

Reality Check Do Codes Make a Difference?

As a result of its quick and effective handling of its experience with tainted Tylenol in both 1982 and 1986, Johnson & Johnson has often been viewed as one of the most admired firms in the world. J&J had sales of \$65 billion in 2011. It has had 28 consecutive years of earnings increases and 50 consecutive years of dividend increases. Its market value in July 2012 was \$185 billion, up from \$38 billion in 1991, evidence that a firm that lives according to its strong values and a culture that supports those values can not only survive but sustain a profit over the long term.²² CEO Ralph Larsen credits these successes directly to the J&J Credo: "it's the glue that holds our decentralized company together . . . For us, the credo is our expression of managing the multiple bottom lines of products, people, planet and profits. It's the way we conceptualize our total impact on society."²³

Of course, no code on its own can preclude all problems. In early 2012, J&J was fined over a billion dollars for engaging in misleading advertising. A jury found that J&J had inaccurately portrayed the risks of its antipsychotic drug, Risperdal, in its ads. Still, J&J's credo is widely regarded as a leading example of how an ethics statement can be woven into a corporation's culture and form part of its mission.

The Johnson & Johnson Credo and History

At Johnson & Johnson there is no mission statement that hangs on the wall. Instead, for more than 60 years, a simple, one-page document—Our Credo—has guided our actions in fulfilling our responsibilities to our customers, our employees, the community and our stockholders. Our worldwide Family of Companies shares this value system in 36 languages spreading across Africa, Asia/Pacific, Eastern Europe, Europe, Latin America, Middle East and North America.

Our Credo History²⁴

General Robert Wood Johnson, who guided Johnson & Johnson from a small, family-owned business to a worldwide enterprise, had a very

perceptive view of a corporation's responsibilities beyond the manufacturing and marketing of products.

As early as 1935, in a pamphlet titled TRY REALITY, he urged his fellow industrialists to embrace what he termed "a new industrial philosophy." Johnson defined this as the corporation's responsibility to customers, employees, the community and stockholders.

But it was not until eight years later, in 1943, that Johnson wrote and first published the Johnson & Johnson Credo, a one-page document outlining these responsibilities in greater detail. Johnson saw to it that the Credo was embraced by his company, and he urged his management to apply it as part of their everyday business philosophy.

The Credo, seen by business leaders and the media as being farsighted, received wide public attention and acclaim. Putting customers first and stockholders last was a refreshing approach to the management of a business. But it should be noted that Johnson was a practical minded businessman. He believed that by putting the customer first the business would be well served, and it was.

The Corporation has drawn heavily on the strength of the Credo for guidance through the years, and at no time was this more evident than during the TYLENOL[®] crises of 1982 and 1986, when the McNeil Consumer & Specialty Pharmaceuticals product was adulterated with cyanide and used as a murder weapon. With Johnson & Johnson's good name and reputation at stake, company managers and employees made countless decisions that were inspired by the philosophy embodied in the Credo. The company's reputation was preserved and the TYLENOL[®] acetaminophen business was regained.

Today the Credo lives on in Johnson & Johnson stronger than ever. Company employees now

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participate in a periodic survey and evaluation of just how well the company performs its Credo responsibilities. These assessments are then fed back to the senior management, and where there are shortcomings, corrective action is promptly taken.

Over the years, some of the language of the Credo has been updated and new areas recognize the environment and the balance between work and family have been added. But the spirit of the document remains the same today as when it was first written.

When Robert Wood Johnson wrote and then institutionalized the Credo within Johnson & Johnson, he never suggested that it guaranteed perfection. But its principles have become a constant goal, as well as a source of inspiration, for all who are part of the Johnson & Johnson Family of Companies.

More than 60 years after it was first introduced, the Credo continues to guide the destiny of the world's largest and most diversified health care company.

Our Credo

We believe our first responsibility is to the doctors, nurses and patients, to mothers and fathers and all others who use our products and services. In meeting their needs everything we do must be of high quality. We must constantly strive to reduce our costs in order to maintain reasonable prices. Customers' orders must be serviced promptly and accurately. Our suppliers and distributors must have an opportunity to make a fair profit.

We are responsible to our employees, the men and women who work with us throughout the world. Everyone must be considered as an individual. We must respect their dignity and recognize their merit. They must have a sense of security in their jobs. Compensation must be fair and adequate, and working conditions clean, orderly and safe. We must be mindful of ways to help our employees fulfill their family responsibilities. Employees must feel free to make suggestions and complaints. There must be equal opportunity for employment, development and advancement for those qualified. We must provide competent management, and their actions must be just and ethical.

We are responsible to the communities in which we live and work and to the world community as well. We must be good citizens—support good works and charities and bear our fair share of taxes. We must encourage civic improvements and better health and education. We must maintain in good order the property we are privileged to use, protecting the environment and natural resources.

Our final responsibility is to our stockholders. Business must make a sound profit. We must experiment with new ideas. Research must be carried on, innovative programs developed and mistakes paid for. New equipment must be purchased, new facilities provided and new products launched. Reserves must be created to provide for adverse times. When we operate according to these principles, the stockholders should realize a fair return.²⁵

Source: Courtesy of Johnson & Johnson, www.jnj.com.

Guidelines for Organizations and the Sarbanes-Oxley Act (see later in this chapter). A 2008 study found that 497 of the S&P 500 companies made their codes of ethics available to the public.²⁶ The success of these codes depends in large part on the process by which they are conceived and written, as well as their implementation. As with the construction of a personal code or mission, it is critical to first ask yourself what you stand for or what the company stands for. Why does the firm exist? What are its purposes? How will it implement these objectives? Once