

IMI: 'Driving' Toward Tier 2

EMS provider IMI (imiphil.com) offers a range of manufacturing services including PCB and component assembly and subassembly, and box-build, plus metal stamping and plastic injection. Its customers include some of the world's largest OEMs in computing, communications, consumer, automotive and industrial products. IMI's ODM arm, EAZIX (eazix.com), designs and develops complete products and subsystems. Located south of Manila, the Philippines, IMI was founded as a joint venture in 1980 and has evolved from an IC packaging house into a leading Asian firm with over 11,000 employees in three factory locations. The company aims to attain tier two status (revenues of \$500 million) by 2008. This month, *Circuits Assembly* speaks with IMI president Arthur Tan.

CA: Sum up IMI's technology goals for the next 18 months.

IMI provides manufacturing services to some of the world's leading OEMs, including market leaders in storage and security electronics. We have built a solid reputation and strong market position in the manufacture of optical and hard disk drives, and we continue to expand volume production. We are pursuing opportunities in automotive, where we see great potential.

On the other side, we have been extending our core competencies to address opportunities in the LCD market. We recently started assembly of LCD modules for Seiko Epson, the leading developer and producer of color LCD modules. We internally define technology objectives through a council that regularly reviews and updates strategy and direction.

CA: What percentage of IMI's overall sales are you targeting from ODM work? Do you market the ODM side differently than your EMS services?

IMI's ODM activities ... are focused primarily on wireless solutions including WiFi, Bluetooth and ZigBee modules and adapters. We decided to set up an ODM and design services group a few years ago with the objective of developing new business and supporting customers. [EAZIX] gives IMI an edge by increasing the range of services to support our customers. EAZIX launched its first ODM product last year and we now offer a range of solutions for the SOHO and home digital entertainment from 802.11a/b/g and Bluetooth modules and peripherals to complete solutions such as our wireless multimedia adaptor. We have also developed navigation and tracking solutions including GPS modules. Embedded software design is a growing business and I believe it will be a major strength for EAZIX in the future.

Just like we market our EMS services, we have a network of partners and sales representatives who have localized knowledge of our target markets, some specifically for ODM solutions. We have partner distributor programs with global companies like MEV Elektronik Service, a Germany-based distributor and stocking company for niche electronics components. In February we entered an ODM management partnership with Embedded Linux Technology, a software development company based in Japan. ELT handles project management for EAZIX, capitalizing on its close relationship with Japanese OEMs.

CA: Does Lean Manufacturing finally have legs, or in your opinion is this more of a short-term trend?

I believe that Lean Manufacturing is nothing new to EMS companies. There have been pockets of Lean implementation like just-in-time manufacturing and 5S but [Lean] is more than just JIT and 5S. I don't think it is a short-term trend since it requires a long-term management commitment in a very unpredictable market, with pressures from OEMs to lower cost and bring products to market more quickly. To raise standards, companies need to go through continuous improvement programs and embark on business process initiatives. I think the world-class standard for quality is moving toward Six Sigma, which is also the choice of IMI.

CA: How much of your 2005 capex budget will be consumed by process equipment and matters related to lead-free processing?

IMI has been gradually shifting manufacturing lines to lead-free processes in the last few years, driven by the advanced environmental requirements of some customers, and this has spread the cost of transition over [time]. For 2004 and 2005, capital expenditures for purely lead-free equipment will be around \$1 million. However, we will allocate \$11 million for other processes and equipment that can support lead-free solutions.

CA: The past few years have seen a number of attempts (including a variety of software tools) at improving the visibility of the supply chain. Which, in your opinion, holds the most promise?

We are currently implementing mySAP R/3 enterprise resource planning application from SAP to consolidate and streamline IMI's core business processes such as manufacturing, materials management, plant and quality maintenance, business workflow, and customer relations management (CRM). The strong value proposition of this ERP system is that it enables integration of business processes with those of our suppliers and customers, enabling us to execute with enhanced flexibility and efficiency.

— Mike Buetow

