

Case 5-2

Johnson & Johnson and the Worldwide Recall of Tylenol

Johnson & Johnson is a long-established manufacturer of health care products and pharmaceutical drugs. The company is best known by consumers for products such as Band-Aids and Tylenol tablets, but it is better known by physicians for minimally invasive surgical instruments and highly sophisticated diagnostic systems. It is a firm that has grown consistently over time, with a stock price that went from \$12.00 per share in 1989 to—adjusted for stock splits—\$124 per share in 2009.

The company has a very unusual Mission Statement, or affirmation of the purpose of the firm, which focuses on corporate duties rather than financial profits. This statement has been widely distributed among active employees, and is *not* considered to be “window dressing,” or a hypocritical desire to appear socially concerned while everyone really focuses on the “bottom line.” This was proven a number of years ago when a person in Chicago, for reasons that have never been discovered, put tablets containing arsenic in unsold bottles of Tylenol on store shelves through that city and the suburbs. Six people died. It could not quickly be proven that this had occurred purposely at the retail stores in Chicago and not accidentally at the manufacturing plant in New Jersey. Consequently, Johnson & Johnson removed, in a matter of days, every package of Tylenol from every store in America and abroad, at a cost of more than \$100 million, to protect its customers. Those packages were later replaced, free of charge to all retailers and to any customers who had returned unused portions of purchased packages, with new drugs in “tamper-proof” containers. The senior executives at the time explained that this prompt and complete response was required by the Credo or Mission of the firm:

We believe that our first responsibility is for the doctors, nurses, and patients, to mothers 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.
- Customer 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 worth.
- They must have a sense of security in their jobs. Compensation must be fair and adequate and working conditions clean, orderly and safe.