

Knowing Smile

Hands-on experience gave the relatively young Christensen Shipyards' president Joe Foggia the confidence to take the US boatbuilder to the next level. Bransom Bean went to find out his plans.



All Christensen motoryachts are composite.



Photo: Stephen Crilland

It's one thing to settle into the chief executive's chair of a company when your hair is starting to grey and you can point to over 30 years of managerial experience at half a dozen Fortune 500 companies since you got your MBA. Banks, shareholders and most importantly your employees tend to grant an automatic, early respect to grey hair, deservedly or not.

But it's another challenge altogether if you're young.

Joe Foggia took over as president and managing partner of Christensen Shipyards in Vancouver, Washington, USA (not to be confused with Christensen Yachts Ltd in British Columbia, Canada) when he was just 30 years of age.

You might be tempted to assume that Joe Foggia, now aged 37, is the very young president and managing partner of Christensen Shipyards largely because of his stepfather; but you'd be very wrong.

True, Dave Christensen, Foggia's stepfather, founded the company and is still its chairman and a major shareholder, but when Foggia took over the helm he had a lot more going for him. For one thing, he already had earned the employees' respect.

"I grew up here with what would later be my management team," he says. "I felt the employees were actually grooming me for this job."

"I grew up here... I felt the employees were actually grooming me for this job."

Foggia's job now entails managing a truly vertically integrated industrial process in the State of Washington that employs over 450 people producing four composite motoryachts from 47m-50m (157ft-164ft) every year. But all of this is about to expand exponentially with the addition of a new custom-built production facility, 2,540 miles away on the other side of the USA and 244m (800ft) above sea level in Greenback, Tennessee.

Coming on the back of fundamental changes he's already made in the company, the expansion and associated integration challenge could make the subject of a Harvard Business School case study, if Foggia and the team manage to pull it off.

Ironically, you could say that Foggia started in the yacht-building business at

the same time as his stepdad and that Christensen Shipyards is another one of those "accidentally-in-the-superyacht-business" stories.

"It was certainly Dave's baby, but the whole family participated at some level in the building of boat one," Foggia recalls.

In 1979, Dave Christensen built a 24m (80ft) Westport for his own personal use. This family project took two years and when *Las Americas* was finished, apparently Dave was already thinking: "I could have done this better."

So, with half a million dollars invested in her, Christensen sold *Las Americas* for a tidy US\$1 million and started to build another boat.

Dave Christensen, who had made his fortune as a production real **►► P36**

Greenback, Tennessee — ready for 'Plant 2'

Roy Hammontree of the TVA and the Tellico reservoir. Left: Downtown Greenback.

Little River Taxidermy in Greenback, Loudon County, Tennessee, USA (population 954) is about to get a big new neighbour — Christensen Shipyards. The arrival of the superyacht builder will bring to two the grand total number of businesses on that side of the tiny town.

Christensen is probably the biggest thing to happen to Greenback since the railroad that bisected the town was ripped up years ago (the defunct station is for sale, by the way, conveniently located beside the postage stamp-sized Post Office, across from the rest of downtown Greenback — three shops, two of which are vacant).

When it's completed in two years' time, Christensen's new 400,000ft² facility will employ 500 people drawn from 30 miles around and from Christensen's existing Washington workforce. Foggia says he's already receiving requests from existing employees to move out east.

"At last year's Miami Boat Show, we decided to build a new shipyard because all our customers were saying 'bigger and bigger'," Foggia observes. "Also, we'd started having trouble finding composites people in the northwest."

So having considered a 30-acre site just down the river in Vancouver, which Foggia describes as "problematic", Christensen ended months of speculation and opted instead for the 50-acre cow pasture in Greenback, where presumably the boatbuilder will find plenty of eager workers, formed a company to build the plant and broke ground there late last year.

The area around Tellico Reservoir, 30 minutes south of Knoxville, is already home to an impressive list of composite boatbuilders, including Sea Ray and Cobalt to name just two, which means potentially lots of skilled composite workers. And, says Foggia, "The University of Tennessee has promised to help us get more."

Of course there's speculation that Christensen shareholder Henry Luken, who runs a real estate and television empire from nearby Chattanooga, had something to do with the choice of the site.

Integration and coordination of the two workforces, separated by a continent, will be a challenge. But Foggia seems undaunted.

"I'll spend one-third of my time in Washington, one third in Greenback and the rest in Ft Lauderdale," he says, all the easier because Foggia's wife travels with him and the couple have no children.

But everyone wants to know how Foggia's going to get the finished boats — Christensen's biggest, ironically — 500 miles, as the crow flies, and 800ft of elevation, to the Gulf of Mexico.

Fortunately Tellico Reservoir, an artificial 20-mile long lake built by the Tennessee Valley Authority (TVA) in 1979, is connected to the sea by rivers and canals that already carry a vast share of US freight, lashed together in massive rafts of barges. Once under a 60ft draught bridge at Loudon Dam, finished Christensens join the Little Tennessee River and can make a fresh water shakedown cruise to Mobile Alabama in the Tombigbee Waterway or New Orleans via the Mississippi.

Inland superyacht building, of course, is nothing new, particularly in Europe. But at 250m (812ft) above sea level and a week's freshwater voyage down the Tennessee Tombigbee Waterway or the Mississippi River to the Gulf of Mexico, Christensen's new yard may be "THE highest and farthest" and therefore quintessentially American.

And in the Christensen spirit of vertical integration...

Roy Hammontree of the Tellico development authority commented: "Christensen is critical to our becoming a marine manufacturing community. We now have a range from pontoon boats to megayachts."

estate developer, eventually retired at the age of 50 to build yachts full time. Once he had delivered seven 90-footers, Westport, perhaps now seeing him more as a competitor than a customer, stopped selling hulls to him.

Undaunted, Christensen then began building custom boats in a 8,500m² (92,000ft²) state-of-the-art facility he built from scratch, which now exceeds 5,000m² (160,000ft²) due to ongoing expansions.

In 1990, Foggia joined the company on a full-time basis, having just graduated from a small, 'local' four-year college in business administration.

"I was never going anywhere else," Foggia says.

It was a difficult period to go full-time at Christensen. A fire had caused major disruption in production and Foggia describes senior management as being in a 'revolving door'. Custom building with minimal working capital meant an almost boom-and-bust cycle with the fate of the workforce hinging on that next sale.

"It was a character-building experience," he says.

Fortunately, by that time he was no stranger to the business, having begun at the age of 15 working his first of many summers grinding fibreglass, building cabinetry, plumbing and so on in his stepfather's business. In fact, he believes this humble start has been the key to his success within the company, earning him respect among the employees.

"Everybody out there knows I started sweeping floors," he says. "I respect every job, because I've probably done most of them."

But moving from sweeping floors to being a manager is, of course, more than just ticking boxes when the task is complex and you have hundreds of employees.

Importantly, Foggia does not see his job as management.

"If I was just managing, I couldn't leave to sell boats and meet customers," he says. "I am a good delegator. I leave them alone. My job is to help everyone else, because they're shareholders — they're my boss."

As to whether other employees saw him as gleaning special favours from his stepfather, Foggia is adamant that it was never a problem.

"Every step of the way it was accepted that I was young and Dave's stepson," he says. "I saw from the first day that I had to gain their trust, so I came in at 5.00am and stayed 'til five or six every night and was willing to do any job."

It also helps if you're a regular guy.

In 1991 he became one of five production planners, responsible for overall materials, planning and scheduling, as well as project management, giving him hands-on experience with the



Christensen's metalshop.



Vacuum infusion.

“If you’re going to achieve quality, you must have patience with your employees and encourage them to grow along with you...”



Joe Foggia inspecting cabinetry.

production process and making an intimate friend of the critical path methodology and other advanced project-management techniques. From that vantage point he could observe the effects of uncertain management.

Besides the instability at senior management level, Foggia also recalls that, until 1992, Christensen had never built a boat ‘on spec’, making production unpredictable and real efficiencies virtually impossible to attain.

Dave Christensen had the desire to change that and Foggia would eventually be tasked with integrating the concept.

Liquidity was already over 50 per cent complete when a client by the name of Henry Luken, a prominent Tennessee businessman, came along and bought her. Not only was it Christensen’s first series-spec boat, but unknown to everyone at the time, the relationship with Luken would still be having far-reaching impact on

Christensen in 2007.

“Most importantly, we knew through our experience that *Liquidity* was eminently resellable,” says Foggia.

Production of the 155 model began in 1997; a year after, Foggia became vice-president of operations.

Almost inevitably he became president and managing partner in 2001, having not only been able to earn the respect of the employees, but just as importantly the professional respect and trust of Dave Christensen himself.

Foggia set about implementing the changes he now knew were needed.

Like most other successful manufacturing companies, particularly those producing complex and costly things like superyachts in a burgeoning market, Foggia saw his team as the company’s principal asset and started there.

“This is a specialised industry and everything hinges on people,” he says. “The

Pacific Northwest is full of good craftsmen, but there’s also lots of boatbuilding jobs available to them.”

Foggia recognised that a shipbuilder can grow profitability with experience. Experience leads to efficiencies and also improvements in quality. Soon Christensen saw warranty work drop from three per cent to one per cent.

“Our product is constantly improving. There’s not a surveyor in the world that can come in and say we ever cut a corner,” he says. “But that’s not just because quality control reports directly to him.”

“If you’re going to achieve quality, you must have patience with your employees and encourage them to grow along with you,” he says. “When you lose good people, you lose quality — people retention is everything.”

It’s not surprising, then, that all of his management team have over 10 years’ tenure. Foggia, as president early- **▶ P40**



Christensen's signature bulbous bow helps reduce wake and fuel consumption.

on, implemented a strict retention policy that is still in force at the yard today.

"It may sound too simple, but basically we say, 'hey, we're not going to fire you'," Foggia explains. "No one can be fired if they have two years' tenure without my specific approval."

This is not to say that once you've been there two years, if you mess up you're going to get away with it.

"First it's a written warning, then it's a week off without pay," he says. "Finally, it's three months off without pay. You hit them in the wallet, and they'll eventually wake up."

Such employee-friendly, cushy Theory-Y talk is cheap, but when we toured the plant it was clear that Foggia knew every worker's first name. More important was his attitude throughout the plant. He in turn was greeted, not by averted eyes or bursts of intense activity focused elsewhere, but a clearly genuine, "Hi, Joe".

Foggia says he always tries to promote from within. An early change was making stock available to Christensen employees from the journeyman level.

During that same walk around the plant,

another of Foggia's mantras, founded by his stepfather, was proven. Christensen really is incredibly vertically integrated in an age of out-sourcing and just-in-time.

Foggia sees doing almost everything in-house as the key to consistent quality.

Uncut hides hang in the Christensen upholstery shop, the metal shop is fabricating everything from brackets to stanchions in polished stainless steel, and outside in an adjacent vacant lot a 950m² (10,000ft²) building will soon house Christensen's new in-house marble shop.

The bottom line is that Foggia wants no part of the vagaries of subcontractors' schedules, capacity and continuity.

"Subcontractors mean inconsistency to us. If they go out of business, you have to start all over again," Foggia says. "We do our own monitoring, marble, woodwork and metalwork; even the entertainment package is a 'captive sub'."

Foggia also considers getting the rate of production up by four times as one of his and his team's biggest accomplishments. To do that, custom-build had to give way to spec-build, what Foggia calls "series built". Not only does this require confidence, it also takes working capital.

"With the series concept we are selling proven reliability and quality, but we have total control," he says.

After the first 155, Christensen built a 150-footer (46m) named *Mystic*. She didn't sell until 60 per cent complete and was delivered in 2003.

Foggia says that Dave and he decided to break the cycle of sell-build-deliver-back-to-the-bank, which kept Christensen shaking along at one to one and a quarter boats per year.

For the working capital, suddenly Henry Luken was back on the scene, a satisfied boat owner turned one of Christensen's bigger shareholders. After selling him his third Christensen, Foggia says, "it was true love between us and Henry. He had to be a partner. We are all family."

Foggia is not ashamed to acknowledge that they do not build custom boats, observing that 'custom' and speed of build are mutually exclusive. He says the majority of his customers want a boat immediately anyway.

"Eighty per cent of buyers want one tomorrow, but they'll settle for a year," he smiles. "And remember, boats aren't all that attractive to look at until 60 to 80



Photo: Stephen Crilland

per cent complete.”

Foggia admits this also facilitates the sale and supports the price. “If we have a boat for sale that’s 80 per cent complete, there’s less competition,” he says.

It also means there’s less chance for owners, their advisors or their ‘extended families’ to suggest making costly changes that can also affect resale value and the delivery time-frame.

“A truly custom boat is custom to that particular yard,” he reminds. “When an owner buys a custom boat, he’s married to that yard, because only they understand it; that hurts come resale.”

To substantiate this, Foggia points to the fact that in 1997 the 155 sold for US\$12 million. Now the same boat is selling for US\$33.5 million.

“Custom boats don’t appreciate like that,” says Foggia.

Christensen takes pride in selling “turnkey yachts with turnkey prices” right down to the linens. Foggia confirms that a Christensen is available in any colour, as long as it’s Awlgrip!

“I’ve lost three deals because we wouldn’t do a coloured hull,” he admits, something that had to change as paint manufacturers confirm superyacht buyers are increasingly seeking individuality in coloured hulls. “We found a way and changed it.”

Interestingly, Foggia’s penchant for vertical integration doesn’t extend to the

“A yacht is your very personal, five-star resort, one where you’ve hand-picked the people that service it for you.”

actual selling of his boats. Foggia prefers to sell through brokers.

“I am the biggest advocate of brokers; they sell all of our boats,” he says.

When Foggia started as president, Christensen had an in-house sales and brokerage division in Ft Lauderdale, Florida. No longer. To keep sales levels consistent, in 2002 he went to factory direct brokers.

“Now we sell almost no boats directly to new owners and we don’t broker boats anymore,” he says. “Our in-house sales force actually looked like competition to the other brokers and that was hurting sales because they wouldn’t work with us.”

Foggia is very careful to protect brokers,

something that brokers in Ft Lauderdale confirm. Buyers who happen to come directly to Christensen are quoted exactly the same price as quoted to brokers and the Ft Lauderdale office is now strictly for customer service.

He believes that people are buying yachts not just for status, but because they can go anywhere in comfortable, familiar and secure surroundings.

“This is the ultimate luxury item; a G-5 is just a tool,” he says. “A yacht is your very personal, five-star resort, one where you’ve hand-picked the people that service it for you. Yachts are inherently secure.”

Foggia loves the cut and thrust of the sales process, even enjoying that **►► P42**



The expandable mould at Christensen's Washington State facility.

“In constructing a yacht, composite is efficient and steel is fast, but to build the same length boat in steel, you’d lose a stateroom...”

bane of salesmen, ‘cold-calling’.

One important way Foggia believes he personally helps sales is by going out on the road and meeting existing owners and potential buyers. Foggia spent 10 weeks last year out on the water with customers to get their feedback. To be able to do that requires two things — confidence that all will be well while you’re away, and happy owners to meet.

“We’re good friends with all of our owners — yes, all of them — but I’ll never sign another confidentiality agreement,” Foggia smiles knowingly. “Hull number 33 will be our 10th repeat buyer.”

The Christensen product is perhaps typified by the bow now sported by all of its yachts. Long a feature of large displacement cargo ships, this protrusion serves to create a wave that cancels the wave created by the vessel herself. Not only does this reduce the wake and the overall fuel consumption, it also brings

buoyancy forward. Clearly, bulbous bows are not a sexy feature for fast planing hulls. But that’s not Christensen’s market.

“We’re looking for the guy who wants to be able to go anywhere in the world at 17 to 18 knots,” says Foggia. “Our yachts are meant to convey stability and substance around the globe; we support our boats anywhere, even as far as Tasmania.”

“We encourage our owners to charter if they aren’t using it,” he says. “A couple of our owners though are on their boats over 80 per cent of the year.”

Until now, Christensen has traditionally remained conveniently just under 500GT.

“That 499.8 tonnes is perfect and that’s our 160-footer,” says Foggia. “With seven or eight feet of draft she can go anywhere with 600m² (6,500ft²) of living space.”

The next logical step, though, is 58m-67m (190ft-220ft), and that’s what will be built in the new Greenback facility.

Looking globally to what might seem

like an insatiable if not overheated market for superyachts; one question on many minds is how long the current superyacht bubble will go before bursting. Acknowledging that it might seem overheated and ultimately is dependent on the global economy and world events, Foggia is confident on the issue: “There are potentially 100,000 buyers for these boats out there.”

“The Middle East is hot and Europe will always be hot, I think,” he says. “We’re looking at Dubai, more of our clients are taking their boats there.”

As far as building materials go, not surprisingly Foggia is sold on composites. “Look at the Boeing Dreamliner,” he says, referring to the reduction in aluminium planned in the US aircraft maker’s latest offering. “And it’s selling like hotcakes.”

Christensen has, for the last eight years, been building its yachts using ‘vacuum infusion’, a system said to have been developed for 107m (350ft) Swedish Navy Minesweepers. As well as cutting down on solvents released into the atmosphere, but makes for a stronger, stiffer structure.

“In constructing a yacht, composite is efficient and steel is fast, but to build the same length boat in steel, you’d lose a stateroom,” he points out. “Sure, some captains particularly are hung up on steel, but we convert them soon enough.”

Ironically, the Christensen yard is close neighbours with a steel yard, so the availability of the material is not the issue.

“Our bottleneck is the mould and tooling costs which builders of steel boats don’t have,” he says. “For a 200ft (61m) yacht, that’s four and a half million dollars.”

If there is a cloud on the industry’s horizon, Foggia sees it as insufficiently qualified crew and berthing space for the vessels themselves as they get larger.

“The crewing situation is big; there is a real shortage,” he says. “In fact, we’re building bigger and more comfortable crew accommodation for that reason.” Foggia does believe the shortage of vessel berthing will be helped by dynamic positioning, no-speed stabilisation, and running tenders from offshore. “However, some of our owners like to be alongside,” he says. And always the people person, he adds: “Alongside is also good for crew morale.”

Wrapping my visit up, I pointed out that one measure of a good leader is the grooming of a successor, even when they happen to be only 37 years old and loving every minute of their job.

“Of course I’m looking for an heir; I have some ideas,” Foggia says. “But whoever takes over from me has to understand this product having worked at all levels and has to have the right personality.”

Makes you wonder what the Foggia’s employees’ input will be on that. **► P44**

Christensen Shipyards' build list and order book 1990-2011



Photos: Stephen Cridland

Vessel Name	Yard No	Length (ft/m)	Beam (ft/m)	Draft (ft/m)	Engines	Max Speed	Range	Classification	Year of Build
Picante	001	120 / 36.6	26 / 7.9	6.9 / 2.1	DDC 16V 92	20	4000	ABS A1-AMS	1990
Royal Oak	002	130 / 39.6	26.8 / 8.2	6 / 1.8	Mitsubishi	20.5	4000	ABS A1-AMS	1988
Bonheur 2	003	130 / 39.6	26.9 / 8.2	6.8 / 2.1	Detroit Diesel 12V 92TAB	18	4000	ABS A1-AMS	1990
Royal Oak II	004	115 / 35.1	26.8 / 8.2	6 / 1.8	Mitsubishi	20.5	4000	ABS A1-AMS	1990
R. Rendezvous	005	110 / 33.5	25.8 / 7.9	6 / 1.8	DDC 92TA	22	4000	ABS A1-AMS	1992
Fifty One	007	125 / 38.1	26.8 / 8.2	6.5 / 2.0	Caterpillar 3408	13.5	4000	ABS A1-AMS	1991
Magnifico	008	140 / 42.7	27.5 / 8.4	7 / 2.1	1400 HP Detroit 1292	21	4000	ABS A1-AMS	1991
Bah Humbug	009	120 / 36.6	26.2 / 8.0	6.5 / 2.0	1040 HP DDC 1292	17	4000	ABS A1-AMS	1991
Alteza	010	130 / 39.6	27 / 8.2	7 / 2.1	DDC 16V 92	18	4000	ABS A1-AMS	1993
Emerald Isle	011	126 / 38.4	26.9 / 8.2	7 / 2.1	1040 HP DDC 1292	17	4000	ABS A1-AMS	1992
Cacique	012	120 / 36.6	26.5 / 8.1	7 / 2.1	Deutz 604B V8	17	4000	ABS A1-AMS	1995
Exuma C	014	112 / 34.1	26.8 / 8.2	6.5 / 2.0	Caterpillar 3408	13.5	4000	ABS A1-AMS	1993
Lady Wanda	015	118 / 36.0	26.8 / 8.2	6.5 / 2.0	Caterpillar 3408	13.5	4000	ABS A1-AMS	1994
Namoh	016	142 / 43.3	27.6 / 8.4	6.8 / 2.1	Deutz MWM TBD604B V12	20	4000	ABS A1-AMS	1996
Silver Lining	017	155 / 47.2	28 / 8.5	6.8 / 2.1	Deutz 604B V12 3896	20	4000	ABS A1-AMS	1997
Victor Choice	018	150 / 45.7	N/A	N/A	N/A		4000	ABS A1-AMS	N/A
Kingfish	019	105 / 32.0	26 / 7.9	6.5 / 2.0	Caterpillar 3412	18	4000	ABS A1-AMS	1998
Liquidity	020	155 / 47.2	28 / 8.5	7 / 2.1	MTU 16V 2000	20	4000	ABS A1-AMS & MCA	2001
Wehr Nuts	021	124 / 37.8	28 / 8.5	6.5 / 2.0	MTU 16V 2000	24	4000	ABS A1-AMS	1999
Atlantica	022	135 / 41.1	28 / 8.5	7 / 2.1	MTU 16V 2000	20	4000	ABS A1-AMS	2000
Walkabout	023	141 / 43.0	28 / 8.5	7 / 2.1	MTU 16V 2000	22	4000	ABS A1-AMS	2000
Mystic	024	150 / 45.7	28 / 8.5	6' / 11"	MTU 8V 4000 M90	18	4000	ABS A1-AMS & MCA	2003
Primadonna	025	145 / 44.2	28 / 8.5	7 / 2.1	MTU 8V 4000 M90	20	4000	ABS A1-AMS	2002
Liquidity	027	157 / 47.9	29.5 / 9.0	8 / 2.4	MTU 12V 4000	17.5	4500	ABS A1-AMS & MCA	2005
Barchetta	028	157 / 47.9	29.5 / 9.0	8 / 2.4	MTU 12V 4000	17.5	4300	ABS A1-AMS	2006
Marathon	029	157 / 47.9	29.5 / 9.0	8 / 2.4	MTU 12V 4000	17.5	4300	ABS A1-AMS	2006
Party Girl	030	146 / 44.5	29.5 / 9.0	7.4 / 2.3	Caterpillar 3512 B 2250 bhp	N/A	N/A	ABS A1-AMS	2007
Lady Joy	031	157 / 47.9	29.5 / 9.0	8 / 2.4	MTU 12V4000	17.5	4300	ABS A1-AMS	2007
Liquidity	032	157 / 47.9	29.5 / 9.0	8 / 2.4	MTU 12V4000	17.5	4300	ABS A1-AMS	2008
Desperado	033	160 / 48.8	29.5 / 9.0	8 / 2.4	MTU 12V4000	17.5	4300	ABS A1-AMS	2008
Project Monkey Business	034	160 / 48.8	29.5 / 9.0	8 / 2.4	MTU 12V4000	17.5	4300	ABS A1-AMS	2009
N.N.E. 2	035	160 / 48.8	29.5 / 9.0	8 / 2.4	MTU 12V 4000	17.5	4300	ABS A1-AMS	2009
Casino Royale	036	160 / 48.8	29.5 / 9.0	8 / 2.4	MTU 12V 4000	17.5	4300	ABS A1-AMS	2010
Hull	037	160 / 48.8	29.5 / 9.0	8 / 2.4	MTU 12V 4000	17.5	4300	ABS A1-AMS	2010
Hull	038	160 / 48.8	29.5 / 9.0	8 / 2.4	MTU 12V 4000	17.5	4300	ABS A1-AMS	2010
Hull	039	160 / 48.8	29.5 / 9.0	8 / 2.4	MTU 12V 4000	17.5	4300	ABS A1-AMS	2011
Hull	040	160 / 48.8	29.5 / 9.0	8 / 2.4	MTU 12V 4000	17.5	4300	ABS A1-AMS	2011
Hull	041	160 / 48.8	29.5 / 9.0	8 / 2.4	MTU 12V 4000	17.5	4300	ABS A1-AMS	2011

