

Soubeiran Chobet - Adrian Fernandez, CEO - Argentina



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Adrian Fernandez, current CEO, shares his experience of taking a domestic company international and the viability of the family business model in the contemporary market.

As a rapidly internationalizing company, how much of a burden have regulatory barriers between countries placed on your business?

It's not too much of a problem, as most of the Latin American economies have relatively similar regulatory requirements, and once you've registered a product in two or three countries, those after go much more smoothly. The other side of that is that standards in Argentina are some of the highest in the region, so if our products satisfy requirements here in our own market, they usually satisfy the requirements of others quite easily. That said, since it takes at least three years to register a pharmaceutical product in any given country at this point in time. The process would probably be sped up a bit by agreements between regulatory bodies, such as the one between Argentina's ANMAT and INVIMA in Colombia that was recently discussed but never signed, but at the moment there hasn't been much progress on that front. It's this structural friction moderates the pharmaceutical industry to some extent; while it prevents us from taking full advantage of changes in the macroeconomic environment such as the recent currency devaluation, it also stops our competitors from exploiting our weaknesses.

What do you think Argentina's role in the regional pharmaceutical market should be in the future?

In the short run, I don't see us playing a particularly important role as we have too many domestic problems to solve. Dealing with some of these issues, such as the difficulties of arranging payments for foreign suppliers, takes up a lot of time and places an unnecessary burden on Argentinian businesses. In the long run, I am confident that the situation will improve and our government will become more professional, but in the short to medium term, say three to five years, its difficult to say whether things will get better or worse and how fast they will change. The elections next year should help to spur change in the right direction, but hopefully the current government will put things on the right path first.

In our case, our goal is to continue to expand into new markets and bring new products to our patients. We currently have three products in the pipeline that we should be introducing to the market in two or three years, and are currently building a brand new laboratory at our location here in Buenos Aires, complete with manufacturing scale reactor vessels and FDA compliant standards.

When is the right time for an Argentinian firm to start exporting? Is there a certain critical mass it has to reach before this is an effective use of resources?

The time was right for us when we saw that Argentinian firms were losing market share to multinationals, and decided that to fight back we needed to imitate their behavior to an extent. If they were going to enter our market and take some of our customers, we would go find other customers in other markets.

What is Soubeiran Chobet's greatest strength and source of potential growth?

Research. While we don't have the budget or constancy of a multinational, our smaller size and mindset allow us to be more creative and nimble. For example, we recently presented our findings from some research at a *Verocytotoxin-producing Escherichia coli* conference in Amsterdam, and while other representatives from much larger firms including the global giants also presented their work on the issue, our findings were given an honorary mention because we had taken a very simple but unorthodox approach that had generated some intriguing results.

Our approach to this research was very Argentinian in a way, since for many years a relative shortage of capital has forced us to be creative so that we can get the most we can out of limited resources. This process usually involves "thinking outside of the box" so to speak, which means doing away with constraining structures, policies, and stipulations. On the upside, this often leads

to efficiency gains and innovation, while on the down side it can cause corners to be cut and steps to be skipped that shouldn't be.

Another example of how we've leveraged our creativity is a product we've developed for burn victims. Burn victims always have three needs: pain relief, protection from infection, and a speedy recovery. Usually they are treated with multiple medications including painkillers, antibiotics and vitamin creams to help with the healing process. We saw a way to provide a single product that treated all three of these issues at once: a topical cream that contains a topical anesthetic, an antibacterial and vitamin. As simple as it was to put three medications in a single tube or gauze pad, we were the first to do so in this instance.

What defines Soubeiran Chobet's brand in Argentina?

I don't know if I could say that we really have a brand per se. For more than 90 percent of our history, the average Argentinian patient had never heard of us, or any other pharmaceutical company for that matter, even a global giant like Pfizer. We only ever marketed and interfaced with the physicians, and for the most part are products were unique so we didn't have to fight a marketing war with our competitors. However, things changed in 2002 when regulations changed and required the physicians to prescribe a molecule and not a product, leaving the decision up to the patient and the pharmacist. At this point we decided to start advertising by radio and making appearances at pharmaceutical conferences, so that our name at least became somewhat familiar to patients and pharmacists. As far as the messaging, we have never tried to send a strong message, maybe because we feel that our heritage should be message enough. We have been a part of the Argentinian pharmaceutical industry for as long as there has been a pharmaceutical industry, and will be for a very long time yet, and we send that message merely by demonstrating our presence and consistency.

Is the family business model still a sustainable in the contemporary model?

It depends on the family. A family company can be great, but families are groups of people, and not all people are capable of running a company effectively. If there are some professional, experience, committed family members and the family values hard work, innovation, investing in the future and other things that create a professional office culture, then they might be very successful at running a business together. On the other hand, if too many of these things are missing or some family members are short sighted or greedy, then the company will not be so successful.

Could you tell us a bit about your personal background and your transition into leadership of the family company?

I started working at Exxon Chemicals and worked for them in Buenos Aires for twelve years. At that point, I was pressured to move to England and I wanted to stay in Argentina, so, feeling that I had a reasonable amount of experience, I approached my father about joining the family company. After a lengthy discussion, he agreed that the move made sense and I joined Soubeiran Chobet almost 20 years ago.

The transition was quite sharp; petroleum companies are extremely slow moving with progress measured in decades as opposed to years, and the size of even a relatively small investment is enormous, and the profits are incredible. In the pharmaceutical industry, things move significantly faster and, while expensive, our investments are much smaller and shorter termed, involve far fewer parts and details, and as a consequence, our profits are much more modest. Most significantly, the markets for petroleum products and pharmaceuticals are completely different; in the pharmaceutical market, you have to keep track of your competitors from day to day as things can change very quickly if they announce a new product or change a marketing strategy, while in the petroleum industry strategies are developed with multi-decade time horizons in mind and are unaffected by short and medium term fluctuations.

Drastic differences aside, I got used to the new market rather quickly and was able to bring a fresh perspective into the family. At that point in time we all knew that the Argentinian pharmaceutical industry in general had a lot of potential as a regional and global exporter, so my primary goal upon joining the company was to help internationalize our business. As a medium sized firm with almost no international experience, in 2002 we decided to start by expanding into other Latin American countries, where the language was the same, the culture similar.

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