

Crisis Management in the Pharmaceutical Industry

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Abstract:

The first step of management functions is planning. It is the starting point of a process. It asks what needs to be done and how it should be done in order to achieve business objectives. The planning phase also defines the goals, policies, programs and procedures for program implementation for the company or individual departments. Planning is also considered a primary function. This phase is designed to avoid errors as far as possible, as they can affect all other management functions.

Introduction

Difficult times - especially economic ones - also present management with new challenges and demands. Many managers are therefore not only busy running companies, but are also simultaneously involved in drawing up plans in emergency situations. Constantly rising insolvency

figures show that these companies are increasingly in crisis situations. As a result of this development, the area of crisis management is taking up an ever greater part of the management's responsibilities. This is also shown by surveys: 61% of the 2,575 top managers surveyed consider it an essential success factor to make crisis or restruc-

turing management the task of top management.¹

However, management in times of crisis consists not only of leading and acting in times of crisis, but also includes proactive actions including early detection of crises.²

Managers therefore have the task of formulating and realizing the goals of the employees. This also includes regulating the behavior of the employees or overcoming crises.³ Leadership is especially necessary where people have a common goal. Each individual should be used accordingly with regard to their strengths and abilities. The individual activities or work steps of the employees in a company must be coordinated.⁴ This is achieved through management measures:

„Leading, being led, letting oneself be led and leading oneself is a consequence of the division of labor and role differentiation.“⁵

Accordingly, a manager fills the position of a senior executive in a company and has personnel responsibility towards other employees. This results in various management functions. They are used to simplify the tasks of managers and make them clearer. A distinction is mainly made between five classic management functions by Koontz and O'Donnell (1955). The subdivision of the management functions can therefore also be described as a classic canon of five.⁶

Planning in crisis management

The first step of management functions is planning. It is the starting point of a process. It asks what needs to be done and how it should be done in order to achieve the business objectives. The planning phase also defines the goals, policies, programs and procedures for program implementation for the company or individual departments. Planning is also considered a primary function. This phase is designed to avoid errors as far as possible, as they can affect all other management functions. This helps to minimize the occurrence of additional

costs. Once the planning is done, the phase of the organization can begin. In this phase, the planned is implemented. The process flow is analyzed and aligned with the specified goals. This is done by the process organization. To ensure the process flow, new departments, areas and work centers are created within the organizational plan. Tasks, competencies and responsibilities are also assigned. The process flow is planned to determine how the individual units work together. To ensure that the process runs smoothly and that employees are provided with the information they need to perform their tasks, it is very important to clarify how communication is to take place within the enterprise. The positions created in the organizational plan must now be filled. The demands placed on the employee play a major role here. Qualified employees must be found and, if necessary, trained. You must also ensure that employee motivation and remuneration match the job requirements.^{7,8}

Once the plan and the organization have been defined and the staff have been recruited, the management function of leadership comes into play. The manager comes into action when complications, errors, delays, crises and frictional losses occur. It is also an important aspect is that the manager must always be present and close to the employees. Then mistakes can be noticed and decisions can be made. Because if the manager only looks at the reports, it is difficult or impossible to determine whether there are communication problems. This can also affect the results, although it is not initially reflected in the key figures. Managers are also responsible for resolving any conflicts that arise and making decisions. This includes problems with employees, feedback from customers, and problems in working with suppliers.

Control of the crisis management

The final phase of the management process is control. In this phase, a target/actual comparison is determined, analyzed and carried out in order to be

¹ See Hutzschenreuter, 2004, corporate development, p. 5

² See. Hutzschenreuter, 2004, a.a.O.

³ Gudemann, 1995, Leadership. Lexikon of Psychology, p.132

⁴ Comelli et al., 2014, Leadership through Motivation, p.83

⁵ Hentze et al., 2005, Leadership apprenticeships, p.4

⁶ See Seiler 2012, p. 19.

⁷ See Schreyogg/Koch 2010, p. 10.

⁸ See Seiler 2012, p. 19.

able to judge whether there is a deviation or whether the plans have been put into practice. If deviations have occurred, it must be checked whether corrective measures should be implemented. This control also helps to improve new planning. Thus future processes can be better planned and started.⁹

A corporate crisis is understood as „unplanned and unwanted, temporary processes that are capable of substantially endangering the continued existence of the company or even making it impossible“¹⁰, understood. Personnel company crises, on the other hand, refer in particular to shortages of skilled workers or waves of redundancies.¹¹ Among the central characteristics of the corporate crisis are

- Endangerment of existence by endangering essential goals
- Metamorphosis or destruction of a company due to uncertain outcomes from the crisis
- Process character of a time limitation of the crisis
- Control problems due to loss of control over influence able processes
- Inability to act¹²

Corporate crises

Disasters are a special case of corporate crises, as they are one-sidedly negative and offer no way out. Disruptions, on the other hand, are characterized by problems in the operating process or set-up. They thus relate more to the functionality of the company's material potential. Conflicts always point to problems within human relationships with persons or groups of persons. Risks, on the other hand, are inseparably linked to entrepreneurial activities and are therefore always present. In general, they characterize dangers of not reaching goals. Issues are mainly topics that affect the company but are of interest to

the public. Such topics include, for example, the values of companies, expectations or views. Increasingly, issues can also grow into scandals. For example, when a company tries to cover up illegal activities. In contrast to issues, scandals have only a one-sided focus on annoyances in public life.¹³ This is where crisis management comes in. Because it is concerned with understanding and solving all these problems.¹⁴ However, it depends on how a crisis unfolds, as it is usually divided into four phases:

Phase 1: Potential corporate crisis

Phase 2: Latent corporate crisis

Phase 3: Acute/controllable corporate crisis

Phase 4: Acute/unmanageable corporate crisis¹⁵

Depending on the phase, a crisis can lead to an actual collapse and thus also to the abandonment of the company. However, it is also possible to restructure the company, for example if it is in the first three phases of the crisis.¹⁶ The first two phases can be summarized under the term active crisis management. The companies are eager not to get into an emergency situation. Therefore, they actively try to anticipate crises and prevent their development into an acute crisis by precaution and avoidance. If this does not succeed, reactive crisis management describes how to deal with the last two phases of a crisis. A smooth communication process is important to manage crises. Communication is primarily understood to mean actions that are perceived differently depending on the situation and the individual. Crisis management is considered a process in which communication is primarily a matter of.¹⁷

Conclusions

The process of identification, however, does not begin at the point in time when the problem - for

⁹ See Schreyogg/Koch ,2010, Fundamentals of Management, p. 11.

¹⁰ Gabler Wirtschaftslexikon (14.02.2018), p.1, <https://wirtschaftslexikon.gabler.de/definition/unternehmungskrise-49331/version-272567>

Revision of corporate crisis from 14.02.2018 [28.03.2020]

¹¹ Gabler Wirtschaftslexikon (14.02.2018), a.a.O.

¹² Krystek/ Lentz, 2013, Unternehmenskrisen, p.35f.

¹³ See Krystek/Lentz, 2013, Unternehmenskrisen, 34f.

¹⁴ See Krystek/Lentz, 2013, Unternehmenskrisen, p.6f.

¹⁵ See Gabler Wirtschaftslexikon (14.02.2018), p.1, <https://wirtschaftslexikon.gabler.de/definition/unternehmungskrise-49331/version-272567>

Revision of corporate crisis from 14.02.2018 [28.03.2020]

¹⁶ Coombs et al., 2012, The Handbook of Crisis Communication, S.3

example a lack of medication - is objectively recognized, but only when it is perceived as such. This can be the case, for example, if certain ingredients for medicines are not or no longer available and as a result medicines become scarce. Or resources such as breathing masks or disinfectants become scarce due to increased demand. „If corporate crises are not identified in good time, the scope for effective crisis management is continuously narrowed down due to the destruction of alternatives over time.“¹⁸ However, the German Act on Control and Transparency in the Corporate Sector (KonTraG) in § 91 II of the German Stock Corporation Act (AktG) requires the early detection of corporate crises, as well as developments that could endanger the continued existence of the company. If crises are detected early on, processes can still be controlled, company goals planned and control of the company maintained. With reference to the above-mentioned example, a corporate crisis could be averted, for example, if the stock level is increased at an early stage or the necessary ingredients for which needed drugs could be procured. If all parties involved in crisis management turn to the crisis, the crisis can be overcome and the company saved. If this is not possible, then damage limitation in the crisis is necessary to ensure a new start after the crisis, „The strategy of the company and the guidelines of communication must be corrected, because the new start must have absolute priority.“¹⁹

Should the crisis, despite the commitment of all those involved, develop into an uncontrollable crisis, the only option left to the management is an „orderly withdrawal“. By liquidating the company as planned, the losses can be limited for everyone. The liquidation can take place within the framework of insolvency proceedings or outside of them.

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¹⁷ See Ternes, 2008, Communication – a key qualification, p. 20

¹⁸ Krystek (22.02.2018), Crisis management, <https://wirtschaftslexikon.gabler.de/definition/krisenmanagement-37353#head2> [28.03.2020]

¹⁹ Wendler Marketing Consulting, (01.01.2020), Crisis management, <https://www.wemarcon.de/de/beratung/krisenmanagement/> [22.03.2020]