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Paul began by presenting Johnson & Johnson’s Credo, developed by the Company’s founder in the 1940s, to the audience. The Credo sets out the Johnson & Johnson ‘way of doing things’. The main observation about the Credo was that it reflected a very different mindset to that of business today, which tends to prioritise stockholders. In the Credo, stockholders are the last stakeholder group to be addressed. The attitude of Johnson & Johnson is very much ‘if we take care of everyone else, financially, we will be ok’.

30 years later, the purpose of the Credo was not so clear. In 1976, Jim Burke, the then new CEO of Johnson & Johnson held a senior Executive meeting to discuss questions around the purpose of the Credo, whether it was actually being used and was an effective document, and whether it still had any meaning for the Company. It was decided that the Credo was still an important part of Johnson & Johnson’s culture, and provided a set of core principles for doing business – that the Company would never try to make a profit at the expense of its values and stakeholders’ interests.

In September 1982, Johnson & Johnson experienced a major crisis – there were a number of deaths following the use of their painkiller, Tylenol, in the Chicago area. On later inspection it emerged that the Tylenol had been deliberately contaminated – a malicious individual had laced the Tylenol with cyanide.

The Company’s immediate reaction was to treat the crisis as a very serious public health issue. This meant total transparency and informing the media of ‘everything and anything’ that was known by the Company, so this could then be passed on to the public, for their best interests. Johnson & Johnson acted quickly and recalled all Tylenol products, despite the contamination being confined to Chicago. The reaction was very much consistent with the Credo – upholding a responsibility to customers.

The recall became worldwide and went ahead despite pressure from the FBI and Food & Drug Administration (FDA) NOT to recall all the tablets. It came at a huge financial cost to Johnson & Johnson and was significant as at that point there had never been a nation-wide recall. Doing more than what was recommended by the regulators indicates that the decision to recall was based on ethical principles.
The next stage of Johnson & Johnson’s response to the crisis was to work with other industry leaders and develop tamper evident packaging, to minimise the risks of reoccurrence. Within only 6 weeks, the Tylenol packaging had been redesigned to include three tamper evident seals, and was on the market – an amazing feat.

The speed and extent of Johnson & Johnson’s response to enabled the Company to maintain the trust of its customers and the general public.

Jim Burke was followed by Ralph Larsen, who was CEO from 1989 – 2002. Larsen continued to uphold the Credo in his behaviour and leadership style; one example of this involved a product crisis the Company was facing in 2000. There was growing pressure from the public to recall the product, but at a huge financial cost. In a Board meeting to discuss the Company’s response, Larson approached Bill Weldon, then head of global pharmaceutical business, and instructed him to make a decision, based solely on the best interests of the stakeholders, without any consideration of costs, thereby giving the employee space to act upon the ethical principles set out in the Credo.

In 2002 Bill Weldon became CEO. He implemented a number of changes between then and 2008:

- Replacement of experienced senior Quality Control staff with less experienced contract personnel;
- Purchase of Pfizer’s consumer healthcare division. Following the merger, the subsidiary responsible for producing Tylenol, was moved from a highly regulated Pharma division to a consumer division;
- Following complaints from managers that it wasn’t possible to meet operational and compliance goals, staff in the compliance function (Quality & Compliance Worldwide Department) were reduced by half.

In 2009, Johnson & Johnson experienced the first of a spate of incidences. Following an issue with some medicinal products, the Company issued a ‘phantom recall’ whereby it hired third party contractors to purchase all defective products. The contractors were told to purchase the medicines under the guise they were conducting market research. Later that year, more drugs had to be recalled when pallets that had been treated with rat poison, produced a musty odour that infiltrated the products.

In 2010 the Company was criticised heavily for its phantom recall at a congressional hearing. Bill Weldon did not attend as he was having back surgery, and sent the Consumer Division Head, Colleen Goggins, in his place. Whilst being questioned, Colleen denied any
knowledge of the phantom recall; blamed the problem on senior and middle management staff, and emphasised that all involved staff had been replaced or reassigned to lower levels. When read a script supposedly given to the contractors involved in the recall, and asked if she thought this was wrong, Colleen repeatedly said she could make no comment as she was unaware of the context the script had been written in. Later that year at a second hearing, Bill Weldon openly accepted full responsibility and accountability for the recall.

Over the course of 2009-2010 there were 11 product recalls.

In August 2011, Johnson & Johnson reached a settlement with the US Department of Justice (DoJ) for violations of the Foreign Corrupt Practices Act (FCPA) for $70m. The Company was commended for self disclosing to the DoJ four years previously. However, taken in the context of the numerous recalls and issues the Company had faced, the view of the general public of the Company’s behaviour was not favourable.

**When compared to the response of senior leaders in Johnson & Johnson in 1982, there appears to have been significant cultural change in the way the Company operates. Does the Credo have the same importance now, as it did in 1982?**

The following points were raised by the audience:

- The Pfizer acquisition may have created problems – how does an organisation merge its culture, with another’s? It is incredibly difficult to do, especially due to the nature of the Pharma industry which is heavily reliant on subsidiaries and agents. Ethical due diligence needs to be on the agenda when any kind of merger is being considered.

- Since the 1982 crisis there has been a change in focus on CEO behaviour; short term financial incentives mean a long term outlook is rarely adopted. In 1982 there was an attitude of ‘stewardship’, of building trust with the public for the future success of the company.