



Cabo Yachts Inc.

Building the best boats in the desert.

Who in their right mind would manufacture boats in the middle of the desert? For Cabo Yachts Inc. founders Henry Mohrschladt and Mike Howarth the answer to that question is simple: It's not *where* you make them, it's *how* you make them.

Surrounded by old Joshua trees and the bright sands of the Mojave desert in Adelanto, Calif., between Los Angeles and Las Vegas, Cabo Yachts makes some of world's best sportfishing yachts. In 1997, just six years after the company was established, its Cabo 45 Express Sportfisher was named Boat of the Year by *Boating* magazine. Cabo Yachts also was recognized as an Exporter of the Year by the U.S. Small Business Administration in 1998. About 14% of Cabo's sales comes from international markets.

"The first strategy on our list was that these boats had to be the best quality sportfishing boats that were built anywhere in the world," says Mohrschladt, Cabo Yachts' president. "That's what we set out to do, and that's what really drives everything else here."

The company has seen revenues grow

nearly 70% and profits soar 456% between 1996 and 1998. Cabo Yachts expects to manufacture 100 boats this year and projects to make 120 boats in 2000.

While the process of manufacturing a quality boat is important, hiring highly skilled employees is critical. "A lot of our employees are craftsmen; they are really good with their hands," Mohrschladt says. "There aren't many products you can apply craftsmanship to. A boat is a real piece of craftsmanship."



Cabo recruits employees on a national scale with ads in marine-industry publications, pays employees a finder's fee for recruiting qualified workers, and operates an apprenticeship program to pass on the boat-building skills to young crafters.

"We hire the best people to achieve quality," says Mohrschladt. "We pay them the best. That's a big part of it no matter what everybody says about everything else." The company provides a competitive benefits package, and employees can earn three weeks paid vacation in just three years.

To maintain quality Cabo adopted standard production processes, and it manufactures most of its boats' parts and accessories. Instead of a traditional assembly line layout, Cabo uses dock-like stalls around each boat that provide employees ample access. Rather than move the boats, the employees move from boat to boat to install parts and systems.

"It's easier to move the people than

it is to move the boat," says Mohrschladt. "The boats (some that weigh as much as 40,000 lb) here get moved four times during the entire production process, but in some companies the boats get moved once a day. It's really time consuming to move boats around like that."

Cabo's 145,000-sq-ft manufacturing plant houses a wood mill that produces moldings, doors and cabinets. Cabo also operates an electrical shop that designs and installs wiring systems.

"We tend to build everything ourselves—to control the quality for one thing, and to control the on-time delivery for another," Mohrschladt says. "The biggest problem we had [with] suppliers that we outsourced [to] before was getting materials delivered on time."

The company's open-door management policies encourage employees to provide ideas to improve production and design. But an interesting part of Cabo's continuous-improvement practice is to send employees on fishing charters in Mexico.

"They get to see how the boat works, what it's supposed to do, and the things that can go wrong," remarks Mohrschladt. "Every time employees go on a fishing charter they come back with ideas on how to improve the boats."

Cabo also encourages its customers to visit the plant to see how their boat is being manufactured.

"If a customer has a question or a problem, it makes for a nice communication flow," Mohrschladt explains. "Our shop is pretty impressive, too, and that makes for a good sales tool because they go back and tell everyone about it. We're proud of what we have here, what we do, and the people who work here."

The company also makes a point of addressing customer complaints immediately and free of charge. If something breaks down on the boat, Cabo will overnight a new part and have it replaced at a local shipyard. If that's not feasible, an employee flies out to the customer's boat and makes repairs. ★

—PETER STROZNIAK

CABO YACHTS INC.

Adelanto, Calif.

President Henry Mohrschladt

www.caboyachts.com

Products: Sportfishing yachts

Founded: 1991

Ownership: Private

Current employees: 230

Strengths/achievements:

- Hire the best employees by offering the best pay and benefits
- Immediate response to customer complaints and provide parts and labor for free
- 28.4% of fiscal-year sales derived from new products introduced in two most recent years

Top strategic objectives: Build the best sportfishing boat in the world by fostering an *esprit de corps* among all employees with focus on quality and detail

Outside support:

Financial: Desert Community Bank

Consultant: Bob Donovan

Accounting: John Levine, Levine and Associates