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Medi-Globe Corp.: I'll take my firm's insourcing over your outsourcing

by: Yvonne Klopping in Business on May 14, 2009



Kurt Eva, corporate VP manufacturing at Medi-Globe Corp., says his firm's multiple competencies are critical to maintaining the highest product quality and process control.

When **MPW** met Kurt Eva, corporate VP for manufacturing at Medi-Globe Corp., at the Medtec Europe tradeshow in Stuttgart in March, he quickly launched into the benefits on his "insourcing" strategy. We caught up with him after the event to hear more.

MPW: At the Medtec show you were clearly enthusiastic about Medi-Globe's insourcing strategy. What does insourcing mean for your company?



Eva: We develop, qualify, and manufacture products for various medical applications, mainly disposable products. Our focal areas are gastroenterology, urology, surgical dressing, and cardiology. That starts with our company's own development department in Germany, which has access to internal rapid prototyping processes, and continues in production facilities in Germany and the Czech Republic. During the production process, in-house toolmaking—including engineering—with injection molding for thermoplastics and elastomers in cleanrooms, is available for customer-specific products. Furthermore, our own specific extrusion lines manufacture multi-lumen, co-extruded thermoplastic medical tubes.

Privately held and based in Tempe, AZ, Medi-Globe Corp. controls 12 subsidiary companies and saw its 2008 revenues eclipse \$100 million as the firm's focus on minimally invasive surgery, hospital supplies, and wound care proved successful. The company employs more than 500 and is active throughout the world with manufacturing and sales

The further processing of the tubes into catheters or implants underlies GMP terms (die cutting, forming of catheter tips, thermoprinting, thermal forming, thermal bonding, US welding, UV bonding). Due to our background in precision engineering, we have production processes like laser welding, hard- and soft soldering, and crimping processes at our disposal. In order to conform to different hygienic guidelines, we run several cleanrooms of different sizes and ISO categories at multiple locations. The products are packaged in hard- and soft blister forms as well as disposable bags. We can sterilize the products in our own ETO-sterilizing plant (ethylene oxide). We are producing surgical dressing products for chronic traumata on the basis of a glycerin/water polymer. Distribution of the Medi-Globe products takes place via our own group distribution network. OEM products and components can be ordered from our headquarters in Munich.

MPW: That's clearly a wide range of services. Outsourcing is the trend; you are doing the exact opposite. Why swim against

offices in the tide?
Europe, the
U.S., Brazil, and China. **Eva:** First and foremost we guarantee highest product quality and we want to minimize any sort of risk. We can best control and judge our very own production process and we need special know-how in our area of application, the production of medical technology. The high vertical range of services that we offer demands a thoroughly organized production process tailored to each individual product. Considering all that, it is initially only difficult to get to critical mass. Then it becomes much easier to swim even against the tide.

MPW: Why is it so important for you to do everything in-house?

Eva: We demand high value creation, comprehensive know-how. Incidentally we have high requirement figures for certain areas, such as tubes, that need to be covered reliably and with high quality. Also, the technical development for smaller batch sizes is gaining momentum—and we want to take advantage of that. You know, the entire world needs to learn how to think in smaller units—not just in large quantities. However, due to high third-party demand for components and plastic products as well as production processes as a service, we decided to invest in new technologies and enhance our core competencies. First and foremost that means flexibility for our customers.

MPW: Your insourcing philosophy is only possible because Medi-Globe consists of a group of companies and therefore has the necessary means and expertise, correct?

Eva: The know-how of our long-standing employees who have a background in fields like aerospace engineering, the automotive industry, and other technical and natural science areas is certainly an advantage. Having a solid network and financial resources also helps. On the other hand, the willingness to engage in new products and manufacturing methods is a necessary requirement for fast changing markets—both from a commercial and a technical point of view. We are happy to provide this advantage to our medical technology customers who can definitely take advantage of that as well.

MPW: What are the pros and cons of your strategy?

Eva: Above all, our advantages lie in the individual customized manufacture of products, as well as swiftness, flexibility, independence, and our value-creation potential. Skilled employees have to be fast and flexible, which requires the development of experienced personnel structures with the willingness to communicate, and it requires experience with project management. News grows old quickly and you have to invest constantly. We don't necessarily see any disadvantages at this point—unless you get bogged down or focus on the wrong production methods or competencies.

MPW: Do you have any advice for other firms that are considering in- or outsourcing?

Eva: Well, first you really need to know your core competencies. That is one of the main arguments whether you would want to and should do everything in-house or not. Another important aspect is the know-how of the employees, who—in case of insourcing production processes—have to be qualified accordingly. Also, the so-called “critical mass” and the resulting costs need to be looked at closely and calculated in. If certain processes are going to be outsourced, thorough planning, detailed specification, design transfer to external production including the required documentation are of course necessary, so that internal processes will conform to the ones being outsourced without creating any discrepancies. And you can't forget the costs; those need to be well thought out for the long run.

In addition to that, every company needs to understand that when outsourcing important processes, the know-how will suffer in the long run. This is a rather strategic element that needs to be evaluated by the management. What I find really important is that companies need to have more confidence in their employees. Everything is just looked at from a financial standpoint. Skilled workers like technicians are the ones who best know the processes, but most of the time they are not being asked for input.

MPW: Your CardioPlast business unit manufactures molds and tooling for your plastics processing operations. Does CardioPlast also manufacture molds for other firms, acting as a separate profit center, or are all of its molds used in-house by Medi-Globe?


Eva: We market all industrial activities and components under the brand Medi-Globe to third parties. We also produce injection molds for external companies in the med-tech industry. Most of the molds at Medi-Globe CardioPlast we produce for our own group of companies. —yvonne.klopping@cancom.com

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