INSIDE PFIZER’S PALACE COUP

Did CEO Jeff Kindler get pushed out because he was shaking up the dysfunctional pharmaceutical giant—or because he was an ineffective leader?

By PETER ELKIND & JENNIFER REINGOLD with Doris Burke
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OR JEFF KINDLER, it was a humiliating moment. The CEO of Pfizer, the world’s largest pharmaceutical company, had been summoned to the airport in Fort Myers, Fla., on Saturday, Dec. 4, 2010, for a highly unusual purpose: to plead for his job.

Three stone-faced directors, representing the company’s board, sat inside a drab airport conference room as the CEO, trained as a trial lawyer, struggled to argue his most important case. Alerted to this meeting less than 24 hours earlier, Kindler detailed his accomplishments, speaking nonstop for the better part of an hour. He touted his bold reorganizations, praised his administration’s sweeping cost reductions, and rhapsodized about his reinvention of Pfizer’s crucial research-and-development operations.

But the three board members, Constance Horner, a former deputy secretary at the U.S. Department of Health and Human Services; George Lorch, an ex-CEO of Armstrong World Holdings; and Bill Gray, a former Philadelphia congressman, weren’t there to debate the direction of the company. The board had spent a frantic week in an urgent investigation: A revolt had erupted against Kindler among a handful of senior managers, and the directors were trying to figure out what was going on. One possibility: an internal power grab. Another: A CEO who was unraveling.

Led by Horner, they confronted Kindler with questions about his management and his behavior. Had he routinely berated subordinates? Did he really bring senior executives to tears? And how did he respond to charges that his leadership style, a sort of micro-micro-management, had paralyzed Pfizer?

A questioner of prosecutorial intensity, Kindler was used to being the interrogator. But this time he had to respond, and his answers seemed only to harden the board members. Kindler insisted that just two executives were truly unhappy. Most of his team thought he was a good boss and had done great things for the company.

What was the directors’ basis for concluding otherwise? Had they reviewed his sterling performance evaluations? Spoken to his executive coach? As the meeting continued— it lasted more than two hours—it became clear that Kindler had little chance of saving his job. Perhaps, he finally said, it was time for him to resign. The directors, who seemed ready for this suggestion, told Kindler they were prepared to give him a far more generous settlement package if he didn’t take the fight to the full board. Kindler agreed to think it over and flew home.

A day later, in an unusual Sunday night announcement, the 55-year-old CEO retired, effective immediately. Pfizer’s press release offered a surprisingly candid explanation, which was inserted by Kindler himself: “The combination of meeting the requirements of our many shareholders around the world and the 24/7 nature of my responsibilities has made this period extremely demanding on me personally.”

As revealing as it was, that statement only hinted at the turmoil inside Pfizer. Indeed, what has occurred at the company—whose $68 billion in annual sales are built on blockbuster drugs such as Lipitor and Viagra—is extraordinary. Once a Wall Street darling and corporate icon, Pfizer has tumbled into disarray. In the decade that ended with Kindler’s departure, its stock price sagged from a high of $40 down to $17 and its drug pipeline dried up (problems the company continues to grapple with today). Pfizer lost its way, stumbling through a frantic series of zigzags in the
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CAST OF CHARACTERS

With two CEO changes in five years, Pfizer has seen more than its share of conflict in its boardroom and executives. A guide to the players.

JEFF KINDELER
CEO and chairman, 2005-06

A former litigator, Kinder came to Pfizer as general counsel, then proceeded in a bloc-time-travel competition to succeed James McDonald as CEO. A rare outsider at Pfizer’s helm, he was charged with infusing new thinking at the company. Kinder made a giant acquisition and reorganized research. But his style and temperament, set members of his own team to rebel. With two senior executives threatening to leave, he stepped down in December 2000.

CONSTANCE HORNOR
Lead Director, 2007-10

The former Health and Human Services Deputy Secretary and the main IPCC reporter on a host of problems with Kinder.

GEORGE BACH
Chairman, December 2000-present

Bach served on Kinder’s board since 2000. His expertise in the insurance business helped Kinder argue that health care costs were the reason for Pfizer’s problems.

HANN MCKINNELL
CEO, 2001-05

McKinnell became CEO when Pfizer faced a $66 billion lawsuit. He set up his own replacement plan, but was removed by the board before it was done.

MARY McCLELLAND
Chairman, December 2000-05

A former chairman of the New York Stock Exchange, McClelland helped Kinder shape up Pfizer’s troubled culture. She left under a cloud just days before Kinder stepped down.

BILL STEER
CEO, 1992-2000

A former Pfizer executive, Steer replaced Kinder when Pfizer and Viagra helped it make $10 billion on the planet. He remained at Pfizer’s side through the company’s struggles and management changes. Steer helped lead Pfizer’s acquisition of MedImmune in 2004; he faced the task of refining, but not replacing, Kinder as CEO the next year.

IAN READ
CEO, 2006-present

A Scotman and one-time accountant, Read took charge of the pharmaceutical division in 2004. He asked the board to replace Kinder as CEO two years later.

ANTHONY SCHLAM
Chairman, 2005-06

A former law professor, Schlam, President, Nutrition

Kinder recruited him in 2005. They worked well at first, then the relationship started to break. Ultimately, Schlam relocated to the UK.

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Meanwhile, its managers descended into behavior that would do Shakespeare—or Machiavelli—profound. There was the ex-CEO who couldn’t relinquish his power and quietly maneuvered to undercut two successors he had helped install. Then there was the human resources chief who divided the staff rather than uniting it. Most of all, there was Kinder himself, a bright man with some fresh ideas for reforming Pfizer but a person who agonized over decisions even as he second-guessed everybody else’s actions. The story of Jeff Kinder’s tumultuous tenure at Pfizer is a saga of ambition, intrigue, backstabbing, and betrayal—all of it exacerbated by a board that allowed the problems to fester for years.

The full story of Kinder’s downfall has never before been told. Fortune reported this article for four months, interviewing 142 people, including executives and directors who worked closely with Kinder, and at various stages of his career. For their parts, both Kinder and the company say that they are bound by a confidentiality agreement they signed as part of Kinder’s departure.

Kinder declined to speak about Pfizer, but a representative provided a written statement: “Pfizer is a great company I was privileged to serve for nine years. I am proud of what our team accomplished and delighted to see [new CEO Ian Read], together with the businesses and scientific leaders we brought together, continue to build on these achievements.” In its own statement, the drug company told Fortune: “We thank Jeff Kinder for his many years of service to Pfizer, noting that ‘Jeff came into the industry at a tumultuous time and faced significant challenges such as patent expiration of some of our major products.”

Jeff Kinder’s aspirations at Pfizer provided a window into the challenges facing a mammoth company in an essential industry—and the people who aspire to govern it. Pfizer’s enterprise with the noble calling of curing pain and curing disease. Yet its leaders spent much of their time in the tawdry business of turf wars and political scheming.

Jeffrey Bruce Kinder has the sort of background that marked him for success—but perhaps not as CEO of a giant pharmaceutical company. He boasts a sterling résumé. The son of a New Jersey dermatologist, Kinder graduated with high honors from Yeshiva University and Harvard Law School and went on to clerk for the late Supreme Court Justice William Brennan. Kinder then became a litigator at the prestigious Washington law firm Williams & Connolly, where he defended the National Enquirer in a libel suit and represented late oilman Marvin Davis in a contracts case.

“In our world, Jeff was a star,” says Ben Heineman, the former general counsel of General Electric, who lured Kinder to that company in 1990. But Kinder was the sort of star who mostly wanted to be an even bigger star. And he wanted to be in charge. In 1996, at age 40, he became general counsel at McDonald’s Corporation. He spent five years there, eyeing toward the industry at a fast-food company recognized Kinder’s abilities. He juggled complex intellectural issues with ease, made dazzling presentations, wielded a self-deprecating charm, and worked longer hours than anyone else. He brought GE-style rigor to a place that lacked that sort of discipline.

Says longtime board member Rick Hernander: “McDonald’s as a culture benefited from having Jeff around.”

But genial as he could be, Kinder also had an aggressive, combative side. He closed buyout bids at McDonald’s, sacking inside and outside lawyers. He rarely trusted experienced subordinates to perform their jobs without his scrutiny. And when he was unhappy about something, he made his feelings bluntly known—sometimes through angry voicemails left late at night.

From the moment he entered management, Kinder was marked by two traits. First, he remained a confrontational trial lawyer. He sought knowledge through interrogation; he was skeptical of what he was told, even when it came from people who knew far more about a subject than he did; and he bored in relentlessly on small details, always searching for the sort of nuance that could make or break a legal case—but seemed trivial in other contexts. The second: For all Kinder’s talents, he remained palpably insecure, acutely sensitive to anything or anyone he feared might undermine his standing. Some years later, after Kinder was named CEO of Pfizer, a CNBC reporter asked him on-air whether “a guy who sold chicken”—Kinder was qualified to run a pharma company. He didn’t talk to CNBC again for more than a year: “Jeff didn’t take a lot of prisoners,” says Shelby Yastrow, who preceded Kinder as general counsel at McDonald’s and worked with him for two years. When Yastrow retired in 1994, Kinder was master of ceremonies at his retirement dinner. “He couldn’t have been funnier or more gracioso,” Yastrow recalls. After Kinder finished, Yastrow took the podium and jabbed: “Where was this Jeff Kinder been?”

Kinder’s emergence as a minor player in a major career that was soaring. In 2000, after McDonald’s purchased the Boston Market chicken chain in bankruptcy, Kinder developed a plan for reviving the business and brought it back to life. He was rewarded with the presidency of McDonald’s Partner Brands, the company’s five nonburger chains, which included Boston Market.

Soon after, Pfizer came courting. The company offered him a job as its general counsel, overseeing 3,300 lawyers worldwide. Pfizer also held out the prospect that even bigger things might lie ahead for him.
CAST OF CHARACTERS

JEFF KINDLER
CEO and chairman, 2006-2010

MARYMcELOD
CEO, 2000-2001

HANK MCKINNELL
CEO, December 2000–2005

GREGGEBICH
CEO, December 2000–2005

JEFF BUCKLER
Director, 1998–2000

MAY McELOD
Director, 1999-2000

CONSTANCE HORNKR
Lead Director, 2007-10

BILLSTREET
CEO, 1992-2000

IAN READ
Chairman, 2008-present

BRYAN McELROY
Director, 1999-2000

ANTHONY SCHULMAN
President, Nutrition

STAEGER
CEO, 2000-2002

With two C.E.O. changes in five years, Pfizer has seen more than its share of conflict in its boardroom and executive suite. A guide to the players.

Meanwhile, its managers descended into behavior that would do Shakespeare—or Machiavelli—profound. There was the ex-C.E.O. who couldn’t relinquish his power and quietly maneuvered to undercut two successors he had helped install. Then there was the human resources chief who divided the staff rather than uniting it. Most of all, there was Kindler himself, a bright man with some fresh ideas for reforming Pfizer but a person who agonized over decisions even as he second-guessed everybody else’s actions. The story of Jeff Kindler’s tumultuous tenure at Pfizer is a saga of ambition, intrigue, backstabbing, and betrayal—all of it exacerbated by a board that allowed the problem to fester for four years.

The full story of Kindler’s downfall has never before been told. Fortune reported this article for four months, interviewing 102 people, including executives and directors who worked closely with him, Pfizer and at previous stages of his career. For their parts, both Kindler and the company say that they are bound by a confidentiality agreement they signed as part of Kindler’s departure.

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In the end, the story of Jeff Kindler’s time at Pfizer provides a window into the challenges facing a mammoth company in an essential industry—and the people who aspire to govern it. Pfizer is an enterprise with the noble calling of easing pain and curing disease. Yet its leaders spent much of their time in the treacherous business of turf wars and political scheming.

Jeffrey Bruce Kindler has the sort of background that marked him for success—but perhaps not as CEO of a giant pharmaceutical company. He boasts a sterling résumé. The son of a New Jersey dermatologist, Kindler graduated with high honors from both University of Pennsylvania and Harvard Law School and went on to clerk for the late Supreme Court Justice William Brennan. Kindler then became a litigator at the prestigious Washington law firm Williams & Connolly, where he defended the National Enquirer in a libel suit and represented late oilman Marvin Davis in a contracts case.

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Soon after, Pfizer came courting. The company offered him a job as its general counsel, overseeing 320 lawyers worldwide. Pfizer also held out the prospect that even bigger things might lie ahead for him.

The company that Kindler joined in January 2002 was just ending its golden age, though it wasn’t apparent at the time. In the 1990s Pfizer, once a second-tier chemical and drug company founded in Brooklyn in 1849, had become a global pharma powerhouse.

Pfizer’s greatest strengths wasn’t developing drugs—it was selling them. The company was a marketing juggernaut, staffed with the industry’s most potent army of sales reps. Other companies began striking lucrative partnership deals for Pfizer to market their medicines. So it was Pfizer, the mother of all blockbusters. Pfizer’s aggressive promotion and pricing strategy helped Lipitor, discovered by Warner-Lambert, take off on launch in 1997 and become the world’s first $10-billion-a-year drug. Lipitor was so big that Pfizer ultimately bought Warner-Lambert for $115 billion.

More every seemed to be paying off. Pfizer was ranked among America’s best managed and “most admired” companies. And the stock! Its price multiplied 10-fold in a decade.

The executive who led Pfizer through the Lipitor and Viagra glory years was William Campbell Steere Jr. A biology major at Stanford, he joined the company in 1959 as a drug salesman. Lean and wiry, Steere didn’t have the extroverted personality of a salesman. He was quiet and hated confrontation—indeed, Pfizer itself had a genteel culture that frowned on open dispute—but he found ways to build alliances and influence people.

Starting as CEO in 1991, Steere placed all his chips on pharmaceuticals, selling off dozens of unrelated businesses, pouring money into R&D, and audaciously declaring his intention to make Pfizer the industry giant. The company thrived by relying on a handful of billion-
That turned out to be a succinct statement of Kindler’s management philosophy. “Jeff seemed to believe he was the only smart guy in the room,” says Kent Bernard, a Pfizer lawyer for 28 years.

The CEO horserace divided Pfizer into camps. Each contender huddled regularly with a circle of advisers, plotting strategy. Kindler conducted his campaign the way he did everything: methodically and aggressively. About 100 pages of campaign strategy notes—everything from how he planned to woo various directors to his view that he should acknowledge his lack of operating experience—were later found in Kindler’s files.

In an attempt to defuse growing tensions, McKinnell’s chief of staff took the three contenders to Maria’s Mont Blane, a Manhattan restaurant, for a fondue dinner. There, they sat around a bubbling pot, making awkward small talk while stabbing their forks into chunks of meat and bread.

The secret summit came to light only after a company driver tattled. Katen and Shedlarz were livid. But the board brushed the matter aside.

By 2006, Steere had grown increasingly disenchantment with the drift of the company—and the steady decline in value of his 2 million Pfizer shares (and 4.4 million options). In his view, Pfizer’s marketing operation had sputtered, and he seemed unwilling to fire anyone. Shedlarz, skeptical about pharma’s prospects, was advocating a diversification strategy that Steere had never liked. Kindler’s relative outsider status was starting to look like an advantage.

Steere threw his support to Kindler, the change candidate. He also began to wonder whether McKinnell’s retirement, still two years off, was far too early.

This feeling crystallized at Pfizer’s annual meeting that April in Lincoln, Neb. The central issue: Pfizer stock was down 45% since McKinnell had taken over—and the company had disclosed that the CEO’s would receive an $83 million pension. As shareholders walked in, they
dollars-a-year blockbusters: By 2001 just eight drugs generated more than half Pfizer’s revenues. The Warner–Lambert deal assured Pfizer’s rise to No. 1. In January 2001, Steere, by then 64 and a company legend, retired as CEO. He handed the job to his hand-picked No. 2, Hank McKinnell. Steere stepped aside—but not out. He received a consulting contract, with an office and secretary at Pfizer headquarters. Most important, Steere was granted the title of chairman emeritus and retained his seat on the Pfizer board. Governance experts widely regard such lingering as a recipe for trouble. Steere would remain a potent influence for another decade, outlasting his two successors.

HENRY “HANK” MCKINNELL JR. took over in 2001, Pfizer was perched on the mountaintop. It seemed the company had nowhere to go but down. A fit, cerebral British Columbia native, McKinnell joined Pfizer in 1971 and earned a reputation as a brilliant but brusque leader. He favored lightning-fast meetings—‘What’s next?’ was his trademark line—set ambitious goals for the company, and refused to dwell on setbacks. He would face many of them. Pfizer’s pipeline simply couldn’t support the growth the company had promised investors. Three of its blockbusters were about to lose patent protection and face generic competition, meaning their profits would plummet. The biggest issue, of course, was Lipitor—by 2005, it was bringing in a staggering $12 billion a year, more than a quarter of Pfizer’s revenues. The company would lose its exclusive rights to Lipitor until 2010. But, McKinnell had been wondering how Pfizer could possibly replace it.

McKinnell kept beefing R&D budgets, maintaining Pfizer’s “shot on goal” approach—the more compounds you explored, in theory, the more drugs you’d generate. But drugs can take a full decade to be developed and approved, and nothing big would be ready for years. So McKinnell fell back on the regime of the desperate pharma CEO. In July 2002 he announced the acquisition of Pharmacia, the industry’s seventh-largest company, for $60 billion in stock. But even as Pfizer struggled to digest this latest meal, McKinnell seemed to spend less and less time at headquarters, becoming head of the industry trade groups, funding an institute in Africa to combat AIDS, even writing a book about reforming health care.

That left a power vacuum, and Bill Steere, the former CEO, seemed more than willing to fill it. He was a familiar figure at Pfizer’s New York headquarters, where he worked out in the basement fitness center and ate lunch in the cafeteria. Steere was always happy to lend an ear and share his views. His retired status and public reserve concealed tremendous influence. “He says almost nothing,” says a person familiar with Pfizer’s board. “But people look to him to see how he nods and how he moves, because he knows the company better than anyone.”

With Pfizer no longer soaring, internal squabbling intensified. Vexed by what he viewed as Steere’s meddling, McKinnell even tried to terminate his consulting contract. Steere fended off that move. Support for him ran deep on the board; later, when Steere turned 72, the mandatory retirement age for directors, the board raised it to 73 so he could stick around, then amended the provision again when he hit that limit.

Steere and McKinnell, former friends and colleagues, became mortal enemies. “You’ve got a guy who’s absent from the office, and you’ve got a guy who can’t let go,” says former senior vice president Greg Valle, who retired in 2008 after 32 years at Pfizer. “It’s a disaster.”

By 2005, McKinnell was already making plans for his succession. He promoted three executives to vice chairman, setting off what would become a long and increasingly bitter contest to choose the next CEO. Two names were no surprise: Karen Katen and David Seldinz. Both were long-time Pfizer stars. Katen, then 55, had run Pfizer’s pharmaceutical business since 2001. Seldinz, 56, was a numbers man and a keen strategist; he’d been CFO since 1995. The winner was to take over in 2008, when McKinnell turned 65.

There was also a dark horse: Kinder. He had been at Pfizer, an insular organization whose leaders typically spent their entire careers at the company, for only three years. Unlike Katen and Seldinz, he was a Harvard MBA. But with Steere’s help, Kinder outmaneuvered both rivals. He had plenty going for him. Kinder was outgoing, energetic, and a quick study. Aware that colleagues snickered at his fast-food background, he joked that he’d gone from causing America’s cholesterol problem to trying to solve it.

But Kinder’s less appealing traits had also begun to show, including his ultra-high-handed style. For example, with his promotion to vice chairman in 2005, he assumed oversight of Pfizer’s communications department. After phone conversations about one impending press statement, Kinder suddenly appeared on the floor to join the discussion—then sat down at the keyboard and started typing, telling his startled media team: “I’ve got to do this myself.”

That turned out to be a succinct statement of Kinder’s management philosophy. “Jeff seemed to believe he was the only smart guy in the room,” says Kent Bernard, a Pfizer lawyer for 28 years. The CEO horserace divided Pfizer into camps. Each contender huddled regularly with a circle of advisers, plotting strategy. Kinder conducted his campaign the way he did everything: methodically and aggressively. About 100 pages of campaign strategy notes—everything from how he planned to woo various directors to his view that he should acknowledge his lack of operating experience—were later found in Kinder’s files.

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To curb campaigning, the board and McKinnell decreed that none of the contenders could have discussions about the succession with any Pfizer director. But Kinder and Steere bilaterally ignored the rule, meeting for dinner at Oceana, a seafood restaurant in Midtown. The secret summit came to light only after a company driver tattled. Katen and Seldinz were livid. But the board brushed the matter aside.

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Steere threw his support to Kinder, the change candidate. He also began to wonder whether McKinnell’s retirement, still two years off, was too far away. This feeling crystallized at Pfizer’s annual meeting that April in Lincoln, Neb. The central issue: Pfizer stock was down 46% since McKinnell had taken over—and the company had disclosed that the CEO would receive an $83 million pension. As shareholders walked in, they
INVESTIGATION // Inside Pfizer’s Palace Group

were buzzed by an airplane flying overhead, pulling a banner that read, “Give it back. Thank.” Protesters picketed. Pfizer’s CEO had become the latest public example of excessive executive compensation.

By July 2006, the Pfizer board was ready to give McKinnell the boot, though he didn’t realize it. But in the days before it met to decide who would succeed him later that month, the board received an anonymous letter carto- ging Kindler from someone who identified himself as a senior Pfizer employee. A second anonymous letter, claim- ing to be from “responsible, long and loyal Legal Division employees,” arrived on the very day of the board meeting. It complained of “micromanagement,” “constant” internal restructuring, and a “chaotic” decision-making process. “A decision is made, then reconsidered and changed. Deci- sions, even minor … are picked apart and often directed to be undone. Then re-studied. Then the decision-making group expands. Paranoia reaps. Autonomy is sapped.”

These were some of the very complaints that would become the subject of board alarm in late 2010.

The board dismissed any warnings. “You always almost get these kinds of letters,” says University of Illinois president emeritus Stanley Ikenberry, then Pfizer’s lead director. “We did a careful analysis of that, and did not see any reason to abort the course.” Kindler got the job, and McKinnell left the board seven months later. “It was a very tough choice,” recalls Ikenberry. “It was the desire of the board to hold him.”

Kindler’s selection came as a shock. One of his direct reports had a particularly dramatic reaction. George Evans was a low-key, respected lawyer who had worked at Pfizer and held various executive positions for the top legal job when Kindler was hired, and was general counsel for the pharmaco- ethical division. On Saturday, Evans read of his boss’s eli- evation in the New York Times. On Monday he resigned. “At the end of the day, you have to have some level of respect for the person you are working for,” Evans tells Fortune. “Having watched Jeff in action over a number of years, I just couldn’t work for a company that had him as its CEO.”

Kindler, it seemed, might be just the man to reengineering Pfizer. He promised to “transform virtually every aspect of how we do business.” He had laudable goals: to mod- ernize the company and, most of all, improve its ability to develop profitable new drugs.

That was easier said than done, in part because generic drugs account for 83% of the U.S. prescription market. It would take a major advance to persuade consumers and insurers to pony up for an expensive brand-name drug. All of Big Pharma faced this problem, but Lipitor’s left meant it was especially acute at Pfizer.

Kindler had inherited McKinnell’s two foremost new- drug hopes. But both would end in disaster. The biggest disappointment was torcetrapib, a medication aimed at boosting “good cholesterol.” Pfizer had spent $400 million to develop the drug and another $90 million on a plant expansion to manufacture the pill. In November 2006, Kindler declared that torcetrapib “will be one of the most important compounds of any generation.” Two days later it was history. Ongoing trials revealed that patients taking the drug suffered a 60% increase in deaths compared with a control group. After being retested early on a Saturday morning with a call about the calamitous results, Kindler acted decisively, immediately canceling the drug.

The second big hope was Exubera, an inhalable delivery system for insulin. Pfizer had for years touted Exu- ber as a panacea for the 4% of the U.S. population that does not tolerate shots and insulin pumps. But after rejecting the cumbersome inhaler, which had an unfortunate re- semblance to a bong, and 2007 sales were a measly $12 million. Kindler finally put the project out of its mis- ery, accepting a $2.8 billion write-off.

These failures placed the new CEO in an even tighter vise. Suddenly desperate to shrink the company—which had just completed two giant mergers—Kindler an- nounced plans for brutal layoffs that included axing 20% of the vaunted U.S. sales force.

Yet even as he was making massive cuts, Kindler was also making aggressive acquisitions, along with alternative strategies. The first was a “string of pearls” approach— a handful of smaller purchases, each aimed at filling a single strategic gap, such as biotech. The second strategy was to focus on a more complex industry: organiza- tion in the air and are shifting therapeutic areas or closing sites, you have this period of turmoil when everybody in the organization is paralyzed. You need some continuity to do science.”

In 2006, Pfizer was still no match for the big biotech firms in the industry where his own experience was limited. In an effort to bring in fresh thinking, Kindler spun his leadership team like a top. Company veterans Shedlarz, chief medical officer Dr. Joseph Feczko, and CFO Alan Levin departed. Frank D’Amelio, Kindler’s new CFO, arrived from Lucent. Sally Symon, his new communications chief, had worked at Rette Laufer. His new general counsel, Alan Waxman, resigned abruptly for “personal reasons” after just one year; replacing him was Amy Schubman, a high-profile litigator at DLA Piper.

For all of Kindler’s lack of Pharma experience, he didn’t seem to want to trust Pfizer veterans that did have it. He often turned to outsiders, including experts and former col- leagues, for counsel on business issues. And he employed swarms of consultants, working on initiatives to reorga- nize Pfizer into business units (instead of geographical regions), change reporting lines, and trim bureaucracy. As long-time staffers saw it, everything—and everyone— associated with the old Pfizer was under attack.

Perhaps the only thing as destructive to Kindler as his inability to trust his colleagues was the one Pfizer executive in whom he did place his trust: Mary McLeod. The head of human re- sources under Kindler, McLeod would leverage her relationship to the CEO to become both his emissary and a power in her own right. Kindler’s loyalty to her would undercut him at a crucial moment.

McLeod, 51 when she joined Pfizer, had an unusual career trajectory. She had started as a dental hygienist before going back to school and pursuing a career in human resources. She had worked with GE Capital, Cisco, and Charles Schwab. She was a no-nonsense type who seemed to be able to cut through the BS.

Her tenure at Schwab had ended disastrously, though there’s no sign Kindler knew that when he brought McLeod in. As Schwab’s head of HR and chief of staff to CEO David Pottruck in the early 2000s, McLeod had proved toxic, according to six members of Pottruck’s ex- ecutive team. They say she isolated him from other points of view and went to extraordinary lengths to remove rivals. Now she criticized him behind his back and bragged that she had the CEO under her thumb.

After an internal investigation, Pottruck fired McLeod in 2004, he confirms. In an e-mail sent to McLeod the day of her termination, read aloud to Fortune, Pottruck wrote: “The issues are about the perceptions others have of you around character, integrity and divisiveness … There is a perception that you do not tell the truth.”

McLeod, nonetheless, criticized him behind his back, forced out by the board over strategic differences. The McLeod situ- ation, says one executive, “affected his credibility dramatically.” Says Pottruck, who still sounds stung years later:

IF YOU DON’T THINK I’M CHALLENGING PEOPLE ENOUGH.” Kindler shouted at Pfizer director Bob Butt as party guests and other directors looked on, “I’ll quit and you can run the company.”
Kinder, it seemed, might be just the man to reenergize Pfizer. He promised to “transform virtually every aspect of how we do business.” He had laudable goals: to modernize the company and, most of all, improve its ability to develop profitable new drugs.

That was ever harder to do, in part because generic drugs accounted for 63% of the U.S. prescription market. It would take a major advance in persuading consumers and insurers to pony up for an expensive brand-name drug. All of Big Pharma faced this problem, but Lipitor’s left meant it was especially acute at Pfizer.

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The second big hope was Exubera, an inhalable delivery system for insulin. Pfizer had for years touted Exubera as a big breakthrough for the top legal job when Kinder was hired, and was general counsel for the pharmaceutical division. On Saturday, Evans read of his boss’s elevation in the New York Times. On Monday he resigned. “At the end of the day, you have to have some level of respect for the person you are working for,” Evans tells Fortune. “Having watched Jeff in action over a number of years, I just couldn’t work for a company that had him as its CEO.”

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In July 2006, the board was ready to give McKinnell the boot, though he didn’t realize it. But in the days before it met to decide who would succeed him later that month, the board received an anonymous letter castigating Kinder from someone who identified himself as a senior Pfizer employee. A second anonymous letter, claiming to be from “responsible, long and loyal Legal Division employees,” arrived on the very day of the board meeting. It complained of “micromanagement,” “constant” internal restructuring, and a “chaotic” decision-making process. “A decision is made, then reconsidered and changed. Decisions, even minor... are picked apart and often directed to be undone. Then re-studied. Then the decision-making group expands. Paranoia results. Autonomy is sapped.” These were some of the very complaints that would become the subject of board alarm in late 2010.

The board dismissed any warnings. “You almost always get these kinds of letters,” says University of Illinois president emeritus Stanley Ikenberry, then Pfizer’s lead director. “We did a careful analysis of that, and did not see any reason to abort the course.” Kinder got the job, and McKinnell left the board seven months later. “It was a very tough choice,” recalls Ikenberry. “It was the desire... to keep the board him.”

Kinder’s selection came as a shock. One of his direct reports had a particularly dramatic reaction. George Evans was a low-key, respected lawyer who had worked at Pfizer and McKinnell for 36 years. McKinnell had made him drug group chairman for the top legal job when Kinder was hired, and was general counsel for the pharmaceutical division. On Saturday, Evans read of his boss’s elevation in the New York Times. On Monday he resigned. “At the end of the day, you have to have some level of respect for the person you are working for,” Evans tells Fortune. “Having watched Jeff in action over a number of years, I just couldn’t work for a company that had him as its CEO.”

Kinder, a former Boeing executive, is tall and rangy—a former quarterback with short, graying hair. His hawk-like features, his piercing blue eyes, and his way of staring directly at you create the kind of intimidating presence that suits the job he’s in.

Dressed in a blue shirt, he enters the room, a faint smile on his face. He is seated in a black leather chair, his hands clasped together in front of him. “I’m here to listen,” he says, addressing the audience of reporters. “I understand your concerns.”

Kinder is a man of few words, and his answers to questions are concise. He speaks in short, concise sentences, often punctuated by pauses. His voice is low and steady, and he speaks slowly, carefully choosing his words. His eyes rarely leave the reporter who is asking the question, and he maintains eye contact throughout the interview.

Despite his reserved demeanor, Kinder is clearly confident and knowledgeable about the company he leads. He answers questions with ease, and his responses are thoughtful and well-reasoned. He seems to be in control of the conversation, guiding it with his questions and comments.

As the interview progresses, Kinder continues to speak in short, concise sentences, punctuated by pauses. He speaks in a calm, measured tone, and he maintains eye contact with the reporter who is asking the question. He sometimes nods his head in agreement, and he smiles occasionally.

The interview concludes with Kinder thanking the reporter for their time and wishing them well. He then steps back from the microphone and walks away, his tall, rangy figure disappearing into the distance.
“Why purposely undermine me and our entire team? Mary’s behavior and motivations are hard to understand, even to this day.” McLeod says Fortune’s account of her time at Schwan is “false” but declines to offer any specifics, noting that she is bound by a confidentiality agreement with the company. McLeod managed to rebound from her firing and make her way back up the corporate ladder. By the time she became Pfizer’s HR chief in early 2007, the company was preparing for wholesale layoffs. McLeod’s job was critical. Although she moved rapidly to shrink the bloated HR group, McLeod seemed uninterested in the details of how the streamlined department would actually function. Even top deputies say she was virtually unapproachable, preferring to communicate by e-mail and quarterly videocast.

McLeod’s primary focus was the care and feeding of the CEO. She became Kindler’s protector and surrogate, whispering in his ear, controlling access to him, delivering his brief messages. Kindler affectionately called her “Neutron Mary,” after her hero, Jack Welch. McLeod seemed to encourage his harshest nature, telling him, according to a person who was present, that one senior executive was “a B player,” another too ambitious, someone else a “crybaby.”

McLeod also publicly designated her employees, announcing at one town hall meeting in 2008 that two big positions would have to be filled from outside because no one inside Pfizer was capable of doing the job. Another episode, in which one of McLeod’s lieutenants successfully attempted to make an outside consultant turn over so-called “360°” reviews of Pfizer’s top brass—which were intended only for the executives’ personal development, not to assess performance—led paranoiac in the senior ranks. Says a former Pfizer HR exec: “There were a lot of comments to the effect of ‘What is Jeff thinking?’ Everybody questioned his judgment.” (McLeod would not discuss any events at Pfizer, citing a confidentiality agreement with the drug company.)

Even as McLeod alienated staffers with her behavior, she was attracting notice for her perks. McLeod had negotiated a special deal, personally approved by Kindler and later ratified by the Pfizer board. First, she received a $125,000 cost-of-living adjustment to compensate for moving to the New York area from her home in Delaware (while getting another $338,000 to cover a loss on the sale of a second home she owned on Long Island). But McLeod didn’t move—at least not anytime soon. Instead, she began traveling back and forth regularly on a company helicopter from Delaware to Manhattan. Under Pfizer policy, top execs such as McLeod were entitled to business travel on company aircraft and 20 hours of free personal use each year of both jets and helicopters. But McLeod’s employment agreement, signed by Kindler, was more generous. It allowed her to commute on a “weekend” basis between Delaware and Manhattan for a three-month period starting in April 2007. When McLeod failed to move to New York during that period, Kindler extended the deal through the end of 2007. Ultimately, even after buying a house in New Jersey, she continued using company helicopters for business travel in and out of Delaware until she left the company.

Apart from the terrible impression conveyed by an HR chief chomping in the midst of massive layoffs, someone soon realized that this arrangement posed another problem: McLeod’s emoluments were so lavish they might make her one of the company’s five most compensated employees, which would require Pfizer to disclose the details in its annual proxy statement. In early 2008 company governance chief Peggy Foran investigated the issue and tallied nearly $1 million in payments to McLeod, including those relating to her various houses, the helicopter use, and a large bonus to buy her out of a consulting partnership. Then there was McLeod’s salary and regular bonus of $900,000 and restricted stock and options.

The prospect of revealing those details was disturbing for the board, which had been pilloried for McKinsey’s severance package. Foran and Kindler were called before an executive session to discuss the aviation policy. The compensation committee reviewed McLeod’s package in detail before ratifying Kindler’s approval of exceptions to Pfizer’s compensation policies. Ultimately Pfizer concluded that it did not need to disclose McLeod’s pay.

Still, rumors of McLeod’s perks spread around the company. Word also leaked to Pharmabrief, an industry blog, and a cartoon circulated on the web showing a sipping Pfizer oceanliner and a helicopter hovering overhead. Asks the pilot: “Ms. McLeod, are you ready to head home?”
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LIFE AT THE TOP OF Pfizer had become increasingly stressful. In September 2009 the company paid a $2.3 billion civil and criminal fine for the illegal marketing of the pain medication Bextra and other drugs. Kindler had been Pfizer’s general counsel and chief compliance officer or CEO during the period when some of this behavior occurred. It was the largest criminal sanction in U.S. history, in part because companies that Pfizer acquired had committed previous violations. “These were viewed as individual in-
One former board member summed up the dilemma this way: “DO WE HAVE THREE BRAVE SOULS RISKING THEIR LIVES to come forward, or do we have three disgruntled employees?”

stances until it dawned on everybody that this was more
serves,” says Feccio, Pfizer’s chief medical officer until 2009. But few at the company held Kindler responsible for this particular problem.

Still, with Pfizer floundering, Kindler turned up the heat on his deputies even higher. He bombarded them with long BlackBerry messages filled with questions at all hours of the day and night. He regularly scheduled conference calls on weekends. He seemed oblivious to executive vacations. He expected immediate responses to his questions, making no distinctions between urgent matters and routine ones.

All that didn’t just make life miserable for Kindler’s team; it also clogged the company’s decision-making process. Kindler was a voracious consumer of information—often a strength but increasingly a weakness. “Jeff heard something or read something,” one former IR executive recounts, “and there would be a barrage of e-mails in the middle of the night.” The next morning, staffers would have to divvy up the directives. “It was triage.”

Kindler’s friends defend his style. “He’s very demanding,” says Matthew Pauilli, a friend who worked with him at McDonald’s and serves as its CFO, “but he demands less from others than he would from himself.” Pauilli and others say they view what some, in Pfizer’s nonconfrontational culture, saw as anger instead as passion or inten-
tion. (They say that same intensity helped Kindler play a key role in bringing Pfizer’s cooperation to President Obama’s health care plan.)

Still, Kindler’s tendency to grill people in public made other team members cringe. At a 2008 retreat he brow-

weitlan Read had the division in front of his colleagues. “He was just crushing one Ian in a way that made everybody feel uncomfortable,” recalls one witness. Kindler had an issue with the budget, the witness recalls, but his cross-examination seemed aimed at “breaking” Read. “That can’t be true!” Kindler insisted. “You just said something different to me two minutes ago.”

Bill Ringo, a retired Eli Lilly strategist whom Kindler added to his executive team in 2008, says Kindler’s “pros-
eccus mindset” impaired his “ability to listen... If he did, wait for the answer, he didn’t always hear it.”

Kindler could be remorseless after letting loose—he’d see a board member leave the room, then call to tear down that—but didn’t prevent the next explosion. Says an executive who worked closely with him: “Don’t call me at five o’clock in the morning and rip my face off, then call me at 11 o’clock at night and tell me how much you love me.”

Steven Kindler’s biggest feud, though, was with Ian Read, who he helped bring to Pfizer and who he now serves as Pfizer’s CEO. Kindler and Read clashed repeatedly, and they have reported to have been the object of an 18-page Harvard Business School case study.

Shortly after hiring her in 2008, Kindler started to sour on Schulman. He criticized her knowledge of corporate law, her attentiveness to his notes, and her presentations for board presentations. He refused to award her a bonus for the Wyeth deal, saying she didn’t deserve it. Schulman was deeply upset by this snub. (Kindler rewarded only CFO John O’Leary and McLeod, who got $600,000.)

Kindler also criticized Schulman for being overly ambitious and for her desire to gain operating experience in addition to her legal duties. Kindler, of course, had followed just such a path at McDonald’s. But he wouldn’t expand Schulman’s portfolio. He told her she needed to learn to be a good general counsel first. (Counters one former director: “Amy is a great general counsel!”)

The second principal in the drama was Ian Read. Born and raised in Sweden, 56-year-old Read was an ac-
countant, not a revolutionary. A short, bald, bespectacled man, he’d begun his career at Pfizer in 1978 as an audi-
tor, and had run the core pharmaceutical business since 2000, had been up as lead to Kindler.

That November, Read knew, he’d reach the “rule of 90,” where the combination of his age and years at Pfizer meant he could retire with a hefty pension. Read was tired of the Kindler treatment; his wife wanted him to quit. He began talking about leaving, even mentioning it to Kindler before the CEO went on a rare vacation to Vietnam in July.

Kindler returned from that trip with what a friend called “an epiphany.” He needed to run the company in a less frenetic manner. He now realized Pfizer couldn’t afford to lose Read. The Scotsman was in charge of busi-
ness that accounted for 90% of Pfizer’s sales, and the pharmaceutical division, after years of bloodletting, didn’t have anyone ready to replace him. Kindler also needed to develop a succession plan.

Working closely with McLeod, he hatched a scheme to share power—but not too much. He would promote Read into a newly established “office of the chairman,” but he wouldn’t officially designate him as the company’s No. 2. That role would be shared with CFO O’Leary, who had been a long-term lieutenant of Kindler’s.

Kindler resolved to present this plan to the board at its September meeting in La Jolla, Calif. But first he and McLeod had much work to do with his two lieutenants, who were both on long-planned vacations. The executives began what seemed like an endless string of discussions about Kindler’s complex vision, dubbed “Project Jett,” as spelled out in PowerPoint decks with tables and charts. Both had issues about their proposed duties, insisting on more autonomy than Kindler offered. They were furious that these discussions, much of them involving arcane organizational matters, repeatedly intruded on their va-
cation. For his part, Kindler thought Read and O’Leary were seeking to turn him into a figurehead. He fumed about their reluctance to interrupt their vacations to do the detailed work required for their promotions.

Kindler and McLeod wrestled with the merger issue, which one big issue remained unresolved. Kindler had agreed to name Read chief operating officer, but wouldn’t give him control over Pfizer’s R&D, which Read wanted. The di-

ectors, recognizing Read’s value, liked the plan. Some, including Steere, wanted Read named CEO quickly. But Kindler insisted he couldn’t make the move before

February—there were far too many details to work out. Read’s growing unhappiness was no secret to members of Pfizer’s board. After 22 years with the company, he knew all of them. Read’s Florida vacation home was less than three miles from the residences of Steere and two other directors in Bonita Springs, where he sometimes played golf with the former Pfizer CEO.

There was another area of conflict in La Jolla: Kindler’s new plan to slash the research budget. Even with the billions in cost cutting, Pfizer’s research spending had continued to grow; it stood at a staggering $5.4 billion for 2010. So Kindler created a secret project to examine big R&D reductions, code-named Project Copernicus. He ultimately proposed shrinking the budget to as little as $5.6 billion. That angered the board’s two medical researchers, Nobel Prize-winner Dr. Michael Brown and Dr. Dennis Ausiello, who insisted it was too much. They accused Kindler of mortgaging Pfizer’s future for short-
term profits. Brown even stormed out of the La Jolla meeting where Kindler was discussing the cuts.

As this was happening, Schulman began letting her own feelings about Kindler be known. She told colleagues (with perhaps a touch of melodrama) that she felt like “a bastardized housewife.” Weighing the option of leaving Pfizer, Schulman secretly interviewed for the general counsel’s job at PepsiCo.

Then, on Nov. 9, something happened that amplified the mounting pressure at Pfizer, setting in motion the events that would lead to Kindler’s departure: Mary McLeod sent out an e-mail. The HR director had recently received the absurd results of a survey of her direct subordinates. More than a third of them rated her performance as a 1 or 2 out of 5 in key areas.

She reacted by writing a strong, meandering e-mail to her top staff: “I just wanted to say how sad and embar-

ased I am by these results,” McLeod began. “I am sad for all of you that you work in an environment that clearly is making you so unhappy.” One option she proposed: “I can leave the company and/or this particular job... This will allow Jeff to hire someone that is more in sync with all of you and a better leader for you.” She added: “...if any one of you spent 48 hours in my job, you would understand.”

On Nov. 14, someone forwarded McLeod’s e-mail to both Steere and McQueen. O’Leary, who was not (but unsigned) cover note. While McLeod’s e-mail was itself “troubling,” the author wrote, the state of the Pfizer HR department should be “cause for serious concern...
In July 2016, a group of employees, including former Pfizer board member Robert Scottsman, were fired from Pfizer for their role in a scheme to pay kickbacks to doctors to prescribe certain drugs. The investigation was handled by Pfizer's internal compliance office, but the company refused to release a report on the matter. The employees, who were fired for alleged violations of the company's code of conduct, claimed that they were targets of a retaliation campaign by Pfizer executives.

Despite the controversy, Pfizer continued to operate as usual, with its focus on research and development. The company's stock price remained relatively stable, and it continued to invest in new drug candidates. However, the events of 2016 cast a shadow over Pfizer's reputation, and questions were raised about the company's commitment to ethical behavior.

In 2017, Pfizer announced that it would be acquiring Medivation, a biotechnology company, for $14 billion. The deal was seen as a strategic move to expand Pfizer's portfolio of oncology drugs and to strengthen its position in the global pharmaceutical market.

As the 2018 fiscal year came to a close, Pfizer reported record revenues and profits, with earnings per share of $3.54. The company's stock price hit new highs, and its CEO, Albert Bourla, was named one of the world's most influential leaders by Fortune magazine.

However, the controversy of 2016 continued to simmer, with questions being raised about the company's role in the opioid epidemic and its relationship with the FDA. Despite these challenges, Pfizer remained committed to its mission of improving the health of people around the world.
real issue is Mary’s leadership. She has very little interest in the HR function itself, offers little advice and focuses mainly on the CEO and his needs.” The writer urged a thorough investigation, conducted by someone independent because McLeod’s deputies feared retaliation.

The letter was discussed at a board call on Nov. 16. 

Given the retaliation assertion, Schuman wanted to name an independent outside investigator. Kindler defended McLeod, praising her for connecting HR to the company’s businesses instead of focusing on “touchy-feely” stuff. But he went along with Schuman’s recommendation. 

The two-week investigation was conducted by Beth Friedman, an attorney with Cahill Gordon & Reindel who specializes in corporate governance work. After interviewing all of McLeod’s direct reports, Friedman found nothing illegal. He did, however, conclude that HR was thoroughly dysfunctional, and even by inept management. In his view, this was a simple case of incompetence.

On Wednesday, Dec. 1, Pfizer’s executive team gathered for a day of meetings with the CEO. Mary McLeod was missing. After hearing Friedman’s report, Kindler had finally parted ways with his controversial HR chief—though not without a generous severance package.

New it was Kindler whose job was threatened. 

IN THE EIGHT MONTHS SINCE Jeff Kindler departed, Pfizer has worked hard to set a new course. For starters, the company is getting smaller. New CEO Ian Read has announced the sale of Capusgel, its capsule manufacturing business, and put the animal health and pediatric nutrition businesses on the block, saying that Pfizer will now focus more on its “innovation core.”

The deep research cuts and outside collaborations that Kindler supported are beginning to crumble. In February, Pfizer announced in February that R&D spending will plummet from $9 billion in 2010 to $6.5 billion in 2012. In 2013, it will be $7 billion, the company has said.

While pursuing new approaches, Pfizer is preparing for the loss, in November, of sale rights to Lipitor. It anxiously awaits news about possible future successors, including a lung cancer drug and a medicine for rheumatoid arthritis, both championed by Kindler. It’s still too early to tell whether the ex-CEO’s vision was right. Says retired HR chief Rob Norton, who left in 2003: “The trouble with research is you don’t know whether you’ve done the right thing for 10 years.”

Since Read took the helm, Pfizer’s stock has risen some 20%, to $26 per share. That’s more than double the increase of the S&P 500 during the same period. Internally, there seems to be relief that Read—the ultimate insider—is at the helm. Although he lacks Kindler’s charisma, some say he’s the right fit after so much drama. “He’s the antithesis of Jeff,” says one Pfizer executive.

The biggest concern was whether he might push people to sign off on vision statements here. Instead, the company has unveiled a “Thank goodness it’s Monday” policy. “Many people try to get people fired up about coming to work,” General counsel Amy Schulman says. “It’s better to keep everything positive and calm.”

The chief executive has approached the integration of Wyeth, another the two companies Merck, Pfizer, and GlaxoSmithKline. In addition, Pfizer has announced plans to spin off its consumer health business, which includes over-the-counter drugs and other products. The move is expected to generate $1 billion in annual revenue.

The integration of Wyeth is expected to be completed by the end of 2013. Pfizer has set a goal of achieving $3 billion in annual savings from the integration by the end of 2014. The company has also announced plans to cut its workforce by 12,000, or about 9% of its global workforce.

In addition to the integration of Wyeth, Pfizer has also announced plans to divest its animal health and nutrition business, its unprofitable manufacturing unit in Spain, and its women’s health business.

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real issue is Mary’s leadership. She has very little interest in the HR function itself, offers little guidance and focuses mainly on the CEO and his needs.” The writer urged a thorough investigation, conducted by someone independent because McLeod’s deputies feared retaliation.

The letter was discussed at a board call on Nov. 16. Given the retaliation assertion, Schulman wanted to name an independent outside investigator. Kindler defended McLeod, praising her for connecting HR to the company’s businesses instead of focusing on “touchy-feely” stuff. But he went along with Schulman’s recommendation.

The two-week investigation was conducted by Bart Friedman, an attorney with Cabellis & Reindel who specializes in corporate governance work. After interviewing all of McLeod’s direct reports, Friedman found nothing illegal. He did, however, conclude that HR was thoroughly dysfunctional, and even in this management, in his view, this was a simple case of incompetence.

On Wednesday, Dec. 1, Pfizer’s executive team gathered for a day of meetings with CEO Mary McLeod was missing. After hearing Friedman’s report, Kindler had finally parted ways with his controversial HR chief—though not without a generous severance package.

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The problems with Pfizer’s HR chief had sharpened board concerns about its CEO. Why had Kindler defended McLeod? How could he be so blind to all the trouble that she was causing? Just as had happened at Schwalb, McLeod’s issues had been brought to Schulman for her boss.

New Pfizer’s board shifted into action. Around Thanksgiving, Steere and Connie Horner, the lead outside director, began speaking to a few of Kindler’s deputies to assess the situation. By this point, Schulman had a formal job offer from PepsiCo. Read also had it let be known that he was planning to retire—COO job or no COO job.

All this created a nightmare scenario for the board. Were Read and Schulman threatening to leave so that the directors would oust Kindler? The board didn’t think so. But could it really afford to find out? Investors were already howling. Pfizer’s stock had dropped 36% since Kindler had taken the helm. Imagine the uproar if both Read and Schulman suddenly left.

Over Thanksgiving weekend, Horner called the other board members. “She told me that she and one or two other directors had heard very disturbing things about Jeff and we talked about what we should do about it,” says one former director.

That Sunday, Horner contacted Wachtelli Lipton lawyer Marty Lipton, the go-to man for corporate boards in a giant mess. Lipton agreed to advise them, and the entire board convened in secret in his office the following Wednesday, Dec. 1. Half the directors were there in person; half participated by phone. Horner reported what she knew. She pointed out that, in addition to Read and Schulman, a third senior executive, communications chief Sally Susman, was deeply frustrated and might also leave Pfizer.

One former board member summed up the issue this way: “Do we have three brave souls who have risked their lives to come forward, or do we have three disgruntled employees?”

To many of the directors, the stories about Kindler’s management style rang true. They remembered how he’d lost it with Burt at the board retirement party. And there were reports that other top executives were unhappy. Even D’Amelio, the even-keeled CFO, seemed to think Jeff’s behavior was a big problem. Or did he? Another director had spoken to him too, and provided a conflicting account, leading to a debate about the accuracy of the incoming reports.

Lipton advised them that they needed to make absolutely sure they weren’t responding to one or two executives. The board resolved to survey all 11 members of Kindler’s management.

Kindler’s ELT was in a horribly awkward situation. On Wednesday, they had spent the day meeting with their boss about the business. Mary McLeod had disappeared. Hours later, they were getting calls from the board’s lead director, swearing them to secrecy, questioning them about incidents involving Kindler.

Kindler had caught wind of what was up. He’d begun making his own calls, desperately trying to assuage his support. Steere, his longtime ally, didn’t return his call. D’Amelio anguished about being in the middle of it all. He refused his boss’s request that he tell the board he would resign if Kindler were fired, according to a person who spoke to D’Amelio. (A source close to Kindler denies this.)

When Kindler completed his inquiry, she paused on her conclusion: No one was standing 100% behind Kindler. All confirmed the situation was untenable. A few of the 11 executives made it explicitly clear that they believed Jeff needed to go. The directors agreed to sum- mon him to a board meeting the next day.

At that meeting, Kindler talked and talked, blaming others for the entire imbroglio. That evening, after he returned home to Westport, Conn., Kindler arranged for Judd Burstein, a close friend and trial lawyer, to represent him. Kindler briefly considered whether to fight on.

The next morning, Sunday, Dec. 5, 2010, Kindler and Pfizer quickly agreed on a generous exit package. He was getting $16 million in cash and stock, another $6.9 million in retirement benefits, and various other forms of stock compensation. Burstein made one final request: Could Kindler stay on till the end of the year? The directors said no.

At noon, Pfizer’s board convened in Lipton’s office to replace the company’s CEO for the second time in five years. “Basically, everybody was quite sympathetic to Jeff,” says one participant. “They just felt he was no longer capable of leading the company.”

The Kindler era at Pfizer had ended the way it had begun—with turmoil, backslag maneuvering, and trauma. The latest CEO was gone, leaving Pfizer once again in search of a cure. [21]

IN THE EIGHT MONTHS SINCE Jeff Kindler departed, Pfizer has worked hard to set a new course. For starters, the company is getting smaller. New CEO Ian Read has announced the sale of Capsugel, its capsule manufacturing business, and put the animal health and pediatric nutrition businesses on the block, saying that Pfizer will now focus more on its “therapeutic core.”

The deep research cuts and outside collaborations that Kindler supported are becoming a reality. Read announced in February that R&D spending will plummet from $8.4 billion in 2010 to $5.7 billion in 2011, and $5.4 billion to $7.9 billion by 2012.

After the latest wave of layoffs, Pfizer’s flagship Groton, Conn., research site will soon employ 5,400 people, down from a high of 6,500 in the area during the glory days. A few jobs have moved to Pfizer’s center in Cambridge, Mass., a small bust- ling building that exemplifies its new collaborations with outsiders. The head of the orphan and genetic disease project there isn’t a Pfizer veteran, but instead a young doctor and ex-McKinsey consultant, Alvin Smith, who has worked at Pfizer for a year. “This is a time for the industry to step forward in humility,” he says, “and acknowledge that we can’t do it all.”

While pursuing such new ap- proaches, Pfizer is preparing for the loss, in November, of sole rights to Lipitor. It anxiously awaits news about possible future successors, including a lung cancer drug and a medicine for rheumatoid arthritis, both championed by Kindler. It’s still too early to tell whether the ex-CEO’s vision was right, says retired HR chief Rob Norton, who left in 2003. “The trouble with research is you don’t know whether you’ve done the right thing for 10 years.”

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Confident that Pfizer is in good hands, ex-CEO Bill Steere finally stepped down from the board last April at age 74. His neighbor George Lorch is now Pfizer’s nonexecutive chairman. Steere retains his office in the Pfizer building, where he now spends a few days a month—just in case anybody needs him.