A Business Analysis on the Diversity and Inclusion Practices at Johnson & Johnson

Simmons College Cross Cultural Management

Symone Blake
Toral Patel
Amirah Shaikh
Victoria Skarbinski
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Executive Summary

Johnson & Johnson is a global, multibillion-dollar brand that has continued growth in the three market segments that include the consumer, pharmaceutical, and medical devices and diagnostics divisions. Out of the three, J&J have the highest sales within the pharmaceutical segment. Their success has been noted not only in sales and innovative products, but the efforts put towards diversity and inclusion.

J&J is a company that values diversity and inclusion. They prove this by embedding diversity into all of their business practices. Their business model is framed around global diversity and inclusion where, at their foundation lies The Credo values. The Credo includes putting the customer first, education, communication, leadership ownership and engagement. J&J’s main focus includes having a diverse and inclusive workforce with a leadership pipeline, having a culture of inclusion in the workplace, and leveraging cultural insights in the overall marketplace. J&J values their stakeholders by creating an environment of mutually beneficial relationships.

Diversity and inclusion at J&J helps the overall compliant growth within the company in various business sectors. It has given the company leverage for growth and a global competitive advantage. J&J has benefited greatly through attracting top talent, creating leaders, and inventing products that have set the standards high in the healthcare industry.

Johnson and Johnson is a brand that has been around for many years and is one that will continue to grow and be a leader in the industry due to their efforts to be innovative, inclusive to all and, most importantly, because it is a brand that values diversity.
Introduction

Johnson & Johnson was founded in 1886 and is classified as a Fortune 500 Company. The headquarters for J&J is in New Brunswick, New Jersey and their consumer divisions are located in Skillman, New Jersey. Johnson & Johnson operates in over 60 countries and has 250 subsidiaries in those countries, with products being sold in 175 countries.

Many people use J&J products every day without even noticing. J&J has a wide variety of consumer brands for example, when waking up, it is common to wash with Neutrogena products, or when injuries occur, Neosporin is frequently used with a Band-Aid and in the case of aches and pains, Tylenol is commonly used.

Company Overview

Johnson & Johnson is dedicated to health care products all around the world. J&J has a steady financial performance due to their innovations, which appeal to the consumer. They currently employ 128,000 people worldwide in various departments focusing on health care needs and products.

J&J is a company that embraces research and science in order to be a pioneer in the products and services they offer. J&J is a very well respected company for a variety of reasons. It is best known for being a reputable a company that engages in groundbreaking research and development within the wide variety of health care products provided. J&J is the world’s 6th largest consumer health company, which is comprised of three business segments. The segments are Consumer, Pharmaceutical and Medical Devices and Diagnostics. In this paper we will specifically focus on the Pharmaceutical segment of Johnson & Johnson (J&J Profile Common Stock). The consumer division presents products that provide skin, oral, and baby care. In addition, J&J offers pharmaceutical, wellness and prevention products. The Pharmaceutical
segment of J&J provides a large variety of products for different types of diseases, painkillers, and vaccines. These products are sold directly to hospitals and wholesale retailers. The third segment of J&J provides technology to hospitals and medical supplies to aide in treatment of a variety of diseases and illnesses. J&J has dominated the health care world, and is located in over 60 countries (J&J Profile, Common Stock). J&J has a wide variety of health care products and multiple subsidiary brands, making them one of the biggest companies in the world. J&J believes in diversity and inclusion. Being involved in many different cultures around the world has been a large factor in the efforts that they put towards diversity and inclusion, making it an essential part of the customs at J&J. The Johnson & Johnson brand has been able to include diversity through various domestic and managerial programs that manage diversity, and by creating a universal system that increases diversification within the company. Instilling these systems into the missions and goals of the Johnson & Johnson brand identity is essential.

Johnson & Johnson pride themselves on having a decentralized management approach. They founded an operating committee which is a group of managers that represent key area of operations from each of the segments. The Operating committee is also responsible for coordinating the events of international and domestic companies related to each of the three business segments. In the domestic and international companies, the senior management is still responsible for creating their own strategic plans and the management of the day to day operations in the company.

**US Domestic Operations**

According to J &J’s 2008 10-k form, there are 94 subsidiaries in the United States. The employees within the United States are specifically familiar with the United States market. In 1959, J& J acquired the McNeil plant in Fort Washington, PA in order to enter the
pharmaceutical industry. The McNeil laboratory is located in Canada and around the United States. McNeil laboratory is known for making Tylenol, the medicine doctors recommend the most. (Johnson and Johnson Company History, 2013)

**International Operations**

There are 130 subsidiaries in over 60 different countries. The company is able to employee approximately 128,000 people. Employees in the 60 countries work in the country of their origin to ensure that they are familiar with the market that they cater to. They acquired Jansen Pharmaceutica in China to build their international pharmaceutical presence. J&J is also a known brand in Sweden, Puerto Rico, China and India. There are always opportunities for J&J to expand in emerging healthcare markets internationally (Johnson and Johnson Company History, 2013).

**Sweden**

J&J is a leading company in Sweden. This is supported by the key metrics that were described in the Pharmaceuticals Industry Profile: Sweden “Europe accounted for 25.7% of the total revenues in the FY2009. Revenues from Europe reached $15,934 million in 2009.” (Pharmaceuticals Industry Profile: Sweden, P. 22)

**Puerto Rico**

Johnson & Johnson made a strategic move to expand into Puerto Rico where they added four laboratories, creating 308 jobs within the country. “Manufacturing is the largest component of the Puerto Rican economy”...“The island has an unemployment rate of 13.5 percent, higher than any U.S. state” (Manufacturing.net 2012). When Johnson and Johnson moved into Puerto Rico, it had a huge positive impact to the economy.

**China**
J & J (China) Ltd. was acquired in 1992 and is located in Shanghai, China. This branch is a subsidiary of the original Johnson and Johnson Company. J& J acquired Guangzhou Biotech Co. Ltd, which is a pharmaceutical company that focuses on porcine plasma-derived biologics products that are designed to control bleeding while surgery is being performed. It took a while for the acquisition to be finalized because the company had to obtain all of the prominent Chinese government approvals. The company has been operating in China for over 25 years and has created an innovation center in China last year. The innovation center focuses on medical devices created uniquely to cater to Asia’s emerging markets. J&J has a long-term commitment to offering solutions for medical supplies that help enhance the expectation of health care for people within the region (China Investment Ltd.).

India

J&J acquired laboratories in India the same year that India gained its independence from England. The Baddi facilities through J&J has been able to implement projects and practices that help maintain the environment. It has been said that the: “Facility is the zero discharge facility that means all the water which is being treated by the Waste Water Treatment Plant is reused in the facility and no treated water is discharged outside the facility.” (Johnson & Johnson Limited, Consumer India).

Financials

According to Appendix B and Appendix C, the revenue is continuously increasing every year however there is no cosmic increase in revenue. The growth rate between 2010 and 2011 is 5.59% but then the growth rate decreases to 3.37% between 2011 and 2012. The trend of the revenue seems to be satisfactory since the revenue growth constantly increased. The downside is that the revenue does not increase by much. Although profitability decreased from 2010 to 2011,
it started to pick things up again in 2012 and slowly continued to increase. Unfortunately, net income bounces around a lot. The profitability started off high at 21.65% in 2010, then it decreased by 7% in 2011. The upside is that profitability did not continue to decrease in 2012. Selling, marketing, and administrative expenses have a down and up trend which indicates that they are not steadily growing. Costs of goods sold on the other hand increases by 1% every year so that category is somewhat stable. The trend of the cost categories seems satisfactory for costs of goods sold but not for selling, marketing, and administrative expenses because it was never rising consistently and it just keeps bouncing around.

**Strategic Positioning**

Johnson and Johnson is well-known for its’ creative ideas, services, and products to improve the health and safety of people. They are the world’s sixth-largest consumer health company and the world’s largest and most diverse medical devices and diagnostics company. They are a fast-growing company that is constantly opening new locations. Currently, they occupy 275 operating companies in more than 60 countries providing work for nearly 128,000 people (Johnson and Johnson Our Company, 2013).

The reason for their success and commitment is because of The Credo and a brilliant set of strategic rules. Nowadays, there is a highly competitive global marketplace that informs the employees that they need focus on critical drivers for future growth and inspire those who are capable to carry on the J&J legacy. According to the J&J Strategic Framework in Appendix D, The foundation of the company is built off of their Credo and their Aspiration. Firstly, The Credo in Appendix A, speaks about their patients and customers such as doctors, nurses, patients, mothers, fathers and all who use our products and services. They provide health-care products for everyone around the world. Secondly, The Credo holds responsibility to their employees by
providing programs to help them live healthier and safer lives—both physically and mentally. There are proper training and development programs so that they have the opportunity to enhance their skills. They also have a diverse environment that offers different perspectives on to best serve consumers and patients. Thirdly, The Credo pursues that they should be responsible to the citizens and environment to stay true to the community. Lastly, J&J holds their final responsibility towards the shareholders since they should receive a fair return on their investment. The second part of the foundation is their aspiration. They believe that by taking care of people, the company will help those around the world live longer, healthier, happier lives (Johnson and Johnson Strategic Framework, 2013).

Not only has the Foundation of the company helped enhance the lives of billions of people but also the strategic principles care about the health products for the consumers and patients. The four strategic principles are broadly based in human health care, managed for the long term, decentralized management approach, and their people and values. The purpose for broadly based in human health care strategic principle is to have a consistent performance in the health care market place. Human health environment focuses on the full continuum of care-prevention, diagnosis, and treatment. According to the second strategic principle which is managing for the long term has a significant purpose to its strategy and it is to “build the long-term equity of the brands, build sustainable customer loyalty, and build shareholder value over time” (Johnson and Johnson Strategic Framework, 2013). The third strategic principle is the J&J decentralized management approach which allows managers to be close to patients and consumers in order to recognize and concentrate on their needs. The last strategic principle focuses on the people and the values which are inspired by the informative Credo. This is principle that allows J&J human resources to hire the top talent. Not only does the foundation
and strategic principles help the company ensure success, but J&J has thought of drivers that will help ensure growth prosperity for the future.

The first driver in Appendix A inscribes creating value through innovation which simply means thinking of new and safe ideas for patients and customers. J&J wants to constantly come with new ideas to meet the challenges and opportunities for the future. J&J is a global company and manages in about 60 different countries. This ultimately leads to the second growth driver which is their global reach/local focus. The focus to maintain the new world- always have new products, new technologies, and new business models. New is always better therefore it expands their corporation through charisma, makes them reach out of their comfort zones, and it also delivers health care in a sustainable way (Johnson and Johnson Strategic Framework, 2013). In order for them to make these new products, technologies, and business models successful is the make sure their execution is excellent. According to their Credo, everything must be high quality—that is their top priority. This driver is important because it flawlessly focuses on setting priorities, meeting milestones, and delivering commitments (Johnson and Johnson, 2013). These three drivers are worthless without the last driver which is leading with purpose. Johnson and Johnson promote inspiring leadership through talent development programs. Lastly, J&J’s Growth Drivers are directed by the Leadership Imperatives which are Connect, Shape, Lead, and Deliver. These imperatives expect leaders to make sure they recognize the needs of their stakeholders, create innovating products and ideas, revolutionize and shape their industry, form a atmosphere where talent development and leadership are the main concerns, and lastly to deliver the utmost results to people (Johnson and Johnson, 2013).
Industry Background

The Pharmaceuticals sector and the Medical Devices and Diagnostics Equipment sectors of J&J are the main source of revenue bringing in between 35-40% of their sales (Hoovers, 2013). In the Pharmaceutical sector, Remicade is the company’s highest grossing drug, bringing in over five billion dollars annually (Hoovers, 2013). In the Medical Devices sector, Ethicon (closure devices) and DePuy (orthopedics) are among the highest grossing products. These products have a larger impact on the company than the consumer products sector does due to both innovation and Patents that J&J has on their medical products. To understand J&J’s choice to highlight these industries instead of their consumer goods industries, the industry backgrounds need to be understood.

Before the days when pharmacies were on every corner, and when medicines could be bought in grocery stores, shopping malls, and department stores, various drugs were compounded in the laboratories of small, chemist owned pharmacies. These pharmacists would create varying amounts of a compound and administer it to sick patients. They would then observe the reactions the patients had (Sciences, 2008). This began to change in the 1840’s when chemists and naturalists began working together to produce medicines specific to ailments. According to encyclopedia.com, in 1902, the United States sought to regulate the production of pharmaceuticals thus creating the FDA (Encyclopedia.com, 2008). What is unique about the pharmaceutical industry from most other industries is the fact that “patients in effect transfer decision-making authority on the appropriateness of medications for their ailments to the gatekeeping physicians” (Sciences, 2008). In other words, the typical consumer does not have the right to choose the products they purchase; the typical layperson relinquishes their right to choose and gives all authority to physicians. Patents are utilized by pharmaceutical companies to
enable them to create new products without the fear of them losing the royalties of being the first to create it.

Similarly to the pharmaceutical industry, the Medical Devices and Diagnostic Equipment industry has evolved over time. What differentiates a medical device from a pharmaceutical is the fact that a medical device does not diagnose or treat a medical condition through chemical reactions, nor does the body metabolize them (Medical Device Industry Assessment, 2010). Interestingly, in developed countries such as the United States, the Medical Device industry is growing at rates in the single digits whereas in underdeveloped countries such as China and India, this industry is growing at rates in the double digits (Medical Device Industry Assessment, 2010). For the most part, Medical Device companies are small to medium size businesses. Due to a lack of funds, most of the companies rely heavily on venture capital to do R&D to get their initial products into market (Medical Device Industry Assessment, 2010), and then they are able to self fund future projects if their initial projects were a success.

**Composition**

The Pharmaceuticals and Medical Devices industries that J&J is categorized into has tens, to hundreds, of firms and companies that it is comprised of. More recently, many of these companies have come to a point where many of their most profitable product’s patents are coming to term. This is causing many of the companies to re-evaluate their position in the industry, thus making many of the smaller firms merge with larger ones in order to increase profitability and company value. Due to these industries being global, the companies such as J&J are able to improve their product lines through international mergers and acquisitions (Lowrie, 2013). According to Pharmalive.com, in 2010 major companies in this industry spent over thirteen billion dollars more on research and development than they had in 2009 (Pharmalive
Special Report, 2011). This increased R&D spending is now being seen as counterproductive to many companies because it is being seen as a waste of money, therefore R&D is expected to decrease in the future.

In 2009, J&J had the highest revenue in all of the industry, coming in at over sixty-one billion dollars (Lowrie, 2013). This multi-billion dollar industry is the result of consumers using pharmaceuticals and other medical devices on a daily basis to improve the quality of living. Even with the decreases in income due to patents coming to an end, revenue is expected to continue to increase due to further exploration of “high growth geographic countries with unmet medical needs” (Pharmalive Special Report 2011).

**Industry Diversity and Inclusion**

The pharmaceutical and the medical device industries are dominated by males. Because of this, various people within the industry have worked to create better ways of bringing diversity and inclusion into it. “Cynthia Christian, Manager of Diversity and EEO for Aventis Pharmaceuticals North America, uses a number of ways to find qualified candidates... [She] attend[s] meetings and support organizations such as the Black MBA Association, the Hispanic MBA Association and the National Organization for Chemical Engineers” (Larson, 2003). At Solvay Pharmaceuticals, the company allows for a total of twelve holidays to accommodate the needs of their employees. The company believes that this is a fair number of holidays for its employees because three of the twelve are not on a mandatory date, allowing the employee to follow their religious beliefs while working (Larson, 2003). If an issue arises within the workforce at Takeda, employees have the option to have open communication with their managers if they so choose, before utilizing the office for human resources (Larson, 2003). Takeda also offers all employees an annual survey in which they can voice their concerns and
beliefs. Companies throughout the industry are making sure to incorporate numerous methods of accommodation so that employees of diverse backgrounds may feel comfortable and happy within their job.

According to a survey done from August to September of 2003 these industries are lacking diversity. Less than one third of those who responded to the survey and were employed within the field were women (Rios, 2004). In the US it was shown that women were only represented as 31% of the employees and in Europe women only made up about 19% of the employees within this industry (Rios, 2004, p. 20). It was also noted that women made around 81%-82% (Rios, 2004, p. 23) of the salary that men made within the industry. The survey did not give statistics in relation to other demographical actors, although it did show a breakdown of employment levels based on academic degree held.

**Competitors and Diversity and Inclusion Practices and Analysis**

Although J&J has a multitude of competitors, according to Hoovers, their top three competitors are Novartis, Pfizer, and Covidien.

Novartis is a pharmaceutical and medical equipment company based in Switzerland whose revenue comes primarily from the company’s pharmaceutical sector. More than fifty percent of the company’s revenues come from their constant development of new drugs. The company, at any given time has over one hundred products being tested to be put on the market (Hoovers, 2013). Recently, the company has been losing revenue due to patents coming to term and generic formulas being released into the market. Due to these revenue decreases, the company is currently cutting costs by workforce reduction and plant closures. The company’s decrease in revenue is anticipated to recover due to more of Novartis’s products being cleared by the FDA and entering into the US market (Hoovers, 2013).
With operations located in more than 140 countries around the globe, Novartis’s beginning seems meager. Ciba, a chemical firm, Geigy, a spices and dyes company, and Sandoz, a dietetic and agricultural chemical company, merged in 1996 forming Novartis (Hoovers, 2013). Since then, the company has merged with or bought out numerous companies across the globe, enhancing their product line. According to the Novartis website, the company has nine officers, all male and fourteen members on their board of directors, eleven of which are white males, two white females and one black female. Together, they work to keep their mission true, which includes “marketing innovative products, investing in ideas that work and having an outstanding performance” (Novartis, 2013).

At Novartis, they believe that “all global organizations need to make diversity and inclusion a priority not only because it’s the right thing to do, but also because it makes good business sense” (Jimenez, 2012). CEO Joseph Jimenez realizes that both the customer base and the countries that the company is located in are very diverse, so the people who work for the company need to also be just as diverse. Novartis offers various programs to increase diversity awareness and inclusion within the corporation. BOOST is a program that “provides emerging market leaders with mentors and career development tools to help them succeed” (Jimenez, 2012). Having well educated leaders that are well versed in diversity is important to the company. Novartis also offers an Entrepreneurial Leadership Program which entails rising stars traveling to emerging markets to be immersed in the culture as an experience-based program for top talent to learn. It is a team based effort where individuals share their diversity experiences to form a greater understanding and create business solutions in those areas (Jimenez, 2012). One of the newest programs that has been created to strengthen the importance of diversity within Novartis is the LEAD program. This program brings associates to countries so that they may
observe the culture and the healthcare system in order to make specific improvements specific to each individual country. (Jimenez, 2012).

As previously mentioned, Novartis works with its company’s employees in order to increase their diversity and build the levels of inclusion throughout the business. The company has a large focus on increasing the number of women that are within leadership positions throughout the company. Senior management has analyzed their target market and came to find that women do 64% of the purchasing globally (Anderson, 2012) every year. The company utilized this information as a means of improving the number of women within the company and in leadership positions. This is because Novartis believes that if the women are doing the majority of purchasing, the company needs to focus on the needs of the women (Anderson, 2012). This has lead to initiatives including a 5 year plan, and career tracking and retention of female talents (Anderson, 2012). This type of analysis of diversity is important for the consistent improvement of the company’s goals and to increase their GES (global ethical standard) ratings. The company could put more effort into recruiting and retaining a diverse group of employees, especially by expanding the scope from women to other demographic areas. It is important to recruit women, but it is also important to bring in talent from around the globe to enhance your product and product need knowledge.

Pfizer is a company that sells pharmaceuticals for medical and veterinary purposes. Although Pfizer has a robust presence throughout the rest of the world, the United States is its leading market (Hoovers, 2013). The company has four drugs that bring in over three billion dollars each, annually. Like J&J and Novartis, the company has seen a decrease in sales revenue over the past few years due to various term-endings on patents. Pfizer has more than seventy five products in clinical stages in hopes that it can regain its slight decrease in revenue. In order to cut
costs, the company began decreasing the amount of money it spends on research and development (R&D). It is lowering its costs by focusing on the products that are in the later stages of development and discontinuing products that are in their earliest stages.

In 1900, Chas Pfizer & Co. was created, utilizing the techniques and chemicals that Charles Pfizer and Charles Erhart had been working with since 1849. The company “was propelled into the modern drug business, when it was asked to produce penicillin for the war effort in 1941” (Hoovers, 2013). Since those early days, Pfizer has come a long way, working with both IBM and Microsoft to create an automated prescription writing program in 2001 (Hoovers, 2013). Like its innovative products, the company has a diverse mix of employees. Pfizer has fourteen members on its board of directors and twelve employees in officer positions. Of the fourteen board members, eight are white men, two are black men, and four are white women (Johnson and Johnson, 2013). The officers of the company include eight men and four women (Hoovers, 2013). By utilizing the company’s technology and employees, Pfizer has made it their mission to become the most valued company in the world to everyone that has interaction with the company.

Pfizer, similar to J&J, has won numerous awards for its diversity and inclusion efforts. This is because, “the ownership culture [they] want to build is rooted in inclusion, the recognition that good ideas come from all sources. The willingness to encourage diversity of thinking sharpens both planning and performance” (Pfizer, 2011). At Pfizer, the leadership has worked to include people from around the globe, whatever their beliefs and no matter how they live their life. There have always been a number of “all colleague groups” (Pfizer, 2011) that were created within the company to enhance the experience of all employees, but the leadership
took it upon themselves to enhance the experience and create seven Colleague Councils that are each sponsored by a person from the Executive Leadership Team.

Pfizer’s diversity and inclusion initiatives are helpful in getting the company on track with the current ethical beliefs across the globe. In 2008/2009 the company had not promoted diversity or inclusion as much as it does today. The move toward diversity and inclusion has resulted in the company winning many more awards in regard to diversity and increased the company’s talent pool (Diversity in Action, 2010). This has resulted in the company having over 50 resource groups for employees across the globe that work together to improve the corporate culture and learn from each other (Whitney, 2013). The company could make improvements by publicizing initiatives and numbers that represent global breakdown of employee diversity.

Covidien is a Medical Devices company and a nursing care product supply company. More than fifty percent of Covidien’s sales come from business it does in the United States, while Europe accounts for around twenty percent of the company’s sales (Hoovers, 2013). The company’s Medical Devices sector brings in more than sixty-six percent of their annual revenue. Covidien’s sales revenue has been slightly increasing, probably due to their increase in spending on R&D to create new devices. Each year, Covidien spends more than one-hundred million dollars more than the previous year on R&D (Hoovers, 2013). That has lead to success in more recent years is the fact that the company has steadily been releasing original products that have added noteworthy improvements to the medical field.

Covidien was founded in 2007 with the mission to “create and deliver innovative healthcare solutions (Covidien, 2013). It is located in Dublin, Ireland and prides itself on being an international company. The company believes “success is made possible through the dedication of our 43,000 employees, nearly two-thirds of whom work in 51 manufacturing
facilities located in 18 countries” (Covidien, 2013) Currently, Covidien’s board of directors consists of 10 members, and they have five employees with an officer title. Of the ten members on the board of directors, eight are white men, one is a black man, and one is a woman. All of the employees with the title of officer are male. This company is both up and coming and preparing to release a larger pharmaceutical segment in the near future.

At Covidien, there is no separation of diversity and inclusion from the business structure. It is believed to be a fully integrated part of their company. The company has employee networks that allow for both formal and informal career development to further promote a strong company relationship (Covidien, 2013). It is also important to the company for their women to feel valued and prepared for their career. Because of this, the company has various “networking events and development opportunities globally” (Covidien, 2013) specifically for women. Finally, “Covidien actively seeks out and fosters relationships with historically underutilized and diverse suppliers. Believing that this not only drives market growth and customer satisfaction, but also improves the lives of those in the communities in which we live and work” (Covidien, 2013).

The open culture at Covidien is there to help “open [the] minds” of the company’s employees and create an inclusive environment (Covidien, 2013). By having a diverse talent resource and utilizing suppliers that are not typically utilized, the company is furthering this initiative. Although it is important to focus on women as a means of diversification, the company could broaden its spectrum of diversity, such as thinking processes or background.

**Johnson and Johnson’s Management of Diversity and Inclusion Practices**

Johnson and Johnson has various ways of diversifying their company. Primarily, the company utilizes four main programs to help it be more diverse and build inclusion. These are The Office of Diversity and Inclusion, mentoring programs, Employee Resource Groups, and
Diversity University. These programs are used to incorporate diversity and inclusion within the company on an ongoing basis, not just from time to time.

The Office of Diversity and Inclusion is led by the Chief Diversity Officer who reports directly to the CEO of the company. Because of this department, J&J has won many awards for its diversity. It has been rated one of the top 100 companies to work for as a mother, one of the top 50 companies to work for as a Latina, and rated one of “the world’s most admired companies” by Forbes (Johnson and Johnson, 1997-2013). Awards such as these demonstrate that the company’s practice to integrate a strong sense of diversity and inclusion is a success. This department helps create the initiatives that drive the company to its successes.

The mentoring programs at J&J “look to expand learning opportunities and support development of a diverse workforce by making these nurturing relationships available to an ever increasing number of employees across the enterprise” (Johnson and Johnson, 1997-2013). These opportunities are both informal and formal, meaning that they may or may not be organized by the company. In 2010, the company began to realize the effectiveness of the mentoring programs and began a formal internet based mentoring program called Mentoring Works! This program allows employees to talk with each other in an informal arena at any time, with the hope of inspiring and teaching each other about their understandings and beliefs. These mentoring programs are intended to increase development of talents and employee engagement, while allowing individuals to talk with each other about their lives and how certain things have affected them. (Johnson and Johnson, 1997-2013).

Employee Resource Groups (ERGs) are organized by employees that volunteer their services to engage in discussions and other activities with fellow employees. ERGs are the result of diversity and inclusion being ingrained into the culture of the corporation. Employees share
their experiences and interests with each other. This exchange of knowledge leads to a better understanding of the interests and personal perspectives among employees (Johnson and Johnson, 1997-2013). This results in higher levels of communication and understanding cross culturally.

Diversity University was created to boost the effectiveness of the previous programs and transfer those beliefs to J&J’s global employees. It is important to have an internationally identical message, so the employees around the globe are on the same level of understanding. This program shows the company’s desire for inclusion and diversity, throughout the world. The J&J website explains that, “Diversity University is a dynamic online website designed to help employees build the competencies and the skills needed to understand and value differences and the benefits of working collaboratively” (Johnson and Johnson, 1997-2013). It has a self guided eLearning curriculum built on exercises which strengthen skills and educate each participant to gain an understanding of all cultures.

In order to increase the level of diversity within the company J&J has built their own system to ensure that the company holds diversity and inclusion in the highest regard: The Credo Hotline. This is a hotline that can be accessed either online or over the phone; which benefits the employees with responses to questions they may have about the J&J credo. The hotline is available in 16 different languages to ensure that all employees can utilize the line. In addition there are separate lines dedicated for customers, and partners of J&J. Employees may use this hotline to report any concerns they may have in a way that is anonymous and secure. The telephone hotline and website is closely monitored by the Global Compliance Services, Inc. Office, which creates reports, compiles results and sends information to J&J’s internal audit team so concerns can be evaluated and resolved (Johnson and Johnson Sustainability Report, 2013).
Philosophy

J&J does not have a symbolic philosophy that hangs on wall, rather it has a way of living and working that is built into the company’s heart. At J&J their employees have taken their philosophy as a way of life. Because of this, whenever a disaster strikes, such as the Tylenol poisonings of 1982 or the Motrin recall of 2010 the company has a way of re-gaining its consumers’ trust in J&J.

In 1982 when the Chicago Tylenol Poisonings had caused a devastating blow to J&J’s finances, making their stockholders take more than a fifty-million dollar loss (Kahaner, 2013), the company was able to correct the problem that had occurred. By putting the consumers before the stockholders, the company demonstrated its intent to follow their credo (Appendix A). Someone in the Chicago area had filled capsules of Tylenol with cyanide. J&J decided it was more important to save lives than to hope that there were no more bottles filled with poison on the shelves. After the recall, it was apparent that three more bottles of the poisoned Tylenol had been successfully removed from the shelves and within “five months, a new tamper-proof Tylenol was back on the shelves” (Kahaner, 2013). J&J’s actions not only saved lives, but more than likely saved their company’s reputation. By proving to their consumers that J&J will do the right thing by recalling products that are harmful, it gives the consumers a sense of trust in the company.

More recently, J&J has had a greater number of recalls, most of which have been coming out of their McNeil facility. In 2010, “McNeil Consumer Healthcare unit of J&J recalled about 288 million items, including about 136 million bottles of liquid Tylenol, Motrin, Zyrtec and
Benadryl for infants and children” (Singer & Ableson, 2011). According to J&J's website recall page, products were recalled for a number of reasons, such as trace metals and chemicals that should not have been intermixed with their product (Johnson & Johnson, Various). It is apparent that the company is working hard on fixing their problems with the plant. At one hearing during the criminal investigation that was initiated by the FDA, “Colleen Goggins, J&J's worldwide head of consumer products, called the quality issues found at its McNeil unit, maker of Tylenol, ‘unacceptable’” (Hensley, 2010). By the beginning of 2011, the Fort Washington, PA plant had been closed for “$100 Million in upgrades” (Singer & Ableson, 2011). Along with the upgrades, the plant would also undergo constant observance from an outside consulting company and have all new manufacturing executives (Singer & Ableson, 2011). From that point on, the company has been working to correct the problems with the plant and re-establish trust with their consumers.

The J&J credo is the company’s key to all of its success. In it, they appeal to the consumer by stating that they plan to “support good works and charities” (Johnson & Johnson Our Credo, 2013) as well as committing to always paying their taxes. By showing how much J&J cares about the health of its communities, and its plans to act as any other person would, the company becomes more relatable to its consumers. This relationship that the company is forming with its consumers helps to ensure its longevity because the company is committing to quality and correcting their wrongs. A philosophy such as this one, appeals to the rationale of the hard working consumer and builds on their ideals.

**Employee Representation**

Johnson and Johnson have about 128,000 global employees and only 27% of the employees are located in the United States. J&J has a diverse board of directors. According to
Appendix F, they have thirteen members altogether and out of those thirteen people, three of them are women, three are African American, and one is Latino. More than 50 percent of its board members are either women or other minorities. According to the DiversityInc website, more than 60 percent of its managers participate in mentoring programs and mentors receive cultural-awareness training (DiversityInc.com, 2013). Unfortunately, there are no metrics to show percentages of how many women, men, and minorities work at the company. Even though there are no metrics indicating the employee representation, there are six committees of the Johnson and Johnson Board of Directors: The Audit Committee, Compensation & Benefits Committee, Nominating & Corporate Governance Committee, Finance Committee, Regulatory Committee, Compliance & Government Affairs Committee, and Science, Technology & Sustainability Committee (Johnson and Johnson Committees of the Board of Directors, 2013). Each of these committees has their own purpose and allows for an organized way of dealing with certain measures.

**Global Talent Management**

Johnson and Johnson is one of the leading companies that hires and administrates talented and diverse people from around the world. The employees share the same values, wish to impact communities, and dedicate their time in order to ensure success.

J&J has a decentralized management system that recognizes their strength and endurance in their consistent approach. They are guided by a document titled “Our Credo,” which was acknowledged about 60 years ago by Robert Wood Johnson, former chairman from 1932-1963. The Credo helps the company find some of the most gifted and hardworking people in the world. According to the J&J Strategic Framework, Johnson & Johnson managers and employees are
committed to “attracting, developing, and retaining the very best talent—talent that fosters their aspiration and growth (Johnson and Johnson, 2013).”

J&J has various ways of enticing the top talent into applying for jobs at their corporation. They provide on-the-job training plus extensive, globally accessible training, and development at the individual, team, organizational and leadership levels. The company provides various attractions such as compensation, benefits, and employee programs. A broad range of career options are also available that can be based on the employees’ own personal interests, performance, and business needs. They can cross job functions, business segments, operating companies, and geographic boundaries as they move forward within the company. Sometimes it may be difficult to balance work life, family life, and personal life therefore J&J gives employees the opportunity to work flexible hours, acquire education, adoption, child care, and elder care. These are simple ways for employees to optimize their lives and not have it become stressful. J&J also provides programs that attract and preserve talent. Examples of programs include: Employee Assistance and Work/Life Resource & Referral Services that helps employees address personal issues and achieve a balance between their work and personal lives, Workplace Health Programs to help ensure the health and safety of employees through on-site, online, self-paced, and group programs, and many more (Employee Talent Attraction and Retention, JnJ.com).

**Domestic Programs**

There are a variety of programs that J&J offers to better their employees and help them grow in the field they’re in. From recent grads to employees who have been around for many years, J&J has a program to fit all needs. There are over 14 programs offered which aide employees to develop their leadership skills. These programs are divided into two categories:
Enterprise LDPS and Company-specific LDPS. The Enterprise Leadership Programs are focused toward recent graduates from higher degrees who are focused on business and finance leadership. The programs are designed to build leadership potential as one gains experience in their field of interest. The Company specific Leadership programs are designed to motivate current J&J employees to work toward becoming leaders in their field of interest within the brand. The diverse range of Leadership programs are designed to provide in-depth understandings with the ongoing mentorship and other forms of classroom and online training. The mission is the help build man of the strengths J&J relies on from leaders in their organization. (Johnson and Johnson Leadership Development Programs, 2013)

**International Programs**

J&J are a very large company and are located all over the world. They manage over a variety of different cultures and give their employees the opportunity to be able to work and grow internationally as well. The International Recruitment and Development Program (IRDP) is designed to prepare candidates who have recently graduated with an MBA or Master’s degree to work overseas in different market sectors of the J&J brand. The program prepares participants for leadership roles in the Asia-Pacific, Europe/Middle East/Africa, or Latin America businesses. This program offers full-time and internship opportunities for these candidates and prepares them to be able to work across various cultures. IRDP is a 12- to 24-month occurrence that provides on-boarding support with the potential for international training before full-time job position in a country where fresh Master’s or MBA grads have permanent work authorization (IRDP 2012 Internship Opportunities for Health Economics & Market Access, JnJ.com). Employees overseas have the same opportunities to come to the United States and work, and all employees across the board are entitled to join all the Leadership Development Programs
The mission of the IRDP is to identify qualified graduates for developmental roles with Health Economics and Market Access for all Johnson & Johnson companies.

**Principled Leadership**

Principled Leadership can be defined as a leader who shows three specific characteristics. The three characteristics are having awareness about their stakeholders, making ethical decisions, and having sustainability. Johnson & Johnson Company is classified as being principled leaders. Currently, they have multiple projects around the country. In particularly they partnered with ColaLife to conduct a project in Zambia that allows J&J to put various hygiene products in stores, hospitals and kiosks. The products that Zambia needs the most are hygiene products such as soaps, zinc tablets, and oral rehydration salts. The supply-chain model has been created to make these hygiene products and over the counter medication easily accessible for people of the rural area to help in stopping preventable diseases. Children in Zambia die at a very young age due to diarrhea and other bacterial diseases that are easily avoidable (Corporate Citizenship Trust, http://jnjjcorporatecitizenshiptrust.com/docs)

A principled leader also understands the definition of Corporate Social Responsibility. Through the J&J Credo, they are a company that puts emphasis on Corporate Social Responsibility which is why they have projects and community outreach programs all over the world.

**Stakeholder Analysis**

Johnson and Johnson clearly states in their Credo that their stakeholders are as follows: customers, employees, communities and shareholders. They note themselves as responsible to
these four categories in making sure they deliver the best products and services and take them all into consideration when making any company decisions. Johnson & Johnson works with a broad collection of internal and external stakeholders on social, environmental and governance matters, as well as health and health care, “we strive to reflect the guidance and wisdom of diverse customer, employee, community and shareholder groups in our actions and in our policies on an ongoing basis, at all levels of our company” (Stakeholder Engagement, JnJ.com).

J&J considers the importance of keeping relationships and close ties with the customers that they serve and who purchase their products, which also include healthcare providers such as doctors, and nurses. J&J sees the importance of maintaining ties to communities and patients that they serve and operate in. Below is an in-depth analysis on each of the stakeholders that J&J has outlined on their website (Stakeholder Engagement, JnJ.com):

**Customers**

J&J outlines in their credo and all practices that their customers are at the heart of everything they do. This is why taking advice and feedback from people who use their products and services is highly valued at J&J. They have a variety of ways to communicate with people using their products, these methods include direct contact, feedback forms, website links, social networks, emails, surveys, market research and all call centers. There are many ways of contacting J&J because they use these tips and implement them into their products/services to better serve their customers.

**Employees**

Like their customers, J&J gives employees the opportunity to be able to speak up about issues and suggestions they have toward the J&J business. Each company within the J&J family
has surveys distributed to employees to fill out and give feedback. The results are implemented into programs and plans that are addressed by the board and managers, “employees have many other means to voice their thoughts and opinions, such as Town Hall and informal meetings, and various online vehicles” (Stakeholder Engagement, JnJ.com).

**Community**

J&J works with a variety of different communities and are part of a wide range of organizations from civic groups to global NGOs. There are representatives from various different communities from health care, patients, physicians, and governmental and policy leaders. These relationships are very important because J&J relies on them to help keep their company running and achieving business goals. They also take into consideration all suggestions and areas of improvement pointed out by these groups and individuals and they address developing societal needs. A recent example of this is when “external stakeholders identified six areas where they would like Johnson & Johnson to play a greater leadership role—women’s and children’s health; global health coordination; prevention and wellness; health care education and delivery; development of new medicines and other treatments; and enhancing health care systems” (Johnson and Johnson Stakeholder Engagement, 2013). J&J has implemented all of these ideas and are working on plans to take these suggestions further.

**Shareholders**

Lastly, J&J recognizes shareholders as the top four stakeholders in the company. Shareholders are essential to J&J because they invest in the brand and financially give them the boost they need to continue to develop and create. They value the opinions of shareholders and are open to hearing ideas. J&J has a phone number and contact info strictly for shareholders to contact the company with issues, ideas, and proposals.
Johnson & Johnson recognizes their accountability to their customers, employees, communities and shareholders. They underline the importance in their Credo and take in all advice and suggestions from all stakeholders. J&J has an open environment and they “seek to work with them toward common goals” (Stakeholder Engagement, JnJ.com).

**Analysis of Diversity and Inclusion Programs and Strengths and Weaknesses**

In analyzing the diversity and inclusion programs at J&J it is very clearly defined that for Johnson & Johnson, diversity and inclusion is a practice that they have made a priority. They unambiguously outline their ethical priorities in The Credo, which states that their first obligation is to their customers, then to their employees, their communities, and finally to their stockholders (Leading with Diversity NY Times, 2008). J&J defines success as being diverse and being able to connect with all of their employees around the world:

“Our commitment to diversity has a powerful impact on our recruitment and our talent-development processes, as well as the products we offer to customers. We make a tremendous effort to recruit a diverse work force, both in the United States and around the world, and we try very hard to assure that our diverse culture translates into value for our customers, our employees, our communities and our stockholders. Our credo reminds us that this is what it’s all about.”

– (Late) Marjorie Geller VP of Recruiting

As mentioned previously, there are a number of groups and development programs created to benefit the growth of employees and the search for a diverse work force. “J&J follows and abides by a business model created to maximize the global power of diversity and inclusion to drive superior business results and sustainable competitive advantages” (Vision Statement, JnJ.com). Diversity and inclusion has been implemented as not only a goal, but also a practice to drive innovation and growth ensuring they better serve their patients, customers, employees and their communities (Johnson and Jonson Mission Statement, Statement, 2013). The business model that J&J follows include the four strategic imperatives the organization takes to be
successful in diversity and inclusion, which are:

**Business Impact** - leverage D&I for growth and global competitive advantage

**Organizational Capability & Culture of Inclusion** - Strengthen organization capability by embedding D&I into the employee experience

**Talent and Leadership Accountability** - In partnership with HR and business leaders, drive leadership accountability for developing, retaining, and advancing diverse, global talent and moving forward D&I for business impact across the enterprise.

**Center of Expertise** - Further build the Global Office of D&I as a world-class organization to maximize impact and positive outcomes. (Global Diversity and Inclusion, JnJ.com)

J&J has been successful in their vision and mission by focusing heavily on and putting all efforts towards being strategic in their hiring process and creating a very high executed workforce. All employees at J&J are very highly qualified and have a strong background in the field they’re working in. J&J works toward promoting inclusive cultures that contain their distinctions and drive innovation to quicken growth (Frequently Asked Questions, JnJ.com). J&J is also very successful in their diversity and inclusion practices because they work with leaders around the world to create and develop various opportunities for consumers across a very assorted demographic segment. J&J is has very good relationships across different markets and countries that has also given them the high status quo in diversity and inclusion practices, they cultivate these external relationships with professional, patient, and civic groups to help support their business priorities (Frequently Asked Questions, JnJ.com).

Johnson & Johnson has implemented diversity and inclusion in heavily into their daily practices and business. However, they rely profoundly on their employees to follow their guidelines and Credo to keep their status as leaders in diversity and inclusion practices. They require all employees to aide in creating a environment at work where it is inclusive to all by
demonstrating respect for one another, being aware and sensitive to differences and valuing all opinions and contributions of all colleagues (Frequently Asked Questions, JnJ.com).

Throughout the J&J Company in all countries, they all share the same responsibility of incorporating the principles of diversity & inclusion. It is expected of all employees and managers across the board to embrace diversity and inclusion and take into consideration the importance of having a global mindset, especially because J&J is a global company that works with an assorted variety of people and cultures. J&J has been successful in their D&I because they provide all their leaders with many resources and programs that help develop different thinking styles and aide in creating and open mind to diversity, “we thrive on our ability to create the environment by providing the tools and resources that continue to recruit, develop, retain and advance diverse talent across the enterprise” (Frequently Asked Questions, JnJ.com).

Though J&J has a very strong foundation and execution plan for implementing diversity and inclusion into all of their practices, there is room for growth and a few weaknesses that they need to overcome. From employee reviews on Glassdoor, numerous employees, current and previous, have stated that J&J puts in a lot of effort toward hiring a diverse group of people, that the white men and women feel as if they’re not receiving the same amount of attention. It is very important to make sure all employees are feeling included in the evolution of diversity and inclusion, especially at a corporation as big as the J&J family. Another weakness is J&J puts in a tremendous amount of effort on diversity and inclusion, they are well known for being very diverse, yet they do not have any metrics or measurements of their diversity. This is one of the biggest concerns because for a company to put in so much work and effort toward D&I, they should make accessible numbers, charts, graphs, anything to indicate their success and their efforts toward diversity and inclusion.
Recommendations and Implementation Plans including Budget Implications

Overall, Johnson and Johnson is a company that continues to prosper. However, the company needs to ensure that they meet their objectives to avoid future complications. To begin with, J&J needs to be more evident with measures of diversity. They do not provide any documents with metrics and measurements to verify their efforts towards diversity and inclusion. J&J should implement this plan by providing clear figures and having written records indicating their diversity and inclusion metrics. Measuring diversity would not be costly but it would be beneficial for them to have on their website or a certain business database so that they have proper data to show to the community. For instance, there were no metrics to compare with its competitors considering there is no exhibition on any website. Following the issue with measures of diversity, J&J must evaluate their products before releasing them to keep away from malfunctions and recalls. In order to apply this recommendation, J&J should assist doctors and pharmacists by including extra trials of testing so they do not send an unfinished product for patients to use. Having high-quality products will keep and attract a diverse employee base. This will encourage people to apply for a job and work for an ethical and trustworthy company if the products are top quality. Therefore, proper training is indeed needed to make sure workers have the knowledge and skills to accomplish this aspiration. Assessing the products allows employees and managers to be aware of the problems first hand. This would definitely enhance customer satisfaction and trust but it will increase costs for the company. For example, if they do extra trials for products and find malfunctions more money will be needed to create operational products. To save money, they could have the Science, Technology, and Sustainability committee do the extra testing instead of hiring and training new members.
Another recommendation for J&J would be to continuously maintain the values presented in The Credo. The Credo is well-written and it outlines how they put their consumers first and the importance of diversity. They should constantly refer to it and make sure that all J&J employees implement it so it increases brand image. They could enhance diversity by creating a training center in order to understand culture at managerial, national, and personal levels. This would be lucrative yet pricey. However, in the end, using diverse hiring panels and requiring managers to look at a diverse slate of candidates before making a hiring decision, are effective ways to enhance the organization’s ability to recruit the top talent. Lastly, the company should allow employees to work in different markets around the world. They have more than 275 companies all over the world, therefore they should give employees the opportunity to be able to work in these different markets and allow talent mobility. Talent mobility develops innovation and employees can gain knowledge in different cultures. There are barriers to talent mobility. For instance some employees may be hesitant to leave their home offices. Also this would be very expensive to have employees fly from location to location (PriceWaterhouse Coopers, Talent Mobility). On the other hand, it would be helpful for them to continuously expand. Ultimately, they should continue to stay innovative and develop plans for diversity and inclusion. Allowing Diversity University to be a requirement for all hiring employees would be cost-effective, considering all employees would understand the benefits of working collaboratively with people from different countries.

**Conclusion**

Johnson and Johnson is a profitable corporation due to their strategically creative ideas that have made their company reputable. They are leaders in the pharmaceutical industry and have set the standards high due to their diversity and inclusion practices. Diversity and inclusion
is taken very seriously at J&J and has been embedded into all of their business practices. Being a
global, multi billion dollar brand, diversity has played a significant role in the company’s overall
success. The company strives to find the top talent and employees who they hope to stay with the
company long term and continue on the J&J legacy. Ultimately, J&J has a high global presence,
making them a determined, dominating company that continues to grow daily in result of their
principled leadership, innovative products and procedures, and their diversity and inclusion
practices.
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.

Johnson & Johnson
Appendix B | Johnson and Johnson Financial Chart
### Johnson and Johnson Financial Analysis

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>$ Millions</td>
<td>67,224.0</td>
<td>65,030.0</td>
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<tr>
<td><strong>Growth Rate</strong></td>
<td>%</td>
<td>3.37%</td>
<td>5.59%</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>$ Millions</td>
<td>10,853.0</td>
<td>9,672.0</td>
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<tr>
<td><strong>Profitability</strong></td>
<td>%</td>
<td>16.14%</td>
<td>14.87%</td>
</tr>
<tr>
<td><strong>Costs of Goods Sold</strong></td>
<td>$ Millions</td>
<td>21,658.0</td>
<td>20,360.0</td>
</tr>
<tr>
<td><strong>% of Revenue</strong></td>
<td>%</td>
<td>32.22%</td>
<td>31.31%</td>
</tr>
<tr>
<td><strong>Selling, Marketing, &amp; Admin Expenses</strong></td>
<td>$ Millions</td>
<td>20,869.0</td>
<td>20,969.0</td>
</tr>
<tr>
<td><strong>% of Revenue</strong></td>
<td>%</td>
<td>31.04%</td>
<td>32.25%</td>
</tr>
</tbody>
</table>
Appendix D | Johnson and Johnson Strategic Framework

OUR FOUNDATION

OUR CREDO

OUR ASPIRATION

OUR STRATEGIC PRINCIPLES

Broadly Based in Human Health Care

Managed for the Long-Term

Decentralized Management Approach

Our People and Values

OUR GROWTH DRIVERS

CREATING VALUE THROUGH INNOVATION

GLOBAL REACH/ LOCAL FOCUS

EXCELLENCE IN EXECUTION

LEADING WITH PURPOSE

LEADERSHIP IMPERATIVES

CONNECT

SHAPE

LEAD

DELIVER
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