**The Role of Johnson & Johnson’s Credo**

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**Our Credo (Johnson & Johnson)**

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.

- Robert Wood Johnson, 1943

When 8 people died from poisoned Tylenol in the 1980s, Johnson & Johnson’s response set a new standard for effective crisis management. The company’s CEO said that “Our Credo,” the legendary statement of principles written by former Chairman Robert Wood Johnson, played the key role in costly decisions to recall and repackage the pain reliever. Despite the resulting loss of market share, and the potentially lethal association of the company’s bestselling product with an untimely death, Johnson & Johnson’s drastic and decisive measures helped Tylenol reclaim its position as the country’s most popular pain reliever. Those measures also established the company as one worthy of customers’ trust.

In the nearly 30 years since, Johnson & Johnson has enjoyed a strong reputation. Its response to the Tylenol poisonings remains the gold standard for crisis management, and the company continues to hold up the credo as both a moral compass and a “recipe for business success.” “Our Credo” – the global institution’s conscience put to paper - promotes the expectation that ethical decision-making is engrained in the corporate culture.

The company has not always been able to live up to that expectation. Though surveys suggest that Johnson & Johnson’s reputation has not suffered when decisions and actions fell short of the credo’s promises, employees, regulators and journalists have used those promises to underscore the moral implications of the company’s missteps. Among those missteps this year: subsidiary McNeil Consumer Healthcare’s recall of 40 different medications and the shuttering of a major manufacturing facility over quality control issues. Those actions have drawn the scrutiny of a congressional panel and left the company open to criticism that it is failing to live up to several credo principles, including the one that says “everything we do must be of high quality.”

This paper will examine Johnson & Johnson’s credo-based response to the 1980s Tylenol poisonings, and consider the role “Our Credo” has played in the company’s actions and reputation in years since.

**Crisis, and the Credo-Based Response**

Between Sept. 29 and Oct. 1 of 1982, seven people in Chicago died after taking Tylenol poisoned with cyanide.

Events played out as follows:

Sept. 29: Twelve-year-old Mary Kellerman dies after taking poisoned Tylenol. Across town, so do brothers Stanley and Adam Janus. Theresa Janus, Stanley’s wife, is hospitalized after taking a pill from the same bottle as her husband and brother-in-law.

* Local firefighters compare notes and notice that Tylenol is the common link between the poisonings. They bring their hunch to investigators, who confirm that all four victims had taken pills laced with cyanide.

Sept. 30: Chicago residents Mary McFarland and Mary Reiner die after taking poisoned Tylenol.

* Bottles of tainted Tylenol are located and traced back to one lot. Johnson & Johnson recalls nearly 4.7 million capsules.[[1]](#footnote--1)

Oct. 1: Flight attendant Paula Prince is found dead in her apartment after taking poisoned Tylenol. Theresa Janus dies after two days in the hospital.

* A second batch of tainted Tylenol is found in Chicago. How, when and why the tampering occurred remains unclear.
* The FDA warns consumers nationwide to stop taking Tylenol until investigators trace the source of the contamination.
* Johnson & Johnson expands its recall to include more than 264,000 bottles, one of the pharmaceutical industry’s biggest-ever recalls at the time. [[2]](#footnote-0)
* Johnson & Johnson posts a $100,000 reward for information leading to the arrest and conviction of those responsible for the poisonings.

Oct. 5: A California man is sickened after taking Tylenol laced with strychnine. This poisoning has no apparent link to the poisonings in Chicago.

* Johnson & Johnson halts production of all Tylenol capsules and pulls existing capsules off the shelves nationwide. (Other Tylenol products, including tablets, remained on the market.)

On November 11, Johnson & Johnson announced plans to reintroduce Tylenol in triple-sealed, tamper-resistant packaging: an outer box with flaps glued shut, plastic sealing over the bottle cap and neck, and a foil inner seal. Bottles would be labeled “do not use if safety seals are broken.” The company offered to replace any Tylenol frightened customers threw away during the cyanide scare, set up an 800 number for questions, and absorbed the extra 2.4 cent-a-package increase in manufacturing costs for the new packaging. In the two months leading up to the retail reintroduction of Tylenol, Johnson & Johnson bought space in newspapers nationwide for 40 million coupons that covered the cost of a 24- or 30-pill bottle of Extra Strength Tylenol. [[3]](#footnote-1)

To respond to a crisis without precedent in the pharmaceutical industry, Johnson & Johnson, under the leadership of ethics-minded CEO James Burke, turned to the company’s credo.

Among the beliefs set out in the statement of principles: “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.” And, “Our final responsibility is to 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.”

Burke said the credo “played the most important role in our decision-making” regarding the Tylenol poisonings. [[4]](#footnote-2)

By 1982, Burke’s commitment to the credo was already well-established. Soon after being named president and CEO in 1975, he oversaw an update of the 30-year-old statement. Senior executives were told to subscribe to the credo or remove it from their walls. He launched an annual employee credo survey that asked how the company was doing relative to each principle. [[5]](#footnote-3)

Business Ethics Quarterly characterized Burke as “obsessed” with preserving public trust during the Tylenol scare. [[6]](#footnote-4) After announcing the new packaging in Nov. 1982, Burke said the company considered it a “moral imperative, as well as good business, to restore Tylenol to its preeminent position in the marketplace.”

As hoped, Tylenol’s position in the marketplace was restored. Four years later, in the winter of 1986, Tylenol was the nation’s best-selling analgesic, representing 34 percent of the $1.5 million over-the-counter pain reliever market and accounting for about 15 percent of Johnson & Johnson’s prior year earnings.

Then, on February 8, Westchester, N.Y. resident Diane Elsworth died suddenly after taking Tylenol. The capsule had been poisoned with cyanide.

Johnson & Johnson took swift action. Five days after Elsworth’s death, after a limited local recall turned up another bottle of poisoned Tylenol, the company recalled all caplets in Westchester and asked retailers nationwide to pull caplets as well. By February 17, the company had canceled all of its Tylenol advertising,[[7]](#footnote-5) recalled all capsules worldwide, and permanently halted production on six types of medications that came in capsules.[[8]](#footnote-6) Johnson & Johnson offered to replace 15 million bottles of capsule medication already on store shelves and in consumers’ homes. The company retooled its plants – at a cost of more than $100 million, combined with the recall – to produce capsule medications in the form of a new tamper-proof caplet.

Tylenol remained on the market in tablet form; overall sales dropped by one-third. But Johnson & Johnson’s credo-based worldwide recall gamble paid off relatively quickly. By July of 1986, five months after Diane Ellsworth’s death, new caplets were on the shelves and Tylenol had regained 96 percent of its market share.[[9]](#footnote-7)

According to one unnamed Johnson and Johnson executive, “we never really thought we had much of a choice about the recall. Our (credo) was such a way of life in the firm that our employees, including me, would have been scandalized had we taken another course. We never seriously considered avoiding the costly recall.” [[10]](#footnote-8)

**Johnson & Johnson and “Our Credo” Since Then**

In a 2000 article, in reference “Our Credo,” Johnson & Johnson CEO Ralph Larsen told the New York Times that more is expected of his company than is expected of others – and that is entirely fair.

His remark speaks to the high standard set by the statement of principles behind Johnson & Johnson’s widely admired response to the Tylenol crises. However, they were printed in an article about penalties the company faced for selling a defective device that put its diabetic users in danger.

In the years since the Tylenol incidents, Johnson & Johnson has promoted the credo as the foundation for its corporate identity even when falling short of its standards.

A search for “Johnson & Johnson” and “credo” in the database Lexis-Nexis brings up nearly three decades of articles from the world’s leading English-language publications. Dozens of those articles cite the Tylenol poisonings as a case study in inspired crisis management, and Johnson & Johnson as a paragon of virtue for possessing the credo that guided it. Only a handful of articles cite the credo in connection with any action Johnson & Johnson has taken since – and those, for the most part, do so to highlight company actions that seem to disregard the credo entirely.

For example: In 1995, The Economist pointed out the discrepancy between the credo’s principles – among them, that “we must provide competent management, and their actions must be just and ethical” – and revelations that a Johnson & Johnson subsidiary shredded documents during a federal investigation into the marketing of acne treatment Retin-A.[[11]](#footnote-9) The credo is “the most important thing we have in this company,” Johnson & Johnson CEO Ralph Larsen told The Economist. “There was no excuse” for the document shredding, he said, “but it is a huge undertaking to spread our values around the world.”[[12]](#footnote-10)

In December 1984, as the company was reaping the benefits of its credo-based response to the first Tylenol crisis, a federal jury found in favor of a former Johnson & Johnson employee who said he was fired after refusing management’s orders to submit inadequate tests on a new device to federal regulators. The jury found that the employee had been fired without good reason, and that the company had violated its credo, which states that “employees must feel free to make suggestions and complaints.” Johnson & Johnson spokesman F. Robert Kniffin told the New York Times that the company didn’t agree with the jury’s findings on the credo. The company believed its credo was a general statement, rather than a contract with each employee, he said.[[13]](#footnote-11)

In 2000, Johnson & Johnson agreed to pay millions in fines for failing to disclose to the FDA that a glitch in a glucose-testing device caused an error message reading instead of a reading indicating that the user’s blood sugar was dangerously high. Johnson & Johnson CEO Ralph Larsen admitted that mistakes were made, but maintained that the company still cared deeply about the credo. He called the incident more a case of bad judgment than a credo breach.

“More is expected of us than other companies. That’s totally fair,” he said.

Johnson & Johnson hired Michael Josephson, president of the Josephson Institute of Ethics, to draft a case study on that incident for high-level managers to review. Josephson told the New York Times: “Is there some indication that either the company has lost some of its commitment or that the viability of the credo has in some way been diminished by the current situation? The answer to the first is absolutely not. And the answer to the second is somewhat. But I’ve never seen anybody try harder to get it back.”[[14]](#footnote-12)

In 2007, Johnson & Johnson voluntarily disclosed to the Securities and Exchange Commission and the Justice Department that some of its foreign subsidiaries had “made improper payments in connection with the sale of medical devices in two small-market countries.’' It did not disclose the names of the countries or the nature of the payment problems. A New York Times article on the disclosures noted that they were “unusual for a company that emphasizes its longstanding credo of ethical conduct and responsible behavior.”[[15]](#footnote-13)

Though some have questioned Johnson & Johnson’s commitment to the credo in the years since the Tylenol crises, the company itself credited those principles for high employee morale as recently as this June. At a roundtable discussion on corporate social responsibility, Senior Director of Corporate Citizenship Patrick McCrummen said: “The company has lived by [the credo] all these years. Frankly, it has an enormous benefit to employee morale. They're more vocal, empowered, and passionate about the impact J&J has on the world.”

**The Credo’s Role in Johnson & Johnson’s Reputation**

It might be expected Johnson & Johnson’s standing with the public would suffer if, when confronted with other problems, it failed to meet the high ethical expectations set by the Tylenol crises response. That does not appear to be the case.

One annual survey suggests that the company has maintained a consistently strong reputation despite well-publicized ethical failings. That may be due in part to the fact that, when it comes to riskier products, Johnson & Johnson’s branding structure deflects attention from the parent company by steering it toward other recognizable names – Motrin, Rolaids, McNeil Consumer Healthcare. In any event, the company’s standing with the public is not necessarily linked to adherence to the credo.

A 1999 survey from Harris Interactive and the Reputation Institute showed Johnson & Johnson had the best reputation with the American public when compared to other well-known corporations. The Wall Street Journal noted: “Riding on its heritage as the premier maker of baby powder and shampoo, the health care company is the surprising champion of a new public opinion study of corporate image and how it evolves over time.”[[16]](#footnote-14)

The company was the Harris Interactive U.S. Reputation Quotient survey’s top-scorer for seven consecutive years. Even the 2005 revelation that Johnson & Johnson successfully fought to soften the language on warning labels for the heartburn drug Propulsid, even as it quietly collected data on Propulsid-related deaths and heart defects, didn’t knock the company out of first place. Last year, it slipped to second place after Berkshire Hathaway edged it out by half a point; Google, the 3M Company and SC Johnson rounded out the top five. In a 2009 press release, Harris Interactive noted that Johnson & Johnson was a “frequent top scorer” that had ranked first in social responsibility and emotional appeal. The survey is based on the rankings of about 20,000 randomly-selected adults asked to score the country’s 60 most visible companies in areas including corporate responsibility and products and services, according to Harris Interactive.

This year may test the company’s reputational mettle. The year 2010 has been a rough one for Johnson & Johnson subsidiary McNeil Consumer Healthcare, which has recalled 40 different medications to date for reasons ranging from a “musty odor” to improperly-labeled alcohol content to wood and metal particles in a chewable antacid. McNeil’s Ft. Washington, Pa. manufacturing facility was closed for retooling in May after problems there led to recalls of over-the-counter medications for infants and children. The closures were expected to lead to a shortage of some medications produced there.

From an outsider’s perspective, the events at McNeil run contrary to several of the credo’s principles: that products and services be high-quality, that customer orders be serviced promptly and fairly, that property be maintained in good order, that stockholders should realize a fair return. The credo does provide for mistakes being “paid for;” however, McNeil product recalls continue at a steady pace six months after the Ft. Washington facility closure.

Even under the best circumstances – assuming the company initiated the Ft. Washington facility closure and every one of the 40 recalls out of an abundance of caution, and not because of a failing quality control system - the pattern is, at the very least, a disservice to the stockholders for whom the company, through its credo, pledges to make a fair profit. Johnson & Johnson stock lost 3.7 percent this year, and concerns about quality control prompted the U.S. House Oversight and Government Reform panel to launch an investigation into the company earlier this year.

Investors would welcome “a couple of months without a recall event,” Les Funtleyder, a portfolio manager at trading firm Miller Tabak & Co., told Bloomberg after a mid-December recall. “I think investors’ expectations are pretty low at this point.”[[17]](#footnote-15)

PR Week’s Jaimy Lee came to an apt conclusion about Johnson & Johnson’s standing in her article about McNeil’s latest recall, this one of 96 lots of Rolaids found to contain metal and wood particles: “The company has taken a [few public steps](http://www.prweekus.com/jj-ceo-addresses-quality/article/177178/) to address internal issues, including announcing earlier this year that it had reorganized its manufacturing unit and establishing a position focused on quality production, but it still faces an uphill battle to regain what was [once](http://www.prweekus.com/jj-faces-reputation-battle-following-recalls/article/169515/) a model reputation.”[[18]](#footnote-16)

As a code of conduct, “Our Credo” leaves little room for error. One can argue that the statement of principals calls for Johnson & Johnson to be a flawless corporate citizen at all times – a tall order for a company with more than 100,000 employees and operations in 57 countries. Mistakes are inevitable. When it comes to responding to those mistakes, the difference between Johnson & Johnson and any other major corporation is that Johnson & Johnson set the bar for ethical decision-making, and looks far worse for failing to reach it. The company acted admirably in response to the Tylenol poisonings, but that response was aided by at least one advantage not at work during the average corporate dilemma: the problem at hand was indisputably someone else’s fault. When several other competing pain relievers were poisoned, it became clear that the murders were the work of some madman or madmen, not the drug makers. Adhering to any statement of principles is easier when everyone can unite in turning the spotlight on a common enemy, and the enemy isn’t you.

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