Landing. Boyd was willing to pay \$9 million, provided he was able to win permission from local officials. But in March 2004 the airport authority rejected his plan. Desperate to regain momentum, CJ asked his board for permission to at least begin drafting plans for a new factory in Idaho, despite the fact that no one seemed to want the El Cajon site. The board agreed. Finally, two months later, Buck found a buyer: Race Car Dynamics, a manufacturer of components for light trucks and off-road vehicles. Race Car Dynamics, which had outgrown its facility in Jamul, 15 miles east of El Cajon, liked the site but offered only \$7.5 million.

CJ bit his lip and made the deal.

The "Hit List"

Meanwhile, the company had to confront the painful process of deciding who would move to Idaho--and who would be left behind. Moving everyone would simply be too expensive. "It was kind of disturbing," remembers heat-treat specialist Paul Farnar. "You don't know if you're going to be out of a job. You wonder if you're going to be the person who goes to Idaho."

Managers in every department identified key employees who would be invited to join Buck in Post Falls and help train new hires. After several rounds of negotiations, the so-called hit list was pared down to 75 of the company's most crucial people. The rest--approximately 200 workers--would lose their jobs. "Obviously there was great disappointment," says Duckett. "But moving was a matter of survival."

Buck tried to ease the pain by giving workers a year's notice, providing severance packages, and working with the California Department of Industrial Relations to provide retraining. At the same time, the company had to woo the workers it needed to move north. Each was offered \$6,000 to cover relocation costs and a bonus of several weeks' salary, on the condition that they stay for at least one year after the move. Buck flew workers and their spouses to Idaho and rented buses to take them to see schools and neighborhoods. Local officials like Potter and Larkin led tours and answered questions, which ranged from the cosmic to the mundane. Some worried that they wouldn't be able to find a church that met their spiritual needs. Others fretted about their teenage children's sporting activities.

"Racial issues were a huge thing. The media had painted this place as a haven for racists."

A bigger problem was the culture gap between southern California and the Idaho panhandle. Kootenai County is one of the least diverse counties in America, according to the Census Bureau, with 95.8 percent of its population consisting of non-Hispanic whites. Worse, for several decades the area was the home of the Aryan Nations, a motley band of white supremacists headed by a former aerospace engineer named Richard G. Butler. The group is defunct, Butler is dead, and locals maintain that the overwhelming majority reject what he stood for. (In 2003, Butler ran for mayor of nearby Hayden, Idaho, and lost by a margin of 1,924 votes to 50.) Nonetheless, Kootenai County still struggles with the perception that it is unfriendly to minorities. "Racial issues were a huge thing," says Duckett. "The media had painted this place as a haven for racists." But those anxieties tended to melt away when employees took a look at the town for themselves. "This is as decent a place to live for people of color as any place in the United States," says

Norman Gissel, past president of the Kootenai County Task Force on Human Relations. Duckett, whose fiancée is Hispanic, calls the whole issue "a major nonevent."

One thing that no one could soft-pedal was the weather. Post Falls gets an average of 50 inches of snow every winter, and in January the mercury hovers around 22° F, a slap in the face for anyone accustomed to the balmy climes of southern California. During one worker visit, employees awoke to a hailstorm. One of the spouses declared that she wasn't moving and refused to leave the hotel.

Affordable real estate was a pretty good consolation, however. In El Cajon, for example, Farner, the heat-treat specialist, lived in a double-wide mobile home with his wife, son, and five cats. "We were saving for a down payment," he says, "but we were always one step behind." In Post Falls, the couple purchased a 1,650-square-foot tri-level house on a half acre just a stone's throw from the crystal-clear waters of Hauser Lake.

In the end, 58 workers and their families decided to make the move. None of them, however, were from the sales and marketing department, which numbered about 15 employees. These employees were generally affluent enough to enjoy life in southern California. Rather than build a new sales force from scratch, CJ struck a deal. Buck would lease back a small section of the El Cajon plant for them and revisit the arrangement after two years. "We knew the company was vulnerable during relocation," says CJ. "We wanted to keep the familiar voices at the order desk for our dealers. Instead of disrupting the team, we'd leave them in place."

Hitting the road

Buck broke ground on its new factory in June 2004--more than a year later than CJ originally wanted. The long delay came at a steep price: \$1.5 million in additional construction expenses, thanks to concrete and steel prices which had been driven up by the war in Iraq and the region's construction boom. Nonetheless, the new, 128,000-square-foot building was a gem. Located in an industrial park along the I-90 corridor, it was designed from the ground up to implement lean manufacturing in which workers operate in "cells," with emphasis on quality and flexibility.

As the skeleton of steel girders rose up from the Idaho steppes, Duckett had to solve an intricate puzzle: how to transfer production from El Cajon to Post Falls with as little downtime as possible. The first order of business was to build up three months of inventory to provide breathing space during relocation. He decided to move the machinery in two stages. First, he would transport the equipment that fabricated the parts, such as blades, handles, and so on. While this was happening, the assembly of those parts would continue at El Cajon. When fabrication was in place at Post Falls, assembly would move up to join it.

The move began the day after Thanksgiving 2004. Workers crated up an endless procession of lasers, stampers, presses, dies, drills, mandrels, grinders, and lathes, while a parade of 18-wheelers idled at the loading dock. Buck anticipated that each truck's trip would take five days: one day to load, three on the road, one to unload. It didn't always work that way. Two of the drivers, a father and son, quarreled on the way to Idaho and got into a fist fight. State troopers showed up and arrested the father at a weigh station on the Interstate, stranding his truck--along with a million dollars' worth of grinding equipment. "We had no idea where it was for about a week," Duckett says.

Buck Knives shut down the old plant on December 23 and shipped out the rest of the machinery. The workers packed up their tools and took their final paychecks. Walking through the cavernous building for the last time, his footsteps echoing off the bare walls, Chuck Buck blinked away the tears. "I thought we'd be there the rest of our lives," he says. "It was emotional to think about all the thousands of people who had worked in that plant making knives all those years. Almost overwhelming."

Meanwhile, CJ was busy organizing the work force for the Idaho plant. More than 3,000 candidates applied for 200 positions. Idaho's labor department helped Buck winnow this down to 400 applicants based on criteria such as manual dexterity, computer literacy, and proficiency in English.

The move to Post Falls meant big changes for Buck's labor setup. About 70 percent of the workers at the El Cajon plant belonged to an employees association--essentially, a union without affiliation or dues. The association's contract stipulated mandatory pay raises for its members based on seniority. In Idaho, Buck's executive group decided to eliminate the association. "From the office to the factory floor, now we have the same rules," says CJ.

CJ also had to manage his own family's transition, which turned out to be more complicated than he expected. Of his five children, three joined him and his wife in Idaho while the other two stayed in California to finish school. He traded his three-acre spread in the San Diego suburb of Lakeside for two houses in Idaho--a primary residence in the woods with its own trout pond, and a summer retreat on Lake Coeur d'Alene, with a private motorboat launch. "It's definitely a step up in the coolness factor," says his daughter, Sarah, who manages the company's retail division. "It's been an adventure."

The new factory's first blade rolled off the floor in February 2005. It was a Folding Hunter--the knife that made the company famous. The new knives arrived without a moment to spare. Buck originally reckoned that three months of inventory would be enough to meet demand while it worked out the kinks at the new factory. In the fall of 2004, however, Schrade, a major competitor, went out of business. Demand for Buck knives surged, burning through nearly all of the company's inventory.

It also took some time for Buck to stabilize its Idaho work force. When the company first explored the idea of moving to Post Falls, unemployment in Kootenai County stood at 8 percent. By the time the first knives were rolling off the line, it had dropped to 4 percent. "We were seeing 30 percent turnover," says Duckett. To hold on to its workers, Buck hiked starting wages from \$6.50 an hour to \$8.50. By the fall of 2005, as employees settled into the job, efficiency figures at the new factory passed the mark set in El Cajon by most measures.

Despite the hiccups, CJ is ecstatic, almost evangelical, about the move. "It's delivered everything we hoped," he says. Electric bills are roughly 30 percent what they would have been if Buck had stayed in California; workers' comp 10 percent; and labor costs 75 percent. The move reduced overhead and freed up capital for investment and product development. "It has reinvigorated this company, from the engineers to the factory floor," he says. "I could not be happier to be here. We're excited. We're kicking butt. It's reanimated a sense of pride in the company."

In honor of its new home, Buck stamped a tiny map of Idaho on every knife made in Post Falls in 2005. Above the factory, the state flag ripples in the stiff breeze, proclaiming the motto *Esto perpetua*--"Let it endure forever." And guarding the entrance is a hunk of rock inlaid with the brass plaque honoring CJ's grandfather. It was engraved in El Cajon--but the rock is proud Idaho basalt.

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