



DOES SUSTAINABILITY START WITH THE COMPANY'S MISSION?

BEST PRACTICES FROM TYLENOL

By IMD Professor Francisco Szekely, with Zahir Dossa, Ph.D.

IMD
Chemin de Bellerive 23
PO Box 915,
CH-1001 Lausanne
Switzerland

Tel: +41 21 618 01 11
Fax: +41 21 618 07 07
info@imd.org
www.imd.org

Many organizations spend a significant amount of time and resources developing their mission statements, often hiring public relations and marketing firms. But how important is such a mission and how impactful can it actually be?

On September 29, 1982, several people in the vicinity of Chicago, Illinois, died from deliberate poisoning after taking headache and pain relief capsules that had been tampered with. It began when a twelve-year-old girl named Mary Kellerman passed away, shortly followed by the deaths of Adam Janus, and later his mourning brother and sister-in-law, who had taken pills from the same bottle. More deaths soon followed: Mary McFarland, Paula Prince, and Mary Reiner who had all exhibited similar symptoms. An FBI investigation revealed that each of the victims had unknowingly ingested acetaminophen capsules (branded Tylenol) laced with potassium cyanide, after the culprit had contaminated them with the poison and put the pills back on the shelf. In addition to the warnings announced over all major television and radio stations, police vehicles drove through Chicago's neighborhoods to broadcast the warning over their loudspeakers.

As a subsidiary of Johnson & Johnson (J&J), Tylenol accounted for 17% of the pharmaceutical company's income in 1982. In addition to halting all production and advertising, on October 6, 1982 — a week after the first death — J&J issued the largest and arguably first ever product recall. It had already begun recalling 93,000 bottles of pills a day since Mary Kellerman's death, but recalling 31 million bottles across all of America's shelves was a move that no one anticipated or expected. The heads of the FBI and the FDA (U.S. Food and Drug Administration) considered J&J's reaction to be an over-reaction. James Burke, the chairman and CEO, disagreed. At the time, Tylenol controlled 35% of the market for over-the-counter pain relief medicine — more than the combined market share of the next three biggest brands. Industry analysts and marketing experts were convinced the "Chicago Tylenol murders" were the end for Tylenol and J&J as a whole. James Burke, however, knew that a company or brand is much more significant than short-term profitability.

While it is Burke's historic decision of 1982 he is remembered for, many pundits focus on an event six years prior. In a heated argument with other executives around the same time he became CEO, Burke told them to either recommit to the company's mission or "tear it off the wall". Developed in 1943 by General Robert Wood Johnson II, son of the founder and first chairman Robert Wood Johnson, the credo or mission for J&J begins as follows: "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". The mission goes on to prioritize, in order, J&J's employees, "the communities in which they live and work and to the world community as well," and finally to stockholders who "should realize a fair return".

It is the adherence to this mission that inspired Burke to make the most significant corporate recall of the time, costing Tylenol \$100 million at the outset alone. To serve its existing customers, J&J then also enabled customers to trade in their previously purchased capsules for tablets and distributed 40 million coupons with a face value of \$2.80 each to reimburse customers for the Tylenol they had discarded. Finally, J&J researched and developed a tamper-proof seal to protect its products in the future — a present day industry standard enforced by the FDA.

Through its various efforts, J&J paid an enormous amount to protect the well-being of its customers — the primary stakeholder as emphasized in its mission, which remains the same to this present day. While it is difficult to summarize the total cost of all its actions, it is fairly straightforward to state the outcomes. Of the eight million capsules that J&J tested, only 75 contained cyanide. The stock price, which had plummeted following the news of the deaths associated with cyanide-laced Tylenol, rebounded within two months. Finally Tylenol, which remains a household name to this day, recovered to gain 85% of its original market share within a year and completely recovered it by the mid-1980s.

Burke continued to run J&J until his retirement in 1989; *Fortune Magazine* named him one of the top-ten greatest CEOs of all time. After leaving J&J, Burke launched the PDFA (Partnership for a Drug-Free America), the largest public service campaign in history against illegal drug use by teens. President Clinton later commended Burke's work with the PDFA by bestowing upon him the United States' highest civilian honor: the Presidential Medal of Freedom.

Not all organizations have a James Burke, however. As we explore in the next TC of this two-part series, Japanese motor company Toyota handled its defective products very differently and learned important lessons for its mistake which ultimately strengthened the business strategy of the company.

[Francisco Szekely](#) is Sandoz Family Professor of leadership and sustainability and Director of the [IMD Global Center for Sustainability Leadership \(CSL\)](#). He directs [Sustainability Leadership in Action \(SLA\)](#), a talent development initiative targeted at leaders committed to discovering new ways to increase their performance and deliver exceptional results.

Zahir Dossa is a postdoctoral fellow at the CSL. He earned a Ph.D. from MIT in Sustainable Development and is the founder and president of [The Argan Tree](#).

Related Programs



ORCHESTRATING WINNING PERFORMANCE - <http://www.imd.org/owp>

The global business program for individuals and teams

Program Directors Michael Wade and Dominique Turpin

- Get exposed to the latest management thinking and to practical and innovative solutions for your business
- Anticipate global business trends
- Boost your performance, broaden your perspectives and expand your global network
- Design the program that suits you and your team
- Become a complete executive through activities that develop your mental, physical, and emotional health



SUSTAINABILITY LEADERSHIP IN ACTION - <http://www.imd.org/sla>

Integrating sustainability at the heart of your business strategy

Program Director Francisco Szekely

- Gain a clear understanding of which sustainability issues are relevant and a priority for your business
- Develop and implement new sustainable business models
- Improve your ability to successfully lead change
- Acquire sustainability concepts and methodologies to create and measure sustainable performance
- Learn how to successfully engage with different stakeholders