

Tylenol Recalls: CEO Weldon Is Either Clueless or Lying, and Neither Will Play Before Congress

By Jim Edwards | May 17, 2010

Johnson & Johnson (JNJ) CEO **William Weldon** has been called to testify before Congress on May 27 for an inquisition on the **Tylenol** recalls that could make or break his legacy. Currently, things look bleak. The 61-year-old could leave office as J&J's **Emperor Nero**, the man who fiddled as Tylenol burned: Buying himself a fancy house and taking excessive pay rises while the company's flagship brand was trashed by his under-managed underlings.

Weldon was caught off guard by the FDA-enforced recall of 50 different versions of various children's medicines. Although J&J's **McNeil Consumer Health** unit had received consumer complaints about Tylenol as far back as 2008, and the company made five different recalls of the brand through May 1 of this year, Weldon told *Fortune* in a video interview published on May 14 that he still didn't know what had gone wrong at his company's Fort Washington, Pa., factory:

... It's really hard to understand, we're looking into this right now.

We'll understand a lot more later on. There were behaviors and some of this was behaviorally related, where people were not following good GMP and some of the standard operating procedures...

Weldon was asked what he knew and when he knew it:

I honestly can't recall. We've been talking about it for so long I couldn't tell you the exact dates.

He then all but said that he did not take meetings with the FDA seriously:

Fortune's Geoff Colvin: The FDA representatives said initially they met with people, managers at the plant, in February ... why wasn't anything done then?

Weldon: I'm not sure we fully understood the issues at that point in time. ... there are numerous meetings that go on but that not necessarily an area that would cause us to address something like this.

It was a similar message to one he'd made in a blog post a few days earlier: "We're sorry, we're fixing it, but we don't yet have an explanation for why we were selling pills that consumers had complained were contaminated for two years."

The idea that Weldon doesn't know what's wrong at McNeil is either a bald-faced lie or a shocking admission of ignorance, and he had better come up with a different story when he sits down in the Capitol.

Part of Weldon's problem is that there is no single "problem" to fix: The issues are spread across two factories and involve separate moving parts, from black specks found in medicine to a musty smell coming from packaging. There is no simple solution; a total overhaul is required. That's a difficult PR message to get out. But it's not impossible.

Contrast Weldon's response with that of embattled **Genzyme** (GNEZ) CEO **Henri Termeer**, who has manufacturing problems that make Tylenol's look like a walk in the park. Termeer responded with a detailed, specific investor presentation on exactly what's wrong with the plant and a plan to put it right, down to the names of the executives responsible for doing it.

We've seen nothing like that from Weldon — and yet that's the one thing he needs to do.

Damn the Torpedoes! J&J CEO's \$31M Pay Packet Is Up While Everything Else Is Down

By Jim Edwards | Mar 17, 2010

Johnson & Johnson (JNJ) CEO **William Weldon** has bucked the trend: While most Big Pharma chiefs are set to take compensation reductions for 2009, Weldon got a raise of 6%, or \$1.6 million, to bring him nearly \$31 million.

Weldon seems to be painting a bullseye on his back for critics of CEOs whose pay is completely delinked from the performance of their companies and the business environment in general.

The pay raise — which featured increases in both salary and bonuses — came in a year when J&J's revenues sunk 3 percent to \$62 billion, the company laid off 8,100 people, and some salaries were frozen. At the same time, Weldon drew attention to his wealth by buying an \$8 million North Palm Beach, Fla., waterfront home as he planned those layoffs.

His other top managers also got increased compensation last year, according to page 44 of this SEC filing. J&J's stock ended the year up only 8 percent to \$64.94.

Weldon's pay goes against the trend: Execs at **Pfizer** (PFE), **Allergan** (AGN), **Bristol-Myers Squibb** (BMY), **Genzyme** (GENZ) and **Abbott Labs** (ABT) all took declines in 2009 compensation.