Interview: Felix Negrón – Vice President, Medtronic Puerto Rico Operations



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With over forty years of operations in Puerto Rico, Medtronic is one of the country's biggest employers. Felix M. Negrón, Vice President of Medtronic Puerto Rico Operations, discusses the affiliate's operating imperatives and space utilization strategy to always ensure the best manufacturing portfolio at any given time.

Could you start by describing Medtronic's Mission to our readers?

Medtronic's Mission is to contribute to human welfare by application of biomedical engineering in the research, design, manufacture, and sale of instruments or appliances that alleviate pain, restore health, and extend life.

How do you find the medical device industry in Puerto Rico today?

The medical device industry is growing nicely and still has many opportunities because of the current technical capabilities, extensive experience and education in this area. I feel we could do a lot more by partnering with the local government to assemble an attractive proposition for companies to remain competitive compared to other countries.

What factors have led to this disparity that we find between medical devices and pharmaceuticals in Puerto Rico?

Pharmaceutical products tend to have larger margin than medical devices. Traditionally, because pharmaceutical companies have larger margins, they can afford to operate in regions like Puerto Rico. With medical devices, as margins generally decrease slightly, there is more focus on operational costs, that is why many medical technology companies operate in lower-cost environments. Every company continues to challenge itself to control those operating costs and that is why we must work with the government to make sure Puerto Rico's costs remain competitive. In that sense, the competition is tougher for medical devices than pharmaceuticals.

At least in Puerto Rico, the quality is always guaranteed.

For me, there are five elements critical to any manufacturing operation in alignment with our mission, which I call "the operating imperatives". Firstly, you need to have assurance of quality. This is the most important element because we owe it to our patients. Secondly, you need assurance of product supply, deliver the right product at the right time. Once we have assurance of quality, we need to deliver the product on time as per customer expectations. Thirdly, you need strong product and process innovation. We need to keep our plants moving in terms of bringing new products and technology. Fourth, you need to be cost-competitive because we compete on a global market. The fifth and final element, which is the *foundation* that enables everything to happen, is assurance of organizational excellence. You must have strong talent management/capability and a solid continuous improvement mindset. Having a strong pool of talent in Puerto Rico has allowed companies like Medtronic to operate here for 40 years. When I look at the five imperatives, Puerto Rico needs to have quality, supply, and cost-competitiveness as a given. We need to show our corporations that we are driving relentless improvement every year in all these areas. The two areas that are the true differentiators for Puerto Rico are innovation and organizational excellence that is due to the engineering talent pool we have on the island, and we need to take advantage of these two areas. Many universities in Puerto Rico are producing extremely talented engineering graduates, and we must capitalize on this. We also have the talent management advantage over other places. I was recently in China; their turnover is tremendous. Some plants there were reporting ten percent turnover every month, which is completely unsustainable. In this sense, Puerto Rico has an advantage with employees staying with one company for a long time, creating a more stable environment that guarantees those five imperatives over time.

Could you elaborate on how strong innovation is manifested in Medtronic's plants?

It is about introducing new products and technology through the sites on a frequent basis. When you are in a low-cost environment, typically you are faced with mature products that may have

been out for a number of years, and they are at the point in their life cycle in which you need to leverage their cost. In Puerto Rico, we should not be in that part of the product life cycle. Over time and through innovation we should identify better alternatives for the company and position products to potentially move to a lower-cost option as they approach maturity in their life cycle and then utilize our footprint on newer / more profitable products. We must focus on stabilizing our products, fully characterize them utilizing our capabilities, and when a product goes down in its life cycle, the product could be positioned to be manufactured elsewhere, freeing up our capacity and footprint for newer products. Our strategy is not to add more plants here, but rather to fully and proactively utilize our footprint with the best and newest products that are more strategic for the company. If bringing a new product means that something has to go, our job is to identify those products and present them to the corporation proactively as an opportunity to optimize cost while assuring quality of course. We want to use Puerto Rico's knowledge and expertise to ensure that processes are highly capable and stable. If a product is good for another 20 years, keep it; but if not, then put it somewhere else in alignment with our strategy. Medtronic has 80+ manufacturing facilities across the globe, from high-cost to low-cost. From the Puerto Rican perspective, we want to leverage our experience and talent to have the best and most strategic products running through our sites. We have 700,000+ square feet, and 4000+ employees here in Puerto Rico; we should maximize and leverage that as much as possible.

How does this apply to process development?

We do get involved in process development. You have to make sure you have the best technology available for your applications. The strategy here is also all about space utilization. We have lots of strategies to drive more productivity through better lean practices, through innovation and continuous improvement. An example of these improvements would be to use the same manufacturing area where previously had three lines, to now have four or five lines, that is how you optimize your overhead utilization. The more products I make with the same space and people allow me to maintain my workforce. Our vision is to have the same amount of people making more products in the future. We have ten strategies aligned to our five operating imperatives, and we relentlessly execute those strategies every year. We call this "policy deployment", and every employee knows this very well. Executing this will allow us to remain in Puerto Rico for another 40 years. We must drive continuous improvement every day to prevent us from facing tough situations in Puerto Rico as our competition continues to get stronger every year.

35 percent of total corporate earnings in the company worldwide stems from legacy products made in Puerto Rico. What is the importance of Puerto Rico to the global

organization?

Puerto Rico is very important, especially for Medtronic. This is a highly strategic site for the corporation. Medtronic has sites identified as strategic, and when we combine the different sites and look at Puerto Rico as a campus, it is essentially a shared center of excellence for the company.

Much of Medtronic's growth has been inorganic, through acquisitions such as Covidien in 2014. How challenging is it to integrate other company's portfolios into Puerto Rico?

It is indeed challenging, but we have a unified system that adds value. Our work here does not depend on company divisions or groups. As a shared center of excellence, we have the same systems (quality, supply chain, continuous improvement, etc.) regardless of product types. As things change or grow, as soon as a product comes to Puerto Rico it falls under the same systems, it is much more efficient that way. In the past it was not like this, but it makes us far more effective and competitive.

What is the next step for you?

As I mentioned, it is to keep bringing new products and technologies and driving relentless and continuous improvement every day so that I can fully utilize every square inch of these facilities, manufacturing top products that are strategic to this company. We have a healthy pipeline of new products coming down in every group with high aspirations. I want to position all of these sites to always be able to obtain these new products and technologies at Puerto Rico. We have to do it without asking for more space and people, since that dampens our competitive advantage.

How do you see the future evolving for yourself?

I wanted this job so that I could be based in Puerto Rico to balance my professional and personal life. Because of the nature of this company and the strategic impact of Medtronic in Puerto Rico, I see myself continuing to grow while staying here for the longer term. I can continue to develop myself and my team. I am confident that we have a clear path and good strategies and tactics, which have been approved by the greater company. We always need to remain aligned for the next three to five years and then share and deploy with our employees. Having a long-term vision is very important for manufacturing sites in general. Sometimes businesses have it, but manufacturing seems to run day-to-day and you need that balance of strategy for the future and day-to-day execution. Medtronic is very satisfied with our progress as a campus and that is critical for our long-term position. We discuss manufacturing strategy on a frequent basis and I get to

influence it because we are a great player within the company. We are seen as a strategic partner and that must be our role as we progress into the future.

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