

IM Medicine

As Andrew Pratt turned on the 6 AM news before his morning workout, he was astounded to see IM Medicine's logo splashed across the screen. His face grew paler and paler as the story unfolded to expose one of the company's best-selling drugs as having severe negative side effects. The newscaster somberly reported Filex as potentially causing liver and kidney conditions, up to and including death. Pratt, who had come in as the company's new CEO only a few weeks before, knew he would not have time to work out for a long while.

Pratt was greeted at the office by the rest of the top management team, who had quickly gathered to review the situation. It was discovered at this meeting that an employee came across reports of Filex's side effects while performing research for another medicine. According to Jon Krusch, Vice President of Research and Development, this employee had approached him after her direct supervisor had ignored the pleas to remove the drug from the market. The supervisor defended his actions by pointing out that the report's contents had been inconclusive at best, and that further testing had not resulted in the same conclusions. Krusch had found out this information a few days before and had not yet had time to consult the rest of management; the employee sensed the hesitation and went to the media with the information, accurate or not. It was now too late to retract the knowledge from the public.

Pratt acted quickly. He voluntarily recalled the drug from shelves across the country and issued a press release apologizing for the situation. IM Medicine also established a caller hotline to allow customers with any questions the opportunity to speak with medical professionals about the side effects and their likelihood. The company's stock plummeted 35% on the day of the announcement, but with its quick actions, returned to a level only 15% lower than before the news.

The incident passed (Filex never returned to the market) and the company resumed normal operations, but Pratt saw this as an eye-opener. Since his inception as Chief Executive Officer, he had begun to notice deficiencies in the company's policies. The policies have been in place for over 20 years, but Pratt was no longer sure the employees understood or followed them. The Filex incident was extreme, but there were other common practices in the company that displeased Pratt. Labels on products were sometimes misleading, promising effects that were rarely achieved. Salespeople often treated doctors to lavish meals and trips to encourage them to prescribe IM's drugs. Litigation teams often alleged patent infringement on generic companies to prevent them from producing lower cost versions of IM's medicines, even when infringement was not present (the allegation automatically puts a stop to the generic company's production for 30 months). Though some say this is common in the pharmaceutical industry and none of the actions are illegal, Andrew Pratt was not sure if these actions could be considered right. In fact, he had the strong feeling that inhibiting these actions would help the company financially in the long run.

Pratt has called you to help him resolve his problem.