A Tale of Two Tylenols

A Case Study of Johnson & Johnson Credo and Corporate Culture

presented by:
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How to Pump Up Your Organization's Ethical Muscle Memory, Journal of Healthcare Compliance (July-August 2006)


7 Steps to Healthcare Compliance: HHS:OIG and COSO, Internal Auditor (February 2002).
Corporate culture is the glue that holds an organization together.

Culture includes common beliefs, ethics & values.

Culture is to an organization, what personality is to an individual.

No matter how talented a person is, if they do not buy into our culture, they will not be successful.

Our culture has become our greatest asset. Competitors can copy our procedures, but they cannot copy our culture.
### 2009 - NBES

<table>
<thead>
<tr>
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<th>2007</th>
<th>2009</th>
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<tbody>
<tr>
<td>Witnessed Misconduct</td>
<td>56%</td>
<td>49%</td>
</tr>
<tr>
<td>Reported observed misconduct</td>
<td>58%</td>
<td>63%</td>
</tr>
<tr>
<td>Measures of Ethical Culture</td>
<td>53%</td>
<td>62%</td>
</tr>
<tr>
<td>Pressure to Commit Violations</td>
<td>10%</td>
<td>8%</td>
</tr>
<tr>
<td>Retaliation against those who report</td>
<td>12%</td>
<td>15%</td>
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**Case Study: Johnson & Johnson - The Tylenol Tragedy**
Assess the Crisis

Who was Burke accountable to? As a CEO? As a citizen? How should we weigh these different responsibilities?

Assess the Crisis

If you were Burke, what would you say to the FBI and FDA about their request not to execute a recall?
Assess the Crisis

Can the Tylenol brand survive a national recall?

Assess the Crisis

How well did J & J handle the crisis?
Assess the Crisis

Tactically, why was J&J successful?

Assess the Crisis

What are the attributes of Burke’s individual effectiveness?
Assess the Crisis

How important was the Credo?

Recent J&J Timeline

May-June 2009 - McNeil violates its own cGMP regarding buying partial lots of cellulose from master lots containing bacteria. 8 million bottles recalled.

June 12, 2009 - Motrin Purchase Project - Phantom Recall

Fall 2009 - Las Piedras, Puerto Rico plant products contain “musty odor”, caused by wooden pallets treated with pesticide, used to store empty medication bottles.

February 19, 2010 - “Extraordinary” meeting between FDA and Senior J&J leaders.


May 27, 2010 - House Committee on Oversight and Government Reform, Rep. Edolphus Towns chastises J&J for “phantom recall”.

July 9, 2010 - Several class actions lawsuits filed against J&J accusing it of fraud and racketeering, demanding cash refunds for recalled children’s cold and allergy medicines.

August 24, 2010 - FDA threatens criminal prosecution for FDCA violations could be forthcoming.

August 24, 2010 - J&J recalls 1 day Acuvue True Color contact lenses from Asia and Europe.

August 27, 2010 - J&J recalls 93,000 DePuy hip replacement systems because they cause pain and require additional surgery.
How to “Pump Up” Your Ethical “Muscle Memory”

www.cetconnect.org

It's easier to remember the bad news instead of the good news.

How does ethics become embedded into your company's corporate DNA?

Corporations need to have (1) shared values, (2) appropriate "tone" throughout the organization, and (3) be willing to listen to bad news.

Corporate Culture

Shared Values

Roger Fine, former General Counsel of Johnson & Johnson speaking about Tylenol
Corporate Culture

“Tone” of the organization

Tom McCormick, former Ethics Officer of Dow, current Ethics Officer of British Petroleum (BP).

Corporate Culture

Willingness to bring bad news forward

Simon Blunt, Ethics Officer of AIG Insurance, UK
Leadership

And it’s about the four “types” that represent the way we evaluate and deal with our existing leaders. Type I: shares our values; makes the numbers—sky’s the limit! Type II: doesn’t share the values; doesn’t make the numbers—gone. Type III: shares the values; misses the numbers—typically, another chance, or two.

None of these three are tough calls, but Type IV is the toughest call of all: the manager who doesn’t share the values, but delivers the numbers; the “go-to” manager, the hammer, who delivers the bacon but does it on the backs of people, often “kissing up and kicking down” during the process. This type is the toughest to part with because organizations always want to deliver—it’s in the blood—and to let someone go who gets the job done is yet another unnatural act. But we have to remove these Type IVs because they have the power, by themselves, to destroy the open, informal, trust-based culture we need to win today and tomorrow.

Corporate Culture


- Shared Values, Tone at the Top, Willingness to bring bad news forward

