Medical Xpress

CEO of drug maker Teva out ahead job cuts (Update)

October 30 2013, by Tia Goldenberg

In this Wednesday, Oct. 16, 2013 file photo, trucks run past Teva Pharmaceutical Logistic Center in the town of Shoam, Israel. The chief executive of Israeli company Teva Pharmaceuticals Ltd. has resigned following a public uproar over a contentious restructuring plan set to cut thousands of jobs worldwide, Teva said Wednesday, Oct. 30. (AP Photo/Dan Balilty, File)

Israeli drug manufacturer Teva Pharmaceuticals Ltd. announced Wednesday its CEO had resigned, following a public uproar over a contentious restructuring plan set to cut thousands of jobs worldwide.

In a statement, Teva said its board of directors and President and CEO Jeremy Levin had agreed for him to step down. It gave no reason for the resignation, but the shakeup exposed cracks in the leadership of the world's largest generic drug maker.

The company's statement was quickly disputed. Late Wednesday, Levin told Israeli Channel 10 TV: "I did not resign. I did not choose to leave the company." He declined to comment further.

Teva's chairman Phillip Frost also told Channel 10: "It just got to the point where the slight differences couldn't be resolved. We thought it was better to part ways."

In an earlier statement announcing the resignation, Frost said the board and management were committed to "the planned acceleration of the company's cost reduction program."

Israeli media reported that Levin's downfall culminated months of tension between him and Frost. Those tensions intensified after the company said this month it would reduce its global workforce by about 10 percent—or 5,000 employees—as part of a restructuring plan.

The company has struggled in recent quarters with declining sales for both generic and brand-name drugs. The restructuring aims to slim the drug maker's business and make it more efficient.

Israeli Channel 2 TV reported this week that Levin and Frost fought over how to implement the restructuring. The planned layoffs set off an uproar and sense of betrayal in Israel, which has boosted Teva with years of grants, subsidies and tax breaks. Its success on the global stage has earned it the nickname "Israel's company." Some 800 Israeli employees are set to be laid off.

Under heavy public pressure, Levin agreed to meet with government officials and the powerful Histadrut labor union, vowing to re-evaluate the company's plan. Levin reportedly was intent on carrying out the layoffs gradually, whereas Frost and the board wanted them done immediately.

A letter obtained by Channel 2 said to be from the company's management and sent to the board spelled out the squabble.

"We acknowledge the commitments of members of the board to stockholders. Despite that, we urge the board to reconsider its interference in daily business, which in our opinion has become common in recent months, and prevents the management from managing Teva in an efficient way," the letter said.

In midday trading Wednesday on the Nasdaq Stock Market, the company's shares were down 7.2 percent to $38.08 apiece.

Levin is a former senior executive at U.S. drug maker Bristol-Myers Squibb who became CEO in 2012. Teva's board named Chief Financial Officer Eyal Desheh as an interim replacement and formed a committee to start searching for a permanent successor.

Analysts said Wednesday's resignation reflected a leadership crisis at the company.

"Teva, like most organizations, suffers from a surplus of management and a shortage of leadership, and that is a root problem endangering the future of the pharmaceutical giant," commentator Boaz Tamir wrote on the website of The Marker, an Israeli financial newspaper.