El Kendi – Essam Farouk, CEO – Algeria



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*The CEO of one of Algeria's most successful pharmaceutical firms describes how*

El Kendi became the first foreign firm to be established in Algeria without having a mother company abroad. He also lifts the lid on the secrets behind the firms extraordinary track record for speed in securing product registration and approval on the local market.

What is the scope of the company's activities today and how El Kendi has evolved over time?

El Kendi is privately owned with shareholders from Saudi Arabia and Jordan in a ratio of 35 to 65 percent. We were the first foreign firm to be established in Algeria without having a mother company abroad. This actually placed us in a unique situation compared to other Arab players such as Hikma or Daw al Dawa that could rely on their parent entities during the early phase of operations. By contrast, we needed to be self-sufficient right from the start and to generate sufficient revenues to cover our operating costs because there was no parent to bequeath riches. Equally we had to build up our very own resource base from local talent in the absence of an in-house human capital pool that we could leverage to parachute in workers from abroad.

Despite these early challenges, our unconventional market entry allowed us to act much more like a home-grown, local outfit and this has brought its own benefits. For a start, the government could see that we were thoroughly committed to the Algerian market and were putting down roots for the long haul. We were also making a tangible benefit to the country not only by engaging in local production, but also by creating jobs and training up local talent through our skills and development program. The government appreciates this and having seen what we are bringing to the table has been willing to go out of its way to be supportive and to back us in our endeavors.

We started building our 8000 square meter flagship facility in Zeralda in 2006 and within two years started manufacturing 19 products which has nowadays increased to a portfolio of 140. Around 85 percent of those are generics, ten percent value-added generics and the remaining five percent are totally new, innovative products.

El Kendi's product selection strategy is quite distinctive from most of your competitors. Please tell us about that.

That is absolutely correct. We see our product selection strategy as one of our primary assets. In view of Algeria's shifting disease profile we consciously decided to focus in on seven therapeutic classes that directly relate to the future needs of the population. These included: immunology, oncology, cardiovascular, central nervous system (CNS) and auto-immune diseases. What's more, within those highly relevant segments, we deliberately concentrated on particular niche products where there would be unmet need and where we could deliver the greatest value. Then, over time, we have been building-up our know-how and human expertise in those directions to gain a level of mastery.

Our third asset after our product selection and high caliber personnel is then our state-of-the-art, fully integrated Zeralda facility which was financed to a tune of 22 million euros and conducts 100 percent local manufacturing. We are immensely proud to be the only company apart from the state entity Saidal that can do this. All other local producers are reliant on some sort of importation. Either they bring bulk products in and assemble and package them or they import ready-made granules from which to manufacture their products. We are now reaping the success of this strategy. If you consult the IMS statistics and league tables, you will find that we have risen from ranking 174 to number 5 within a mere five years. And now we are preparing ourselves to take on the top four companies in the market.

El Kendi has an excellent track record for the speed in which the company manages to secure approval and launch new products. What is the secret to this success?

First of all we have been able to develop a very high level of mutual trust with the state over time. We have always been very honest, upfront and direct in our dealings with the government. On arrival, we informed them that we would be the first private sector entity to do 100 percent manufacturing in the country and we delivered on our promise. We had many lucrative offers to do the packaging of imported products, but we always refused because we committed to keeping our promises. Then we informed the state of our intention to concentrate only on therapeutic solutions of tangible benefit the country and we have been delivering on that too. Over time this leads to a scenario where the state trusts our products and where we trust the state in its actions.

The real secret to the speed with which we gain approval to launch new products is again our product selection and manufacturing strategy. My own professional background and expertise is actually in manufacturing and that has enabled me to apply some of my prior learnings to El Kendi's current endeavor. Unlike virtually all of our competitors, we manufacture a wide variety of product lines in parallel rather than sequentially. Within our first month we already had 19 product lines in motion. When we go to the authorities and request approval for 47 products all at once, then as long as we can secure permission to proceed with 15 of those, then we can be very successful. This is what has made us the number one company for volume of product registrations over the last five years. Because we submit a whole basket of products all at once, then even if only 30-35 percent of them get registered, we are still going to be outperforming any country that develops only one or two products at a time in sequential fashion.

How is El Kendi going about managing the challenge of sourcing and retaining skilled workers?

From a very early stage, I noticed that Algerians employed abroad tend to be successful wherever they go. What then is the difference between the external and internal environments? I am firmly convinced that if you are respectful of Algerians, trust them and are full of warmth towards them, then they can be just as successful at home as they are abroad. The first step is to communicate with them in the right way, to be motivational and to lead through example. My experience is that Algerians have an educational level that is above the norm, but tends to be theoretical rather than practical. In other words, they have all the right qualities to become the skilled workers that you require of them, but need additional exposure and hands-on experience to attain that level.

What do our international readers need to know about the Algerian market?

Algeria had the fastest growing pharmaceuticals sector in the MENA. It has even surpassed Saudi Arabia. It is also rare in the region for having a bill of medicines that is fully supported and reimbursed by the government. In terms of human capital you will also find the right variety of

talents for your business, just so long as you know how to hand pick them and develop them in the right manner. Whatever the economic statistics and whichever way you look at it, this is a highly attractive market.

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