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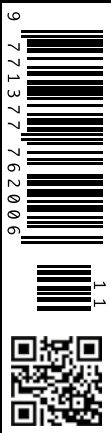
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Crises in health sector and pharmaceutical companies

A crisis action plan is necessary to avert negative fallout

Most companies have done little in the way of preparation for crisis. The following exciting hypothetical scenario can help put matters right.



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Many health sector firms do not have proper crisis management plans. They might have a plan for the more tangible aspects such as an IT failure or having to evacuate the office. They will probably have a PR or communications adviser. But, from experience, they are unlikely to have knitted all aspects together in one document. In effect, they will lack a holistic plan that covers all contingencies – both operational and reputational.

To that end, the CEO and top team will be relying on their ability to see the potential for things going wrong and reacting in good time. But this depends on employees at all levels being able to spot a potential crisis and trusting the system and their management sufficiently to elevate their concerns quickly and to the right people. Otherwise an incident can rapidly spiral out of control and become a full-blown crisis. Then, without a plan in place that allows for an organised response, it may not be possible to get off the back foot.

Scenario planning

One way to test this assumption is through scenario planning, a well-honed training tool in both the army and academia. In this article, we will walk you through a fictitious incident based on a compilation of real-time events. Through this scenario we pose some questions you might well ask if you were helping to manage this hypothetical situation. We then provide some conclusions that should guide both preparation and response. (It's important to note that none of the events described in this article bear any resemblance to actual events in association with the places and institutions mentioned. They are named and described for illustrative purposes only).

The scenario

Waguluu PLC is a biotech company that grows human tissue for wound care and other healing applications. The company was started in 2007 as part of the National Institute of Health Research (NIHR) Cambridge Biomedical Research Centre. Its scientists and post-graduate

researchers came from the biological science department at Magdalene College. Its commercial potential grew rapidly and it went public on the London Stock Exchange in 2010.

By 2012 the company already had a product approved by the US Food and Drug Administration (FDA) and the European Medicines Agency (EMA), with a second approval pending. Many of the company's investors have been in the stock since it went public because they believed in the promise of the technology and its healing potential. A number of its institutional investors, including the Universities Superannuation Fund which has many billions under management and is one of the largest pension schemes in the UK, have strict rules regarding ethical investing.

Last month, Waguloo's public profile rose, with a front-page story in the Financial Times and a slot on the BBC's Newsnight, when it became the poster-child in the new "Britain is Open for Business" promotion campaign for the fast-growing bio-medical field.

“ MOST HEALTH SECTOR FIRMS LACK A HOLISTIC PLAN THAT COVERS ALL CONTINGENCIES – BOTH OPERATIONAL AND REPUTATIONAL ”

Waguloo is currently running human trials for a new product, Bandex, a spray dressing that creates a new skin within hours on severely burnt patients who are considered too high risk for surgery. The trials are being run at several hospitals in the EU, including the Hospital Kaspella and the Surgical Centre Trimontium in Plovdiv, Bulgaria.

Waguloo's CEO, Professor Sir John Morton - professor of cell biology and master of Magdalene College 1995-2003, and this year's Nobel Prize winner for medicine - is scheduled to address the European Medical Physics and Engineering Conference in Sofia, Bulgaria, later this month. The conference is to be hosted by the Bulgarian Society of Biomedical Physics and Engineering.

Phase 1 - A friendly email raises a red flag

You are a key member of the CEO's top team in Waguloo PLC. A close friend of yours in Sofia, someone you knew in your university days in the UK who now closely follows your work at Waguloo, has sent you an email with a link to the highly-respected Center for the Study of Democracy which has released a new study on corruption in the medical sector in Bulgaria (Center for the Study of Democracy 2017), as he knows you plan to visit Bulgaria in December for a conference.

In the email your friend also mentions that he has noticed a fair bit of traffic on Twitter in Bulgaria; there

seems to be a public outcry about the mysterious cause of death of a half-dozen or so people in Plovdiv, Bulgaria's second city, who were brought to hospitals there with severe burns following a gas explosion in an industrial plant nearby. He ends his note to you with the rather quiz-zical comment: 'Hey, I thought that new product of yours was supposed to patch things up?' Questions:

- Who in the company do you alert?
- Should the crisis management team (CMT) be assembled? Who is on the team?
- Do you have a crisis management plan to guide you?
- What are the key questions you and your top team colleagues are asking at this point?
- Should the number of people in the company with knowledge of the possible crisis be limited? If so, how?
- Should a media blackout be imposed?
- Considering your friend mentioned Twitter, what is the company's approach to social media?

Phase 2 - One week later Bandex becomes a big bother

The Medical Examiner's report on the deaths from the fatal gas explosion reveals that a number of people who died from their severe burns did so because of infections that set in after a spray dressing was used for band-aging. You find out from Waguloo's clinical division that Bandex was used on some of the patients. The report is mentioned in the local Bulgarian press but it does not mention the product name Bandex. Questions:

- How – and to what extent – should the CMT be kept apprised of Waguloo's own investigation into the Bulgaria situation?
- Do you inform shareholders that there are problems with trials of Bandex?
- What should employees be told? How can what they may communicate outside the company be controlled?
- Under what legal or ethical obligations should the FDA, EMA and London Stock Exchange be informed of the Bandex issues?
- What proactive steps should be taken with the media at this point?
- What proactive steps should be taken with stock analysts at this point?

Phase 3: One week later: corruption adds insult to injury

The Bandex problems are now out in the open and your stock price has fallen precipitously, though management is confident Waguloo's basic technology is sound. But today you receive an email from your agent in Sofia saying that the director of the hospital in Plovdiv has been suspended from his post due to allegations of corruption as part

of an ongoing investigation by the chief prosecutor's office at the Ministry of Justice. Four months earlier, your CEO met this hospital director when he was on a visit to your company's lab in Cambridge as part of a European hospital directors' tour, all paid for by Waguloo. Questions:

- Should your CEO, Professor Sir John Morton, go as planned to address the European Medical Physics and Engineering Conference in Sofia, Bulgaria?
- Are you as a key member of the CEO's top team well-versed in Waguloo's ethics practices and compliance with the UK Bribery Act and the US FCPA? Who can act as spokesperson on these issues?
- At this point, how should media, analysts and investors be dealt with?
- What groundwork can be done to begin rebuilding Waguloo's reputation?
- Based on your discussion of this scenario, how much emphasis should your own company put on crisis preparedness? What kind of planning and practice are needed?

Remember:

- Never say anything definitive unless you are absolutely sure that you know the truth – take nothing for granted
- Remember that major crises are nearly always caused by coincidences of several contributing factors, of which your company may be only one
- Remember that there may be a public inquiry or hearing, or a civil or criminal court case, that will scour in minute detail every word that you say, every email you write and every action you take
- It is vital to say something at the earliest possible opportunity in the face of publicity or possible publicity. The vacuum created by the failure to communicate will quickly be filled with rumour, misrepresentation, gossip and poison
- When it comes to giving information, there should be a presumption of openness. The question should be: "Is there any good reason why we shouldn't reveal this?" rather than: "Do we really need to tell them this?"
- A spirit of openness and honesty will always enhance your reputation. Any suspicion that facts are being hidden will do the opposite
- Your message should show concern, action and reassurance. Concern reflects a company's values and priorities: (1) people; (2) environment; (3) property; (4) business reputation. It is acknowledging or understanding points of view of protestors and showing sympathy for families, or about recognising the hurt or inconvenience a community may have suffered. Action is about what will happen next – an investigation to find out what went wrong and steps the

company is taking to correct or clean up the damage, to close down a facility, to bring in a back-up until full service can be restored. Reassurance means saying the lessons will be learned – and that you have a contingency plan in place.

In short, in order to implement a crisis action plan, the following are necessary:

- Having a prepared mind is the most important principle. Embed the ethos. Think through the possibilities
- Listen to what stakeholders are saying – and then get the message right – quickly
- Have contextual awareness – put things in perspective relative to the local culture and politics
- Have a validated policy which is understood and rehearsed. Don't overcomplicate or over-template it (there will never be a "black book" for every situation). And just because you have extant procedures, never get complacent
- Get the right people together quickly, ensuring that they know their roles before a crisis
- Be timely, get the facts and ensure the passage of information. But accept that you will have to take some early decisions without knowing everything (that's where judgment is so important)
- Act early and decisively, and don't be reluctant to say that you have a crisis (it's easier to de-escalate in a timely way than to escalate too late in the day). ■

KEY POINTS



- ✓ Many health sector firms do not have proper crisis management plans
- ✓ Without a comprehensive plan in place that allows for an organised response, it may not be possible to mitigate the situation
- ✓ One way to test this assumption is through scenario planning, a well-honed training tool in both the army and academia

After three decades of crisis resolution, **John Deverell CBE** created his own company, Deverell Associates advising on leadership, governance, crisis preparedness and business continuity. John was previously Director of Defence Diplomacy in the UK Ministry of Defence and subsequently on the Executive Leadership Team of Invensys plc, a FTSE-100 global technology company.



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