

Pfizer hires 'outsider' for insider top job

Fresh approach needed to turnaround Pfizer's fortunes, though no one is quite sure how the new CEO intends to achieve this

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With concerns over drying pipelines, patent expiries and plummeting stock prices, few people were surprised by the announcement that Pfizer's CEO, Henry A. 'Hank' McKinnell, is vacating the post a year earlier than expected. What is less clear is what the surprise choice of Jeffrey Kindler, Pfizer's top lawyer, as McKinnell's replacement reveals about how the company intends to restore growth.

Kindler, Pfizer's general counsel, was considered to be the dark horse of the three vice chairmen vying for the CEO position. Long-serving candidates tend to get chosen for the top post, and Kindler only joined Pfizer in 2002. People seem pleased by the decision, though. Many analysts say Kindler's persuasive personality might provide an antidote to the fractious relationship McKinnell had with analysts and shareholders. But no one knows quite what Kindler is likely to do beyond his proven forte — defending patents.

"The appointment suggests that Pfizer might be looking at going in a different direction," says Albert Rauch, healthcare analyst at A.G. Edwards & Sons. "But I am not too sure even [Kindler] knows what direction that is going to be."

Kindler came to Pfizer from the fast-food giant McDonald's, where he moved from general counsel to head of Partner Brands, the division that oversees such chains as Prêt à Manger and Boston Market. Kindler is credited with having the foresight to revamp the latter, a purveyor of home-style American food, which McDonald's initially acquired for the real estate. Before McDonald's, Kindler served as counsel for General Electric, and earlier worked in private practice.

"He can grasp almost anything," says Brendan Sullivan, senior partner at Williams & Connolly LLP, in Washington DC, where Kindler impressed as a young lawyer. "He had a personality that was charming. It is that personality that makes him persuasive with judges and juries." Sullivan says Kindler's bounce from industry to industry is unsurprising. "He had the kind of a mind that could understand just about anything. I am sure he could have been a doctor if he had headed that way."



Jeffrey Kindler aims to reverse Pfizer's problems.

The new CEO has not yet spoken to the media about his strategic plan for Pfizer. In a statement Kindler said, "We will transform virtually every aspect of how we do business, focusing on actions that create and sustain value for our shareholders" — that last phrase perhaps a nod to the recent high-profile disquiet among Pfizer shareholders. The size of McKinnell's retirement package (\$83 million) reportedly elicited chants of "give it back, Hank" at the annual meeting this year.

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Some analysts see the lawyer's ascension to CEO as a sign that Pfizer plans to drive growth by gobbling up more companies; others think that Kindler's outsider status could bring a desperately needed new focus for the company. "I think Pfizer has always been an acquisitive company and I think that will continue," says Barbara Ryan, a pharmaceutical analyst at Deutsche Bank. "The fact that he is a well-credentialed lawyer is a positive, but I am not convinced that he was chosen because he was a lawyer, but because he brings some fresh ideas."

Kindler's selection comes at a time when large companies are spending more time in

court over patent and liability issues.

As counsel, Kindler has done perhaps his most crucial work fighting off patent challenges on Pfizer's top-selling statin Lipitor (atorvastatin), including a recent decision on the main patent in the Federal Courts (see pg 712 of this issue).

However, a case loss on a secondary patent could cut Lipitor's patent lifetime by a year, costing around \$10 billion in revenue. And even now, rival statins such as AstraZeneca's Crestor (rosuvastatin) are nibbling at its sales. With the expiration of the patent on the blockbuster antidepressant Zoloft (sertraline hydrochloride) last June, and the withdrawal of the COX2 inhibitor Bextra (valdecoxib) in the wake of the Vioxx scandal, observers are anxiously casting their eyes on Pfizer's pipeline for ways to maintain growth.

Very little has been said about research and development in all the hubbub over the succession. Much hope lies in torcetrapib, an HDL-cholesterol-raising candidate in Phase III trials. Pfizer originally planned to market the drug as a combination with Lipitor, though it dropped the idea after heavy criticism. "If [torcetrapib] has a good effect, people are going to be very happy with Pfizer," says Rauch.

The fear is that the consolidation culture under which Pfizer rose to the top slot has created companies that are too bureaucratic and top-heavy to create novel drugs within their walls. In an internal memo to Pfizer's employees, Kindler recognized that a cultural change is overdue, writing, "We will make Pfizer more efficient and cost-effective, and reduce organizational layers to speed decision-making."

Kindler has already wasted little time in rearranging Pfizer's management structure. David Shedlarz, who was one of the three candidates for the CEO post, is now Kindler's chief deputy, but Vice Chairman Karen Katen, the other candidate, has left her post. Unlike McKinnell, Kindler has recruited two scientists, John LaMattina and Joe Feczko, to executive status, a move Kindler says reflects the fact that "science is at the heart of what we do".

Whether Kindler is the new broom to sweep Pfizer clean, time will tell. In his internal memo, Kindler also wrote, "we need to look at everything we do with fresh eyes", which implies that he certainly intends to succeed by example.