

Chapter 17

Company Restructuring as Part of a Comprehensive Change Plan during Periods of Transition in Leadership: The Case of Al Quds Pharmaceuticals Company

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EXECUTIVE SUMMARY

This case study analyzes the organizational change that took place at Al Quds Pharmaceuticals Company, which is one of the leading pharmaceutical companies in Palestine. It highlights the phase during which change was planned and occurred. The case briefly explains a number of factors that led top management to plan an incremental, proactive organizational change targeting two major components of the organization (leadership and structure). These highlighted change components are then analyzed in terms of how they were planned, how they are currently managed and communicated to other organizational members. The case concentrates on the methodology used by the company's top management in planning and communicating the change. This includes leadership and managerial behaviors accompanying the change process, in addition to the challenges that arose, or might arise, as a result. Finally, main solutions and recommendations are suggested.

ORGANIZATION BACKGROUND

Jerusalem (Al Quds) Pharmaceuticals Company was established in 1969 as a Palestinian private partnership. The main business activities of the firm at that time were to manufacture and distribute generic drugs. In 1975, the company became a private shareholding, and then was shortly transformed to a public shareholding (1978) with a view to meet the ever-expanding needs of the area.

When looking back through the company's history, some major events and/or changes can be highlighted and also considered as improvements in the company's journey towards growth realization. Such as starting to produce and market personal and homecare products in 1988, exporting products to international markets in 2000 and most importantly deciding to manufacture abroad through purchasing Al Quds Pharm in Algeria and the Jordan River Pharmaceuticals Industries in Jordan in 2006 and 2008 respectively.

Since its establishment, Al Quds Pharmaceuticals Company carried out its business under unstable conditions, either due to the political instability in Palestine which affected all manufacturing and business sectors in the country; or as a result of intensive competition with other pharmaceutical companies operating in the same enclosed area of the West Bank and the Gaza Strip. Nevertheless, as mentioned above, the company has achieved a series of successes and continued to grow. Nowadays, the company produces about 200 kinds of pharmaceuticals in different forms, while through its subsidiary, Balsam Pharmaceuticals Company, Al Quds also produces perfumes and cosmetics, detergents, antiseptic materials and veterinary products. The company employs approximately 350 personnel in its three branches of Palestine, Jordan and Algeria.

The financial position of the firm can be considered stable in terms of equities and ownership status. The firm did not face hostile acquisition and owners did not lose equity due to a deteriorating financial situation since the establishment of the firm. However, the company's net income and sales fluctuated during periods of closures and bad political situation, or sometimes due to change in currency value such as in 2002. During 2007-2011, the company's financial position improved gradually; annual sales, company's assets and owners' equities have also increased. However, the firm's profits in 2011 decreased by 25.6% compared to 2010. The Company's board interpreted this decline as a result of the increased spending on external investments; such as buying 49% of share of Superodiem Company for Manufacturing Solid Materials in Algeria; the figures below highlight the company's financial position.

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