Interview: Scott Liang – President, Apex (Guangzhou) Tools and Orthopedics, China



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Scott Liang, president of Apex (Guangzhou) Tools and Orthopedics discusses the company's strong positioning on the Chinese medtech market, current strategic priorities, and what differentiates Apex from its competitors.

As President of Apex (Guangzhou) Tools and Orthopedics and having been with the company since its inception, could you tell us the story of how Apex was established?

I first joined the company in 1996. Then, it was still known as The Marmon Group. The Marmon Group had been founded by Bob Pritzker operating in the industrial services and manufacturing industry. In 2003, following his retirement from The Marmon Group, he established a company called Colson Associates Inc. with a few caster, hardware and medical devices companies. Two years later, in 2005, Bob had the idea to establish a presence in the medical devices sector in China.

The strategy behind this decision was to move away from tooling and to enter medical devices manufacturing in order to assist our sister companies, based in the US, who were all working in the medical devices industry there. It was clear that having a manufacturing presence in China would support a US company to position themselves more competitively within the global medtech industry. Hence, Apex Tools and Orthopedics was established!

Given my experience and history with the company, I was given the mandate to drive this fundamental transformation. While the tooling and medtech manufacturing sectors are very much distinct, there were synergies to be exploited in the transition in terms of basic foundational techniques and technologies, which we leveraged on. At the same time, quite frankly, I was personally not familiar at all with the medical device industry back in 2005, when I was tasked with this mission.

Given how stringent the regulatory requirements in this sector were, we had to undergo a rigorous period of training and transformation. During that time, I visited our sister companies in the US and worked extensively with both managers and engineers there in order to better understand their needs and their expectations for Apex, in terms of manufacturing.

Apex therefore began our journey as a manufacturer of disposable medical instruments for orthopedics surgery. As part of Colson Associates, our corporate HQ in the US, we set goals together with our sister companies, to drive the group forward.

As you said, entering such a regulated industry was not easy. How challenging was it for Apex to find the necessary talent – engineers, quality control personnel, managers, etc. – during that period, in China?

We were fortunate as we had really good access to the resources of our sister companies in the US. For instance, one of them sent a senior executive over to Apex for a few weeks to oversee our process set-up and provide training. Since then, we have had a few other US experts come to Apex for short-term training. For instance, in 2008, we hired one quality engineer from a sister company as Director for Quality at Apex for six months.

However, I am very proud that all our permanent staff members are Chinese. This means that we have invested significantly in their training and upskilling.

What I have learnt over the past two decades is that you need to treat your employees fairly – you need to employ them with your heart. Respect them, provide a good working environment, which in China includes good canteens for their lunch breaks, a super clean washing room, and so on. This is how you build a sustainable company culture and ensure that your people deliver the best. I think we have succeeded in this respect as we have a very low staff turnover.

With such a successful transformation over the past two decades, could you highlight what the strategic priorities for Apex are today?

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Apex now has two business focuses. Firstly, we now work as a contract manufacturing organization (CMO) for four of the top six orthopedic companies in the world. We also cater to the needs of innovative start-up companies.

I am very proud that now we are working with a US startup company manufacturing a spine product which is one of the most innovative and disruptive spine products I have ever seen on the market, designed to be a minimally invasive device, used both in hospital and outpatient clinic centers. It only takes 20 minutes to finish the surgery, and the back pain and leg pain of the patient can be relieved on the same day of surgery. Your pain is gone and you can resume your normal activities the very next day! This product will bring huge benefits to patients and I am very honored that Apex was selected to be the CMO contributing to this product.

This is testament to our strong capabilities in machining, production, manufacturing and quality control, which meet the needs of both large companies and new start-ups. I always tell my team, work with your heart, deliver the best products and services, and always meet customer expectations. This way, you will never have to worry about your business. We believe we deliver reliability and quality to our clients. That is why they can always rely on us.

Secondly, we have developed our portfolio of products under the brand ‘iTool’. This is a very exciting development for Apex and we have most recently signed a distribution agreement with a well-established UK company for our latest product, the Apex Advanced Wound Irrigation System product, for global distribution.

I am personally very excited about this product because it was specifically designed for very difficult-to-heal wounds like pressure ulcer, diabetic foot ulcer, leg ulcer, and it is also very cost-effective solution. For instance, elderly or bedridden people often develop pressure ulcers, which this product can relieve. Diabetic foot amputation is also a major issue. It is reported globally that every 40 seconds, a diabetic foot ulcer patient has a certain grade of foot amputation and over 50 percent of these patients with foot amputation will die in fewer than five years! This product can save many people’s lives.

This is a product that we have designed completely in-house, so it is another milestone for us. R&D is a very important aspect of our company as well and to date, we have over 20 patents. This year alone, we have applied for six! This is a testament to how far we have come, from starting as a medtech manufacturer to now having our own in-house R&D team and portfolio of products!

In the Chinese market, we will go through the direct sales channel, and use distributors for international markets

How do you see the development of the Apex ‘iTool’ brand in the future?

In this industry, it takes time and patience to establish your own company image and brand. It is not something you can expect to come in five or even ten years. Rather, you need to build up the reputation of the company painstakingly over time, and ultimately, this is determined by whether you can deliver results to patients.

We are focused on servicing patients’ needs, helping their wounds heal, and assisting them to live better lives. In doing this, we will have good patient experiences, clear results and strong relationships with hospitals and healthcare professionals. In this way, I am confident that we will also develop a positive image of the Apex iTool brand.

The Chinese market is highly competitive. How will you differentiate the Apex iTool brand?

The Chinese market is indeed very challenging in terms of competition and market access.

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With Apex iTool products, what is fortunate is that I do not have much product competition here in China, because our products are very innovative. The main challenge for us therefore is market access. Even when we have patents and CFDA approval, we still need our products to participate all kinds of tendering, all levels of government tendering and hospitals tendering.

I hope that our market conditions and environment will improve in the future, so that innovative products can reach patients.

As an independently managed Chinese subsidiary of a US group, Apex must be in an interesting position right now given the tensions between US and China, particularly with the trade war. As a Chinese company that belongs to a US group, what is your perspective on this?

IP issue is a global issue. Steve Jobs made a comment on IP: “We believe that 80 percent of the people stealing stuff don’t want to be, there is just no legal alternative!” Even within Silicon Valley, we can see that many of the tech companies like Apple often have conflict over IP rights with their peers, and the same is true with American pharma and medical devices companies.

What I have noticed is that US companies use the word ‘reverse-engineering’ for product improvement and development. Indeed, there is a difference between simply ‘copying’ and ‘reverse-engineering’. Of course, no one can invent something from nothing. The medtech industry

is built on a technological base and innovation is often incremental based on the current state-of-the-art technology. 99.99 percent of new products are developed by reverse-engineering, a real disruptive invention can only be found every 20 years. The reality is that the US is the most innovative and technologically advanced country in the world. Many countries in the world, not just China, are learning from American technology and innovation.

However, at Apex, we do everything legally. We are required to, as a US company, and we are very committed to IP protection. We have in fact invested a lot of money and time in learning and acquiring new technologies. This is how we have been able to enter the US market ourselves and manufacture for US companies, who would not work with us if they would be worried about their IP being taken. Apex has had our own products copied by other Chinese companies so I understand the frustration.

You have been with the company through its establishment and transformation. What are the next steps for Apex?

Apex is still considered a small company today. We hope to reach revenues of USD 50 million in five years. Currently, our company is split 50:50 between CMO and own product lines. In a few years, we expect our Apex brand products to grow to 70 percent of our business. This will be another transformation for us! We hope to become global leaders in the small niche area of disposable hospital products, where we are present. I also hope that all Apex employees will continue to be proud of our company’s achievements and culture.

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