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Billion-dollar repair man

After getting his start doing HVAC repairs, he's become a Mr. Fix It for manufacturing companies

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Jim Patton began his career repairing heating and air conditioning units. These days, he repairs multi-million dollar manufacturing companies.

The path that took him from one to the other is unconventional at best.

Patton is the managing partner of KPAC — a private investment firm which buys, fixes and resells distressed manufacturing companies owned by Fortune 1000 conglomerates. The process entails trimming back operations to make the companies as efficient as possible. It's called "100 days to profitability" because that's exactly what Patton's group tries to accomplish.

Additionally, KPAC will often use its merger and acquisition experience to buy companies that complement the one being fixed, making for a nice big resale package in the end. KPAC has closed on 14 purchases in the last 12 years and is working on several more.

Patton's achievements are impressive, espcially considering he doesn't have an MBA - or even a college degree. He did attend a two-year program to receive his HVAC license, but he didn't stick with it long.

"I quickly learned that that was not the career that I wanted," he says.

Soon after discovering HVAC wasn't his thing, Patton took a job as a handy-man with Rohr Inc. in Washington, D.C. At the time, the company was producing mass-transit equipment.

"That was an experience into the manufacturing world and I just loved it," he says.

He got the chance to go through a graduate program with Rohr's engineering department. After taking the program — one designed for college graduates — Patton became an industrial engineer with the company. In the job, he worked to improve its manufacturing processes.

When Rohr's mass-transit contract ended, Patton moved on to work for several other manufacturers, including a producer of heating and air equipment. Through that company's sale, he was introduced to the world of mergers and acquisitions.


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Jim Patton is managing partner of KPAC. The investment firm has closed on 14 companies in the last 12 years and has other deals in the works.

After asking a colleague how mergers and aquisitions worked, Patton was told to read the Wall Street Journal and trekked to the library to check out a copy. He didn't realize at the time that the Journal was a newspaper, not a book. Once he put his hands on a copy, he didn't put it down for 10 years.

"I fell in love with what I was reading," he says.

After a decade of learning from the popular business publication, Patton decided to try an acquisition of his own. He bought a manufacturing plant that had been out of commission for some time. Patton describes it as a "job shop," meaning it manufactured whatever clients needed.

Two-and-a-half years later, Patton handed the keys back to the plant's former owner. He had managed to get the place up and running again by pushing out three truckloads of product at time for clients such as Ford Motor Co. But that wasn't enough to make the factory's larger economics work.

Patton says he doesn't regret the experience. It taught him the importance of valuation and the consequences of paying too much for a company. He says he never made that mistake again.

In fact, Patton has so mastered his valuation process that KPAC makes offers on companies within 72 hours of first hearing about them. Patton says he only needs three years worth of balance sheets and income statements and an executive summary detailing the companies woes.

KPAC doesn't buy off the market. The investment firm only takes on the worst of the worst and Patton says companies must have gone through the auction process without any deals for him to even consider them.

The fixing-up process does mean job cuts. Patton says having too many employees is often a manufacturer's No. 1 fault. The trade-off is that not every employee is laid off, as would occur if the company shut down.

Shutting down is usually the only option manufacturers have if a company like KPAC doesn't buy them. Patton says that when the companies are repaired and ready to be resold, there are often more positions than when they were purchased.

Ralph Keller, president of the Illinois-based Association of Manufacturing Excellence, says there are plenty of companies like KPAC out there and they're doing a service to the U.S. economy.

"Manufacturing firms have historically been one of the leading ways for people to achieve middle class," Keller says. "Companies like KPAC that are going in and fixing these broken companies are ... preserving manufacturing jobs."