

# MANUFACTURING MATTERS

Interview with  
**RICHARD WATSON**  
CHIEF EXECUTIVE  
PASCOE INTERNATIONAL



In a series of interviews with the directors of Dynamics Consultants, manufacturers talk about their ambitions and reveal the issues which are mission-critical for them to address in achieving their goals.

The interviews will be brought together as a report to be published by DECISION magazine and then as a digital book.



YOU'RE LOUNGING IN the sun on your £150million super-yacht moored off the coast. What more could you possibly want? Richard Watson knows the answer - a fleet of tenders to transport your guests, staff and supplies to and from the shore. And you don't want any old tender: you want one that's been designed to co-ordinate with your yacht.

"A bigger yacht could have as many as six small boats for different purposes, including guest transport, diving and other water sports, delivery of supplies, and rescue purposes," explains Watson, chief executive of Pascoe International, world leader in their manufacture. "These yachts don't dock, they stay out at sea, so everything that goes between ship and shore, whether that be people, waste, provisions, even cut flowers, goes by tender. The tender has to represent at the dockside the quality, the look and style and the attention to detail of the mother ship."

It's a fascinating insight into the world of the super-rich, a customer base that has fuelled the success of Pascoe and that helps the UK to remain a marine manufacturing base.

The company has made more than 160 luxury yacht tenders since it started producing them in 2004 and now makes about twenty per year. Only the upholstery and the hulls are bought

in. Everything else is done in their factory: joinery, moulding, steel work, pattern making, composite construction, fabrication and engineering.

The balance has moved towards on-shoring and in-housing since the investment in a fabrication workshop and a wood mill and joinery department. an in-house steel shop. Where they need to outsource the preference is to use small local companies rather than overseas suppliers as this gives more flexibility and control over delivery, timescales and quality.

Sourcing from the far east in particular would lead to long delays, says Watson. "It's great if you just need 32,000 mugs or some other product that has no ambiguity, but with the kind of work we're doing we're constantly changing and tweaking and developing; there is a continual two-way traffic with the customer during the manufacturing process. Actively in-sourcing is more efficient as a consequence."

He recalls asking a subcontractor to make a mock-up of a new ladder. "They came back with something that didn't work, and a bill for £15,000, and we realised it would have been better to have done it in house during downtime as we had already paid the overhead of the workforce."

In 2014, a "very aggressive" five-year plan was set with a goal to achieve a 250% increase in turnover. Pascoe reached a 175% rise in 2016 so they are well on target for the plan, despite the market not growing massively. It's being achieved by improving market share through product improvements, such as having every tender computer controlled with touchscreen user interfaces and 4G music streaming.

At the same time, Watson adds, there is demand for the traditional craft skills and handwork, which gives Pascoe International an edge against competition that doesn't have such skills. "In the same tender you will find both an iPad controlling the vessel and a hand-lacquered bulkhead," he says by way of example.

The company has a focus on constantly improving the product, sometimes even adding in improvements after an order has been taken, at the expense, sometimes, of financial return. "Quite often we sell a boat two years in advance and during production we will go back to the client and offer to incorporate new technology," explains Watson. "It has a cost implication; sometimes the customer pays but there are times when we will cover the cost through efficiencies and use the boat as a showcase."

It helps, he adds, that the owner of Pascoe International, Ken Freivokh is a superyacht architect by background so is very interested in the design aspect. "It means quite unusually, we have a management team with mixed skill sets that allow us to take a broad approach," says Watson. "What we know from experience is that a philosophy of constantly improving the product really works to give you a reputation for high quality and reliability. In turn, this generates repeat business and recommendations, which is how most of our sales come."

The challenge is maintaining the pace of efficiency improvements. "If you build a product that needs a particular set of skills and you keep control of costs, that's when you can be competitive in a global market and gain a better margin from a premium price," Watson asserts. "Every boat is different so it's very easy to get into the loop of building everything as a one-off, and that's not necessary. For example you could have a complete new interior for every boat but all the technology and mouldings are the same so the level of development involved is minimal. And that generates production efficiencies."

The boatbuilding industry as a whole is "woefully" behind other market sectors in technology, says Watson, but Pascoe has

tried to keep ahead by using technology from other market sectors to improve their manufacturing performance. Notably, they have 'live data', similar to that used in the car industry, available on computer terminals on the shop floor enabling everyone to quickly access the relevant information. This has reduced mistakes and delays and speeded up production, he says.

But traditional communication has an important role too. "Our clients are the kind of people who like to change things and we can now more easily disseminate that throughout the business. As soon as a change becomes apparent there is a discussion about the implications so that it's very clear where we are. Everyone knows what everyone else is doing."

Pascoe International have also digitised the inventory, and introduced barcode stock control and automatic reordering of parts. "With better control we can more accurately predict the cost position of each project," Watson explains. For example, he says, explaining his point, if there are two orders vying for a time slot, it helps to know which one has the better margin.

His biggest challenge has been managing cultural change within the organisation to make sure everyone buys into the new processes. "Building

great boats and finding labour has been easy compared with introducing new operational practices and procedures," he says ruefully.

"We didn't want to make cultural changes so fast that we alienated the workforce. If I could change just one thing about the business, it would be to speed up the rate of cultural change, but doing it slowly has kept the passion and the small-company feel that's the core of our business. Everything else spills out from that passion. It's not about financial goals, it's about being responsible for the best product. Even the guy who sweeps the floor will come out and watch when we launch a new model. He wants to be part of the team and share that passion."

That said, as the business has expanded, the need for more skilled trades people has grown, which has thrown the growing skills shortage into sharp relief.

"Everyone wants to be in IT rather than becoming a joiner or fabricator," sighs Watson.

That said, a gradual decline of the requirement for traditional skills in the boatbuilding industry has left a pool of skilled labour in an area that's traditionally been a hub for boatbuilding and Pascoe International aims to take

the "cream of the crop", often obtaining referrals and recommendations from existing staff and contacts.

The business, which has about ninety staff, takes on two or three apprentices per year as well as work experience youngsters and university placements. Getting good quality young people has become increasingly difficult says Watson in terms of the company having to spend more time sorting the proverbial what from chaff.

Watson, who is on the marina advisory board at Southampton College, thinks it's an age thing. "They're more likely to be living at home still with mum and dad but have an income to spend. A lot of them are looking for guidance and a feeling of belonging, and our challenge is to provide that."

There can be something of the commercial equivalent of the official secrets act which has to be enacted at Pascoe International. "There is a lot of confidentiality involved when working for wealthy clients," explains Watson. "That means referring to boats by code names while they are being built, and making sure that staff are aware.

A similar sensitivity applies to data, with a "sophisticated firewall" and access restricted to certain files. Watson

is unconvinced about the safety of the cloud for data storage and keeps everything on site, using a virtual server system that duplicates data across two buildings.

"A lot of our product development is based on IP and that's on the computer. We opted to store that data locally here. "The cloud makes you more dependent on having internet access," he says. "If our internet connection goes down, it's beyond our control; if the data is here, it's controllable."

Security generally has been stepped up, with CCTV and high-security door locks. Watson has even considered fingerprint and facial recognition systems, though he is not convinced they are reliable and fears the site would begin to feel like a "prison camp".

He does believe though that the UK should do more to publicise its manufacturing successes.

"There's too much focus on presenting manufacturing in the UK as requiring special needs rather than a level playing field, so it's important to shout about those doing well. Manufacturing in the UK has global leadership characteristics. We are the leading brand in our market, and the number two brand is also British."

Customers of Pascoe International are, not surprisingly given the company's name, worldwide and the Far East is a target market, with China of particular interest. "China has such an appetite for luxury goods but doesn't yet have the skills to deliver them, though the country is trying to go into more low-volume, high-value manufacturing," says Watson. "If they are successful, China will become a competitor but at the moment the UK excels in manufacturing high quality, technically advanced projects that other countries struggle to produce."

He's sanguine about the possibility that the Chinese would one day be able to make their own luxury tenders. "In that case," he says, "British manufacturers can focus instead on the still-developing south American markets."



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#### Dynamics Consultants Ltd

40 Locks Heath Centre, Centre Way  
Locks Heath, Southampton SO31 6DX

Phone: 023 8098 2283

Email: [enquiries@d-c.co.uk](mailto:enquiries@d-c.co.uk)

Website: [www.dynamics-consultants.co.uk](http://www.dynamics-consultants.co.uk)

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