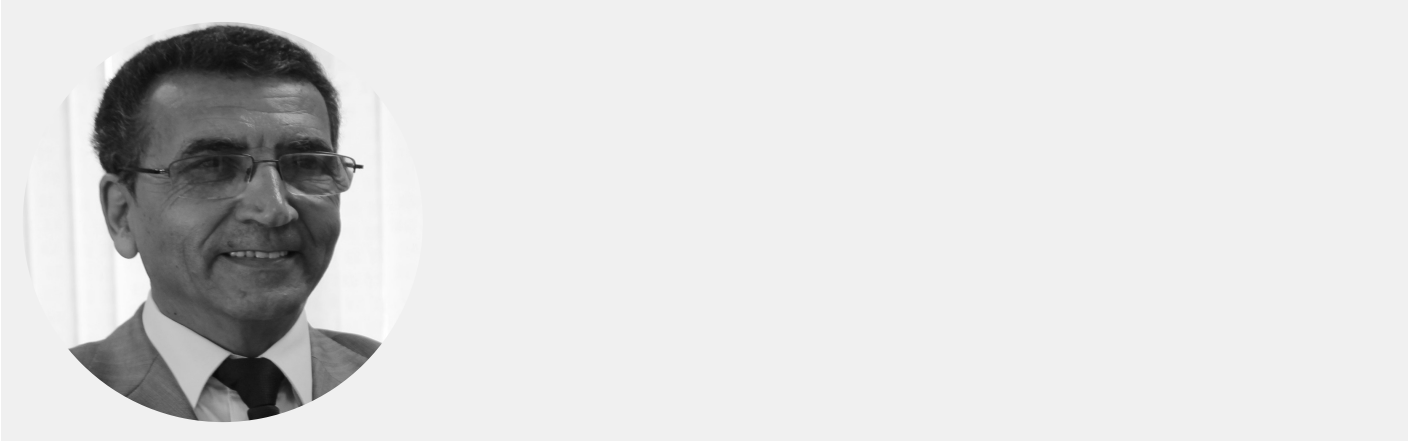
Saidal – Boumediene Derkaoui, CEO – Algeria



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The CEO narrates the historic role that the company has played in kickstarting the Algerian home-grown pharmaceuticals industry and outlines ambitious joint venture projects that seek to have a transformative effect on the local sector.

Mr. Derkaoui, can you please start by introducing yourself and telling us a little bit about how you came to be leading the state pharmaceutical company?

I possess a rather atypical profile for the pharmaceutical industry because I'm neither a pharmacist nor a doctor nor a chemist. I've actually spent the bulk of my career in the industrial sector – several years of which were in senior management positions as Head of Cabinet in the Ministry and Secretary General to the Minister.

Generally speaking, there has been a lack of investment in public industry over a period of more than 30 years and this is due to a wide variety of historic factors. Then in 2009, explicitly to confront this deficit, the government resolved upon making considerable public investments in the pharmaceutical sector which was identified as one of the most promising growth areas for building up a local industrial base. I, for my part, was drafted into Saidal a year later essentially to help turn

around the company in certain aspects and to readdress some of the difficulties the Group had been experiencing in realizing its development agenda. The idea was also to ensure that the Group's development strategy closely aligned with the fresh approach of the government and new orientation of public policy.

Many of our international readers will not be familiar with the concept of a national pharmaceuticals company. Why does Algeria need a state-owned laboratory when other countries manage perfectly fine without one?

Saidal's is a unique institution intrinsically bound up with the social fabric of the nation and the history of Algeria as a country. In the aftermath of independence, Algeria had no real industry to speak of. The country had to put in place workshops and factories right from scratch and therefore needed to resort to public investment to fill the gap and make up the shortfall. Saidal, itself owes its existence partly to the 1970s public investments in the Medea industrial complex which was, back then, of significant national importance. The creation of the company effectively marks the birth of Algeria's pharmaceutical sector and many of the private laboratories that subsequently developed since the late 1990s were only able to do so thanks to Saidal's earlier efforts.

Despite remaining a public company, we are nowadays run just like a private enterprise and enjoy full autonomy. Being competitive under free-market conditions is of upmost importance to us as we report to our shareholders who oblige us to perform highly as a business. The state's relationship with us is as a shareholder, not as a manager. The state validates any strategic restructuring that we undertake because they understand the importance of Saidal remaining fully competitive in the marketplace. We have been transforming ourselves as an organization so as to maintain our competitive edge. Today, the sourcing of high quality human capital and roll out of in-house professional training remain high on our list of priorities.

As a manager of a state owned company, how do you go about the task of balancing public and national interest with commercial objectives? Do you see your role more as that of a manager or a leader?

Opposing the roles of manager and leader represents a false dichotomy. In my mind, there is no such choice to make. On the contrary, both leadership and management are vital to the sound functioning of any company irrespective of its ownership. A public company must operate, in my opinion, just like a private company. In any business, it is imperative that a manager meets business objectives. The fact that we are a state laboratory does not preclude us from taking our responsibilities in that direction. Moreover, leadership is essential to spearhead a team and create

the cohesion necessary for collective action. Saidal’s public and corporate goals are completely harmonious.

How, then, would you describe the prevailing strategy of the Saidal with regard to commercial, operational and financial positioning?

Saidal’s core strategic objectives are to ensure the overall competitiveness of the company and to implement a growth plan that guarantees sustained presence across the market. To effectively achieve this requires both foresight and innovation. At the same time, being the sort of unique public entity that we are, also compels us to develop sturdy common values and a strong sense of corporate culture.

Our newly published code of ethics which came out in March of this year, for example, is a key element in enabling us to gather our forces, homogenize our work and strengthen ourselves internally. We strive to position ourselves as a lead player in the market in terms of ethics, business development, behavior, price and quality. Being a public laboratory, our obligations are necessarily higher than everyone else. We will be looked up to as the role model and benchmark for the industry.

The Algerian market today accounts for some $3 billion and consistently enjoys double-digit growth. What is Saidal’s share of this market?

Between 2012 and 2013, we maintained a constant sales level. However, last year, we chose to reduce our volume and to tidy up our product range so as to be able to focus in on those products that interest us the most. For an almost identical turnover, our net income increased 36 percent. That means we have improved our cash register by somewhere in the region of 25 to 30 percent. Our level of efficiency has demonstrably improved and it is this is what allows us to contemplate subsequent projects and future market orientations. We are aware that the Algerian market will become more competitive and aggressive over the next 3 years. Today our reputation permits us to sell our products, but we will not be complacent. Competition exists and will be increasingly severe. We need to face it by being creative. First and foremost we must focus on product quality. And then, in view of the competition, start pricing our products strategically.

You have been making investments to the tune of some 200 million euros with a view to installing new plants and achieving a coverage rate of 35% of national needs. Is there not a danger that Algeria will end up with an excess of production infrastructure and a significant shortage of skilled workers to manage those facilities?

The risk of excess manufacturing infrastructure is very real. There are currently some 60 plants in operation today, a number of which are not functioning at full capacity. A further 160 projects are right now under construction or at the planning phase. As always, the task at hand is to anticipate need and integrate every action into a coherent strategic vision. It's important to foresee future quality requirements and likely competitive landscape, while simultaneously orientating yourself towards product innovation. At Saidal, we have our own strategy in place to cope with future requirements and are simultaneously developing the necessary wherewithal to be innovative – namely the creation of a new research centre and bioequivalence laboratory.

The Algerian government aims to encourage the use of generics rather than originator products, but the population all too often seems to opt for originators. What role can Saidal play in changing this dynamic?

Having a local pharmaceutical manufacturing base enables the state to make considerable expenditure savings. The price of our laboratory is often used as a reference price for calculating reimbursement. Today local production stands at 40 to 45 percent. To reach the government's target of 70 percent local production, more laboratories need to follow suit and start in-country production. We are, of course, realistic that there are some types of advanced medication that it would not currently be feasible to produce. The goal is therefore very much a work in progress. A Saidal, we already possess 4 generic production facilities and have an ambitious product development agenda in motion.

It's important to also point out that manufacturing generics is also not to be considered synonymous with an absence of attention to research. We have the ambition to engage in research and allocate a budget to such activities even if our in-house research centre remains comparatively small. Meanwhile, we have been establishing contacts with scholars both in Algeria and abroad so as to widen our knowledge pool and strengthen our internal organization. The increasing sophistication of our human resource base will also represent a crucial step towards ultimately developing our scientific research capabilities.

We understand that Saidal has entered into a number of high profile production partnerships with international partners such as Servier, Pfizer and Novo Nordisk. Could you please elaborate upon these initiatives and how they facilitate technology transfer?

We have established a number of joint projects with international private sector entities. One such project which is especially noteworthy relates to covering Algeria's demand for insulin. A partnership agreement concluded with Novo Nordisk will allow us to produce and ultimately even

export insulin. Insulin imports alone currently cost the state exchequer 180 million euros. The benefits realized from this project would therefore be considerable for all stakeholders.

At the heart of our development agenda, we also have embarked upon an oncology project with a Kuwaiti investment fund. Then we have a factory in Reghaïa, developed alongside Saudi and Jordanian laboratories which comprise 56 percent of the shareholding. Then there is a further manufacturing initiative in tandem with the Emirati laboratory, Julphar. Some of these constitute financial partnerships, but others are more about sharing technologies and techniques. For our insulin and oncology initiatives, the key is to build up the know-how to produce originators. We have grounded our business strategy on product diversification and the enhancement of our competitiveness because ultimately we need to be able to guarantee the availability of very high quality products at affordable costs.

To what extent does Saidal aspire to become a regional champion?

Our intention is to be able to position ourselves in the external market within 3 to 4 years. One new plant is to be completed in September 2015 with a second in place three months later. Then around September 2016 we should be all ready to commence production. Our initial priorities revolve around strengthening the internal organization and developing a corporate culture and shared value system. All of this takes time, but we remain very confident in our abilities because of the talents and motivation of our workforce and strong sense of belonging. Positioning ourselves as a regional leader is certainly one of our longer term aspirations even if there is much else to accomplish first.

How would you like Saidal to be perceived by the rest of the pharmaceutical industry?

Saidal needs to be perceived as a company that is steadfastly advancing. It is a company that is aware of its frailties and is actively setting about eliminating them, while at the same time consolidate its strengths. I also want Saidal to be respected by its partners and competitors alike as an ethical firm that honours its commitments and takes pride in the calibre of its workforce.

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