

Maxxim Medical Inc. History

Address:

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U.S.A.

Telephone: (713) 240-2442**Fax:** (713) 240-2557**Public Company****Incorporated:** 1981 as Henley International Inc.**Employees:** 2,300**Sales:** \$190 million**Stock Exchanges:** New York**SICs:** 3841 Surgical and Medical Instruments; 3842 Surgical Appliances and Supplies; 3845 Electromedical Equipment; 2389 Apparel and Accessories, Not Elsewhere Classified

Company History:

Maxxim Medical Inc. is a diversified manufacturer of specialty medical products, including disposable procedural trays, advanced diagnostic equipment, physical therapy products, and rehabilitation and fitness equipment. The company expanded briskly during the late 1980s and early 1990s by acquiring other companies and improving its existing operations.

Maxxim Medical is the offspring of a company started in the late 1970s, Henley International Inc. Henley was the creation of inventor and entrepreneur Ernest (Doc) Henley. A university professor and chemical engineer by training, Henley was known by his friends and associates as a thinker and tinkerer. Evidence of Henley's inventive nature came in the early 1970s after he took his son to a physical therapist for treatment of tennis elbow. Part of the therapy included a hot whirlpool. After observing the therapy, Henley became convinced that he could develop a significant improvement to traditional hot-water therapy.

Henley's idea stemmed from physics. He knew that the human body could tolerate higher temperatures if the heat emanated from a dry source. The problem was that air is a very inefficient way to transmit heat through the skin and into the tendons and muscles. In 1973, he came up with a solution to the dilemma, a tool he dubbed the Fluidotherapy device. Henley's invention used ground corn husks circulating inside a box where patients would stick their arms or legs. Like a whirlpool, the "corn cob special," as therapists called it, increased blood circulation, thus stimulating healing and improving range of motion. Henley had experimented with glass beads and synthetics, but finally choose corn husks. The corn husks made it possible to operate Henley's invention at temperatures as high as 120 degrees Fahrenheit, while whirlpools were generally limited to 105 degrees.

Henley patented his invention and spent several years during the mid-1970s perfecting it. He and his son, Davis Henley, started to market the product in 1979. Unfortunately, the start-up venture, incorporated as Henley International in 1981, lacked funds and made little headway. But, in 1982, Henley's efforts came to the attention of another Texas-based company called Intermedics. Intermedics was a leading manufacturer of pacemakers in the United States. The company's head of business development at the time, and the man that was most interested in the Henley venture, was Kenneth W. Davidson. The 35-year-old Davidson was a Canadian citizen. He had worked for medical industry giants Baxter and Merck as a salesman and marketing executive before joining Intermedics.

Davidson had met Doc Henley through his work at Intermedics and was impressed with his company's technology. Davidson even convinced Intermedics to grant Henley \$500,000 in seed money to get the venture off the ground. In return, Intermedics got 30 percent of the company and Davidson got a seat on Henley International's board of directors. "At the time I didn't think that it was much of a perk," Davidson recalled about his appointment to the board in *Houston Business Journal*. "It was a three-employee company with one product."

Davidson and Doc Henley had a good business relationship. Davidson respected Henley's technological and creative intelligence, and Henley admired Davidson's business intuition and willingness to support his ideas. Davidson's interest in Henley International was cemented after he visited a physical therapy convention with Davis Henley. Davidson was intrigued by the contrast to the medical products conferences in which he had participated in the past. "When you walk in the door [of a typical medical convention] you see a bunch of little 10-foot booths of people trying to get someone to listen to their story, and a couple of 100-foot booths two stories high belonging to Baxter or Johnson & Johnson," Davidson told *Forbes*. "But when I first went to the APTA [American Physical Therapy Association] convention, I saw only 10-foot booths. Nobody owned the market."

Davidson felt challenged by the lack of market leadership in the physical therapy products industry. So, during the early 1980s he helped the company try to market the Fluidotherapy device. Meanwhile, Doc Henley continued to work on the research and development of new products for the business. Although the Fluidotherapy device never turned into a boon for Henley International, it carved out a profitable market niche. There was no statistical evidence to prove that it outperformed traditional whirlpool therapy, but most therapists and patients agreed that it was a preferable form of treatment. Furthermore, because it did not use liquids, there was no threat of bacteria transmission and, therefore, no cleanup required. The cornhusks were eventually replaced with synthetic pellets and the device was marketed as therapy for arthritis sufferers.

Davidson and the Henleys chose a good time to get into the physical therapy industry. An aging population and a steady increase in sports-related injuries were two factors driving market growth during the 1980s and 1990s. During the 1980s, in fact, the number of physical therapists in the United States rose about 50 percent, as did the number of accredited physical therapy training programs. As the scope and number of physical ailments proliferated, therapists sought new treatment methods and improved equipment. Henley International benefitted from the industry growth, and its sales increased to more than \$5 million by the mid-1980s.

Encouraged by the success of Henley International, Davidson left his post at Intermedics in 1986 to run the venture. During the next few years, the company expanded rapidly by diversifying its product line to include a number of offerings geared for the growing physical therapy, home pain management, and disposable hospital products markets. Davidson's growth strategy was founded on two key assumptions: 1) demand would continue to rise for procedures and products that reduced health care costs and facilitated in-home care; and 2) an aging population and an increase in sports-related injuries would spur expansion of the physical therapy markets.

Henley International expanded through acquisition during the late 1980s. Davidson bought underperforming companies or divisions with products that complemented Henley International's products, cut their operating costs, and integrated their products into Henley International's marketing network. Among Henley International's more successful acquisitions was its buyout of a high-tech line of exercise/physical therapy equipment from LivingWell Inc. In addition, Henley International's research and development efforts spawned several new products that boosted profits. By the end of the 1980s, Henley International's research efforts had yielded 22 patents.