

Interview with Hector Leon, CEO of Innovei International

1. What conditions and/or circumstances motivated you to establish manufacturing in Mexico activities?

In 2004, our company Innovei was starting electronic manufacturing services; one of our customers, Arris, who manufactures cable motors for the US cable motor industry, gave us the opportunity to bid on a repair business. Arris was in the verge of signing an agreement with an Asian company. By turning into Mexico manufacturing, we were able to compete in cost and turn around times by 50%.

2. What was the reason Innovei decided to initiate production in Mexico utilizing the "shelter" business model?

Prior to the Arris opportunity, we were running business from Innovei USA, all highly automotive process; there was no need to do it in Mexico. Electronics repair is very manual type of work or what we called labor intensive. It also requires very fast turns in a high mix management. Mexico made more sense.

Innovei had zero knowledge of running an operation in Mexico. In Dec. of 2004, we had the opportunity to quote Arris, they granted us the contract in January 2005, and we needed to start right away.

I was not aware of the shelter model, until the Arris opportunity came up. We were searching for different scenarios that would allow us to be competitive and earn this business and then we found the shelter concept. We presented to the Innovei board of directors and they agree that this concept was the right one for us to get started right away with out having to learn all the aspects of dealing in the Mexico labor market.

The MFI shelter structure allowed Innovei to start from zero to sixty operators in 1 month in Mexico. The agreement to begin a shelter program was signed in January 15<sup>th</sup> Of 2005, production started in February 14<sup>th</sup> of 2005. In 30 days we were completely up and running and more importantly, complying with our new customer repair request.

3. Why, out of the shelter service providers you researched, did you choose to establish a partnership with MFI?

The opportunity with Arris was the spark that gave us the opportunity to look at Mexico. It was based on a necessity to look to expand into Mexico. We had to turn a quote in one month, and be ready to operate and comply within the following month.

We looked at other shelter providers and MFI's was a competitive source

4. What has been the most beneficial aspect of partnering with MFI?

Because of Innovei's small size, it would have been very difficult to also run a small-mid size scale repair operation in Mexico. The shelter scenario allowed us to focus on other aspects of the

business without Innovei having to worry about the support areas/ requirements to run a business in Mexico.

We have been able to focus on our core business, and develop our business in other areas. That is probably the best aspect; this concept has allowed Innovei to focus in its core competencies, which are repair of electronics and not worrying to run an operation in Mexico.

5. Has this partnership enhanced your company's competitiveness in its market?

It has enhanced our competitiveness; as other competitors are already in Mexico. We have been able to provide competitive services with fast turnarounds.

6. What has been your experience with your Mexican workforce?

It has been very positive and every time the need to raise the labor standards for a particular project, we know the Mexican labor force will come through in a very positive way as it is very high skilled labor force.

7. Would you recommend that other manufacturers to consider utilizing the shelter business model as a way of establishing and maintaining operations in Mexico?

Yes, I would definitely recommend this model. It is a good fit for companies, small-mid size or large companies, that don't want the hassle to worry about managing a foreign operation, specially if you need to expand or initiate an operation in a very short period of time. Setting up an operation is very time consuming if the company doesn't have the experience of manufacturing in Mexico and/or have the resources to establish the back end of a foreign operation.

7. Overall, would you consider your experience in Mexico to have been positive thus far?

Our experience in Mexico has been positive and fruitful; we are looking to see how we can continue to grow that in the future.