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Joe Foggia

The Christensen president on the shipyard's approach to lean manufacturing and production control



CAREER DETAILS

► **Current role:** President and director of sales at Christensen Shipyards, which operates a construction facility in Vancouver, Washington. The shipyard also has an in-house design department.

► **Work experience:** Starting as a part-time apprentice at Christensen Shipyards at age 15, Foggia worked in various production departments, such as carpentry, fibreglass, mechanical, and plumbing, through college. After graduation, he worked full time in different areas of production planning, estimating, and overall operations management for 10 years before becoming president and a managing partner in 2001.

Joe Foggia

President | Christensen Shipyards

HAVING WORKED HIS WAY UP FROM THE SHIPYARD FLOOR, JOE FOGGIA HAS A WELL-ROUNDED PERSPECTIVE ON CHRISTENSEN SHIPYARDS AND, TO THE COMPANY'S BENEFIT, HIS APPETITE FOR KNOWLEDGE KEEPS ON GROWING

INTERVIEWED BY DIANE M BYRNE

Normally when someone uses the term freak, it's meant in a derogatory way. But not for Joe Foggia when he's referring to himself, the entire Christensen Shipyards staff, and their approach to superyacht construction. "We're quality freaks," he says. "With us, the quality is consistent because we're freaks about it. It's always good and always getting better under the continuous improvement programme we have here."

Foggia demonstrates a remarkable insight for how the various shipyard divisions operate and what changes are really in the best interest of progress — over the course of nearly 30 years working at Christensen Shipyards, he's laid fibreglass, installed plumbing and served as an internal project manager on the superyachts coming out of the Washington State-based facility. What's more, even with long-standing pride in the craftsmen's work, Foggia readily states that not everything about the business was, or is, perfect. There's room for growth at every level, including his own.

It might surprise you further to learn that Foggia realised the need for improvements during the recent boom years, when yacht builders, Christensen included, practically couldn't sign orders fast enough. In fact, it was a less-than-enjoyable period for him. "From 2003 to 2008, it was not necessarily fun — it was the heyday, and everybody was selling boats, and we were selling boats like crazy too, but we weren't really making any money because we were so fat and inefficient," he admits.

The number of CEOs — much less the heads of shipyards — who will own up to their company's lack of

effectiveness can probably be counted on one hand. For Foggia, it has meant a world of difference in how top-down management works and, equally important, has introduced bottom-up improvements. "It was always very frustrating, whereas now it's become fun because we're extremely efficient," he explains.

Eliminating waste

"If you come to the shipyard now, it's completely different to how it was three, four years ago," Foggia avers. "We're very transparent. Anybody can walk through and get a feel for where a department stands, what its status is relative to each project." Every schedule from every department is posted on the wall right near the superyacht it's working on, colour-coded to indicate whether the group is on time (green), in danger of falling behind (yellow), or late (red). "Any owner or surveyor can walk in here and understand it," Foggia says. "There's nothing to hide." There's nothing to conceal from fellow craftspeople, either — and no blame game if things aren't entirely on track. "Everybody knows that if they're in a red situation, it's all hands on deck," Foggia explains, adding that employees from each department will do what they can to get the schedule back into the green.

This colour-coding system and overall transparency stems from Christensen implementing Kaizen, also known as lean manufacturing, in 2009. In brief, the production-control philosophy involves the elimination of waste as it relates to material, time, and/or both. Overproduction is one major type of waste in manufacturing, Foggia says. "Should we be

Photo: Darcie Elliott

building three pilothouses at one time? The answer is no. You only build what you need when you need it, otherwise you're spending money where you don't need to be spending money." He continues, "The natural tendency is to say, 'Well, let's build three pilothouses because it's going to be cheaper that way.' But what ends up happening is that you have three different parts sitting out in the yard, and people trying to walk around them and move them around. Then the next customer says they don't want to use that style." Foggia says the same holds true for hull moulds and all other aspects of superyacht construction. Everything is therefore built or ordered as needed, when needed, and in the number that's needed — what's referred to as the Just-in-Time philosophy in Kaizen. "We end up saving thousands of hours," he adds, which translates to capital.

Another area of waste that Christensen has now eliminated is people waiting around for information. Foggia says that they realised that by providing the production staff with as much detail as possible from the engineering department, "Engineering is now way



Joe Foggia has adopted the production-control philosophy Kaizen

ahead," he says. "We figured that if you spend, say, an extra 1,000 or 2,000 hours on engineering, it saves out on the floor as staff don't have to go back to engineering to have something explained." It may sound like common sense, and

it is, yet, "it's a classic issue at every yard," Foggia explains. He adds that Christensen now has about 25 engineers in-house, compared to 10 to 12 prior to the implementation of Kaizen. "It's worked out extremely well," he says.

Something else that has worked out extremely well is the creation of exact copies of supply cabinets for each project. If you walk around most shipyards, you'll see craftspeople going back and forth from the yachts to the supply shop. Christensen operated the same way until it began implementing waste elimination. It built and installed glass-front cabinets containing every consumable needed in every aspect of every build area in the shipyard. There's also a person charged with restocking the cabinets. Not only does all this eliminate

unproductive time, but in the first year, Foggia says, Christensen saved \$1.3m. Not that he, or anyone else at Christensen for that matter, had an overnight epiphany that this would occur. "Keep in mind, we had 25 years of bad habits," Foggia admits. "All companies develop bad habits along the way."

Recession response

If it hadn't been for the global recession, Christensen may not have learned the extent of the error of its ways. "From September 2008 and through 2009, we didn't have one sales call. The world was in a tailspin. Nobody was thinking about buying boats," Foggia remembers. The shipyard's 500-strong workforce could not be sustained, so layoffs ensued. Foggia remembers looking at wind turbines in eastern Washington State and thinking that Christensen should get involved in that industry to diversify. He started working with an organisation in south-west Washington to explore renewable energy solutions. After all, the wind turbine blades are made of composite, and all of Christensen's yachts are as well. In collaborating with that organisation, and consulting with companies such as Boeing, Foggia says, he and the management team learned that Kaizen and lean manufacturing were widely employed. Yacht builders, focused more on the artisan aspects, therefore faced an uphill battle if they didn't

change their business practices. Christensen obtained a grant for re-tooling and, equally important, for re-educating its staff, particularly in the concept of continuous improvement, a cornerstone of waste elimination. "We were actually able to compete again, and we won some pretty interesting contracts on that basis, by changing the way we thought," Foggia says. The newly formed sister company, Renewable Energy Composite Solutions (RECS), went on to be awarded *Seattle Business* magazine's 2010 Manufacturing Innovation of the Year. RECS remains active today, with Foggia continuing to serve as a managing partner.

Even with RECS landing contracts, Foggia remained focused on re-stimulating Christensen's yacht

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operations. In 2009, it signed an agreement with Ocean Alexander to construct the Ocean Alexander 120, the first model in the builder's Megayacht Series. While Ocean Alexander builds all its own composite yachts to 27m (90ft) at its Taiwan facility, adding the 120 wasn't a simple matter of laying up a larger hull. It believed teaming with an experienced partner was a better move, so selected Christensen for both that and its reputation in the fibreglass superyacht market. Ocean Alexander also believed that Christensen would be a good match with its own purchasing power in terms of equipment and other supplies.

Things continued to look up with the addition of two contracts for its own Custom 50M Series in 2010, code named *Perfect Pursuit* and *Deputy Dog*. Despite that, and the Ocean Alexander deal, Christensen was far from bustling with activity immediately. "We were waiting and waiting and waiting for things. We couldn't just build up our workforce," Foggia says. By the end of 2010, Christensen's employee total was down to 75 people. It started hiring again in 2011, with a careful eye on who would not just understand the principles of Kaizen, but embrace them. "Because we had reorganised our whole company under Kaizen, we were able to then figure out who would fit in the programme," Foggia says. "It's a whole cultural change, from me down. Everyone has to change based on it. It was a very good way of then bringing in the right people to make sure the culture continually improves." Christensen's workforce now totals 300, "and we're still looking for another 50 or 60," he adds.

In particular, Christensen is looking to hire back more craftspeople as its order book continues to grow. Besides the above-mentioned superyacht contracts, Christensen announced a 160 Custom Series contract in early 2012. Shortly thereafter it revealed it would build its first 43M Custom Series project. Before the end of 2012, Christensen had also signed two 164 Custom Series projects, each for repeat customers. One of them

TO THE POINT

Why do people buy a Christensen yacht instead of another yacht?

It's several different things. I believe, related to our class of yacht, we build the best quality per square foot in the world. I think because we're vertically integrated, and we do everything in house, and we're quality freaks, that has a big impact on the overall quality of the vessel. A lot of other builders use subcontractors, and they switch between subcontractors, so quality from boat to boat changes. I also believe it's because we don't flood the market with boats. Plus, I think our openness to receiving customer feedback is important. We take everything they have to say to us and really digest it.

Have you ever had any moments of doubt about the future of the business?

My day of reckoning came at the Monaco Yacht Show in September 2008. The boat show was dead. Two days prior

to me returning to the States, I called the shipyard and said, "We're going to have to lay off 75 people." At the time we were employing 500. Then, markets and everything else started crashing. By the time I got back, we were in layoff mode. Other builders were looking at me as if I was nuts, but I clearly acknowledged it. We had to tailor to accommodate what we were building at the time.

What is your main driving force: passion for yachts or passion for business?

It's definitely passion for the yachts. I enjoy the concept of the yacht, and I enjoy the customers tremendously. It's the pride in the craftsmanship and the quality.

What are the challenges of working with a superyacht client, and what advice do you give them?

We'll do whatever somebody wants. But I always tell them, "I'm

going to tell you my opinion. We'll build what you want, but for resale, this might not be a good idea."

What are the key challenges each sector of the industry faces in the months ahead, as everyone tries to emerge from the economic situation?

Everybody has sold off their inventory, and they've done everything they can to trim the fat. They've gotten down to where they're not stocking a lot of stuff. There are short supplies, and the demand is going to start increasing, and that is going to be a big challenge across the board with build materials. If we're picking up, and then other shipyards pick up, and you also see housing start to pick up, you're going to see shortages in the materials, and obviously the materials are going to increase in price. With labour, so far, we've been lucky. We've had the pick of the litter in our area. I don't know about everybody else, but I think



as things start to pick up, that's going to be an issue, too.

How would you like to see the overall industry develop?

It needs to evaluate what's good for it based on what it has for a workforce, vendors, and subcontractors, and everyone has to find a plan that works for them. The overall goal is to eliminate waste; it's something that every company needs to do, in my opinion, not just boatbuilders.



Working his way up from the shipyard floor, Foggia has an understanding of all parts of the business

is John Rosatti, an American entrepreneur and prolific yacht buyer marking his third Christensen.

Naturally, Foggia is pleased to have this business, including the repeat clients, but he views the buyers as more than just that. “I’m good friends with a lot of our customers, and I consider a lot of them mentors,” he explains. Some have owned other American-built yachts, he says, while others have had Italian or Dutch boats. The approach that these buyers — typically seasoned owners who know exactly what they want — involves hiring the top surveyors, maritime attorneys, and other consultants. “I’d say the difference between now and 2000 is that they’re way more educated on the product

“I’d say the difference between now and 2000 is that [buyers are] way more educated on the product that they’re looking at buying”

that they’re looking at buying,” Foggia says. In cases where a buyer isn’t as experienced, Foggia encourages them to hire those same individuals. “I tell them, ‘Get the best people in here. Let’s do it right from the very beginning.’ I’m all about making sure everybody’s covered all around.”

Everyone is further covered because, “we front load the boat,” Foggia explains, meaning everything that was incorporated on a buyer’s previous yacht is spec’d for the new build and priced accordingly from the start. Christensen still executes change orders, viewing them as a natural part of the business, but Foggia believes the

detailed specification prevents anything important from being overlooked and protects all parties involved. “We make it as easy as possible up front, and as long as everybody clearly understands prior to signing the deal, things work out really well,” he adds. “Everything needs to be out in the open.”

Future focus

Also out in the open is Christensen’s focus on fully customised superyachts for the foreseeable future. A few years ago, the shipyard started every project on spec, preferring to sell them to a customer when the yachts were less than a year from completion. It was a point where systems were in place yet owners could still have input on the interior. Foggia says that he might eventually entertain the thought of spec projects, but because Christensen’s order book is two to three years out, he doesn’t think it will be anytime soon. “We’re busy now because it’s a proven product,” he says. All of Christensen’s yachts are LY3 compliant, too. “It’s got everything needed for an individual,” he adds. “You know what’s in it, what you’re going to spend on it. You’re going to go play on it for a few years and sell it at a profit. You’re not going to take a 40-per cent cut.”

That latter statement may take you by surprise but Foggia is steadfast in his assertion that the shipyard’s clientele won’t fall victim to the same brokerage-price problems other buyers do. He credits it to Christensen expecting to deliver an Ocean Alexander 120 every six months and a Christensen 140 or 164 Custom Series every seven and a half months. By adhering to that game plan, “we’re not flooding the market,” he says. Foggia further believes that this programme of one to two yachts a year will keep Christensen itself in good stead for some time. “Three or four years down the road, if the bubble bursts again, and everything goes haywire again, we’ll have, say, eight boats out there,” he says. “And, if our customers have to sell, they won’t have to fire sell, because we’re not necessarily going to be competing with them. They’re going to command high re-sales.”

As proof, Foggia points to 2009, “when it was the worst possible scenario” for the brokerage market. In spite of that, *Casino Royale* and *Primadonna*, both built in 2008 and part of the Christensen 160 Custom Series, “sold for \$35m and \$37m respectively, whereas other brands were selling in the low \$20s, and they were from the same manufacturing years,” he says.

Ultimately for Foggia, the dollars and cents come down to dollars and sense — common sense, to be more specific. He believes any company keenly interested in improving its product can do what Christensen has done and continues to do. Companies first need to make the culture within the business change, he says. “It’s a tough one,” Foggia admits, but it’s vital. He says that in his travels to other shipyards, he sees things such as cleanly swept floors as proof that those businesses have smart operations. But, he adds, because there are secrets, there’s actually a lot of waste. “Every secret that we can chip away makes an improvement,” he asserts.

That self-confessed freakiness is paying off. **SB**