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HUMAN RESOURCES PRACTICES IN

CORPORATE CULTURE COMMUNICATION:

A CASE STUDY OF JOHNSON & JOHNSON

by

Flavia Xavier

Thesis

Submitted to the Department of Management

Eastern Michigan University

In partial fulfillment of the requirements

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MASTER OF SCIENCE

In

Human Resources Management & Organizational Development

Thesis Committee:

Stephanie Newell, PhD, Chair

Mary E.Vielhaber, PhD

Diana Wong, PhD

May 13, 2003

Ypsilanti, Michigan

DEDICATION

To God who has been a blessing my life with my beloved husband, Luis Felipe.

ACKNOWLEDGEMENTS

First and foremost, my sincere gratitude goes to my family for their unconditional love and support. In particular, I thank my parents, Jorge and Lourdes, who taught me the unforgettable lesson of perseverance.

I am also grateful to Luis Felipe, my husband, for all the support and for being my source of inspiration. Thanks for your unfaltering faith in me, which inspires me to take on any challenge that confronts me.

My final words of profound appreciation go to the J&J associates and my committee members. Thanks to Dr. Mary Vielhaber, Dr. Stephanie Newell and Dr. Diana Wong for their inputs and patience. Your promptness in helping me was crucial in going through the development of this thesis.

ABSTRACT

Corporate culture literature is vast and reflects its importance on management. Mostly, scholars and consultants have researched the impact of culture in organization performance and the nature of culture change. However, few studies have examined a strategy to communicate corporate culture based on the human resources practices.

The purpose of this study was to explore the communication process and the human resources and organizational development practices linked to a strong worldwide corporate culture. By addressing key research questions, proposing and applying the "Corporate Culture Communication Strategy" model, the researcher conducted a detailed ethnographic case study of Johnson & Johnson.

Using observations and secondary databases, this study evaluated and presented the unique aspects of Johnson & Johnson culture system. Conclusions and closing recommendations were presented as guidance for future applications using the proposed communication strategy model.

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I. INTRODUCTION

Corporate culture, in theory, is one of the greatest levers for business success. However, it is enormously difficult to translate the theory of strengthening cultural values and beliefs into a tactical plan. This issue becomes even more complex when the characteristics of the current business environment are taken into account; as mergers and acquisitions happen all over the world, global organizations struggle to communicate, maintain, and reinforce their cultural identities.

The challenge for any global organization is to develop a communication strategy solid enough to maintain the company's cultural identity, but flexible enough to change along with changing business needs and diversity in its workforces. As a number of studies in the management literature have shown, Johnson & Johnson (J&J) is an outstanding example of a strong culture that unifies its "federation" of companies worldwide (see Aguilar, 1994; Collins & Porras, 1994; Deal and Kennedy, 1982; Foster & Kaplan, 2001; Kotter & Heskett, 1992; Nash, 1988; Waterman, 1994; Peters & Waterman, 1982).

One of the fundamental reasons that J&J is able to maintain a strong culture is the close link between its human resources (HR) practices and its corporate values. J&J's HR management system fully supports the corporate effort to maintain the identity of the cultures while the company's cultural values and beliefs are the source of inspiration for the human resources and organizational development (HR/OD) role and responsibilities.

 HR theory and practices play an important role in the creation of a cohesive cultural system. While the importance and impact of a strong cultural system has been fully discussed in the literature (see Ashby & Pell, 2001; Collins & Porras, 1994; Deal and

Kennedy, 1982; Kotter & Heskett, 1992; Peters & Waterman, 1982; Schein, 1992), few studies have examined corporate culture from the perspective of a communication strategy based on HR practices.

<center>Purpose of the Study</center>

This study proposes a strategic model for corporate culture communication focusing on HR practice, and then applies the model by using information collected from an ethnographic case study of J&J's culture. The goal is to explore the role of HR/OD professionals in the development of corporate culture. The result is a strategic model that combines three major topics: corporate culture, corporate communication, and HR strategic role.

<center>Research Questions</center>

Both the proposed model and its application address the overall question: *What are the HR/OD practices through which strong cultures are developed and maintained?* More specific questions will explore the link between J&J's corporate culture and its HR/OD practices: *Why is J&J considered a company with a strong corporate culture? How does the company manage its culture through HR practices?* The answers to these questions offer insights into HR practices that professionals in the field can use to effectively manage the process of strengthening culture in organizations.

<center>Nature and Significance of the Study</center>

The changing global business environment has contributed to the increased emphasis on employees as an essential competitive advantage of successful companies. That said, companies have been giving substantial credit to the human resources strategies and,

consequently, the HR and OD professionals clearly stand out in today's organizations (Blancero, Boroski & Dyer, 1996).

As research findings have demonstrated, company values and beliefs have a strong impact on human resources activities (Fitz-Enz, 1997; Kerr & Slocum, 1987; Kopelman, Brief & Guzzo, 1990). Proposed research suggests that the reverse is also true. This study suggests that human resources and organizational development professionals strongly influence the effectiveness of cultural values with regard to both employees' attitudes and business performance.

Ultimately, this study makes two contributions. First, it extends the thinking of HR professionals as a corporate culture facilitator. The proposed model presents this new role of corporate culture facilitator through the HR practices as a communication channel choice. Second, best-in-class examples of HR practices of corporate culture communication and development are discussed. These are intended to not only illustrate the proposed model but also give insights into future HR/OD interventions.

II. LITERATURE REVIEW

This literature review reflects the blending of three major literature bases: (1) corporate culture, (2) corporate communication, and (3) HR strategic role. An analysis of the terminologies, conceptualizations, functions, and major findings within these topics will provide support for the proposed theoretical framework (viz. the Corporate Culture Communication Strategy) for HR/OD professionals, presented in Chapter Three.

(1) Corporate Culture. Although scholars concur in most of the important aspects of the culture literature, the discussions surrounding the topic are diverse. As a result, corporate culture compromises a major part of this literature review. The first section outlines the variations of definitions and terms used by scholars. The second section presents the main reasons why companies should manage their cultural values. The third section supports these reasons by presenting the results found when companies develop a strong culture. The last section briefly describes leading models of the culture literature.

(2) Corporate Communication. This next topic addresses definitions and models of corporate communication. Two alternative models are discussed, and the theoretical framework of this current study is built.

(3) HR Strategic Role. Finally, the review assesses a particular HR strategic role: cultural management. Specific examples are presented of parallels between HR practices and channel choice (or communication channel) to communicate and develop culture values in corporations.

Corporate Culture

Terminology and Conceptualization

*A*lthough the culture of a company is a popular idea in the corporate world, its terminology and conceptualization are still poorly defined (Martin & Frost, 1999; Thomas, 2001).

The variation in terminology results in part from the different theoretical frameworks that different studies are grounded in. In the business literature, the most commonly accepted terms are *organizational culture* (Schein, 1992), *corporate culture* (Deal & Kennedy, 1982; Kotter & Heskett, 1992) and *work culture* (Aycan, Kanungo, & Sinha, 1999; Rollins & Roberts, 1998). In this literature review, *organizational culture* and *corporate culture* are terms used interchangeably under the same general concept of culture in organizations; therefore, both *organizational culture* and *corporate culture* will be used as synonyms in the development of this study.

The complexity of the topic of organizational culture is illustrated by variation not only in its terminology but also in its conceptualization (Smircich, 1983). Schein, the management scholar and consultant, offers the most popular definition of organizational culture: "…a pattern of basic assumptions…that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel" (1992, p. 12). Several other researchers also use the notion of shared values, behaviors, norms, standards, meanings and practices to define the sociocultural interactions within an organization (Argyris & Schon, 1978; Schein, 1992). In addition, such terms as *rite, rituals, myths, stories, legends, symbols* and *ceremonies* are frequently applied to the manifestation of corporate cultures (Deal & Kennedy, 1982;

Kotter & Heskett, 1992; Schein, 1992; Trice & Beyer, 1993). More simplistic views present the culture metaphor as the "style" of running a business (Fitz-Enz, 1997), or even just "the way we do things around here" (Deal & Kennedy, 1982, p. 4).

Despite the variety of ways to define corporate culture, researchers generally agree on the importance in correlating culture and other elements in organizations such as strategic planning, infrastructure, work process, compensation systems, and performance management (Rollins & Roberts, 1998). Indeed, researchers complement their descriptive approaches to culture by emphasizing the significance of "…the communication process through which culture is created" (Miller, 2003, p. 96).

In the present study, corporate culture will be defined as shared values and beliefs that are translated into expected behaviors, commitments, and attitudes throughout the company. Additionally, this study is based on the assumption that cultures function as "…coherent and unifying systems that are necessary for the stability and smooth functioning of the corporation" (Schoenberger, 1997, p. 117). Cultures are compared to systems that need to be constantly tuned and realigned in order to both sustain and shape the stated values into real values (Fitz-Enz, 1997; Staw, 1995; Trice & Beyer, 1993).

Conceptualizing culture as a system facilitates recognition of the strategic role of the HR/OD professionals in communicating corporate culture through a systematic process; thus, the HR/OD functions can be seen as a fundamental part of the cultural system in developing, maintaining, reinforcing, and assessing the culture values (Aycan, Kanungo, & Sinha, 1999).

Three Main Roles

Just as corporate culture represents a broad range of terminologies and conceptualizations, it also has been shown to serve a broad range of purposes. These purposes vary, depending on the theoretical framework of a particular study, which may be cultural anthropology, organization behavior, psychology, or sociology (Erez, 1993).

Schein (1992) asserts that culture is a necessary component that generates stability and consistency in organizations. In fact, scholarship is functionally unanimous in support of the idea that every company needs a mission, a visionary statement, a set of values, or at least common ideals of what it stands for (Hyatt, 2000; Michlitsch, 2000). This study discusses the primary reasons for a corporate culture and describes three roles of culture in organizations.

Need for cultural identity. Corporate cultures are similar to job descriptions: job descriptions unambiguously state employees' responsibilities and duties, and corporate cultures state the companies' responsibilities and duties. Consequently, every employee understands his or her major function both internally, as a member within the company, and externally, as a representative of the company in the community.

Once a company has brought the employee's attention to a set of shared values and beliefs, the commitment between both parts is ready to be developed and reinforced. "Commitment is a personal attitude or value that excites us to do whatever needs to be done because we see the need" (Fairholm, 1994, p. 121). In other words, by developing a "cultural identity," companies can increase the levels of involvement, dedication, and loyalty among employees (Staw, 1995).

Alignment of behaviors. The fast pace of globalization and innovation make it difficult and inefficient for companies to keep their workforce updated on procedures and policies. Instead, the cultural approach creates mental models (Senge, 1994) in employees' minds that are in accord with companies' philosophies and strategies. Corporate culture leads employees to expected behaviors without the overwhelming experience of memorizing endless policies. "…Culture acts as a self-policing force…. as a result, management seldom has to take drastic action to whip a deviant into lines. Peers do it for them" (Fitz-Enz, 1997, p. 69). The cultural approach causes people to feel that they have the autonomy and the confidence to do what they believe is right—while what the employees consider to be right is already in compliance with the corporate policies (Clampitt, 2001).

A strong culture creates a smooth alignment of behaviors. As Clampitt (2001) argues, "employees usually prefer to work with a manager who has a set of values rather than a set of rules, who challenges other to share values instead of enforcing regulations, and who believes in people over procedures" (p. 50). The cultural approach is a deductive approach, which emphasizes teaching and explaining the core values of a company so that employees will respond with expected behaviors. In contrast, inductive approaches focus on spelling out specific rules, regulations, and procedures that should be followed. Clampitt (2001) posits that a combination of both methods should be used in order to coordinate employees' activities.

Motivational power. Given the previous two arguments for a strong corporate culture, it follows that a set of well-defined values and beliefs could be a self-motivational tool.

Thus, the third role of corporate culture would be to replace the managerial power with motivational power to achieve high standards of productivity.

While managerial power has limits, motivation power does not (Clampitt, 2001). Not all cultures have the ability to motivate employees. In fact, some cultures can even get the reverse results: people become unsatisfied and discouraged if they perceive conflicts of values between the company's philosophies and practices (Ashby & Pell, 2001). One example is the value of working in teams, a popular goal in the current climate. It seems that every corporation is eager to reinforce teamwork, but sometimes may do so without updating the HR management system. Thus, if the company has a reward program structured to recognize individual goals and accomplishments, the workforce will face the teamwork culture with nothing more than cynicism. Eventually, the employees will lose faith in the company's other values, becoming disheartened and disillusioned.

In short, corporate culture can function as a two-way road when it comes to employee motivation. Unhealthy cultures have the power to demotivate employees by having an underlying culture that does not represent what is described in the mission statement. On the other hand, healthy cultures reinforce their values and beliefs in their daily activities, so that employees become motivated and are aligned with the company's beliefs (Fairholm, 1994).

Once again, the idea of managing culture as a system is fundamental to the successful achievement of these three goals. The metaphor of the culture as system suggests that the parts of the system—the practices and processes—should be carefully designed to be in compliance with the culture's values.

Important Outcomes

When corporate culture fulfills those roles, the impact within the organization is likely to be strong. According to Sorensen (2002), in a study relating corporate culture strengths to the reliability of firm performance,

> The performance benefits of a strong corporate culture are thought to derive from three consequences of having widely shared and strongly held norms and values: enhanced coordination and control within the firm, improved goal alignment between the firm and its members, and increased employee effort (p.1).

Not surprisingly, successful financial performance of corporations with strong cultures cannot be explained by one single reason. Rather, the cause-effect analysis leads to a set of interrelated consequences. For instance, framed decision-making processes and positive employee behaviors are variables frequently found to be a cause of excellent business results. However, it can be argued that both variables are the effects of healthy cultures alone.

Therefore, I chose to analyze successful financial performance, structured decision-making process, and positive employee behavior separately as three different outcomes related to strong cultures. The following research findings demonstrate that corporate culture has a substantial impact on companies' long-term economic performance.

Culture and performance. Deal and Kennedy (1982) conclude that strong values related to quality issues do make a difference in performance. The authors conducted in-depth interviews with representatives of almost 80 companies to determine if they had any defined beliefs and, if so, what they were. The evidence suggested that only about 25

of them had defined beliefs, and of these, 18 companies had beliefs related to quality. Not surprisingly, all of those 18 companies have consistently presented outstanding business results over the years.

Peters and Waterman (1982) studied 62 high-performing companies considered "excellent" by employees and organizational experts. They found out that "excellent companies were, above all, brilliant on the basics" (p. 13). As a result, eight common cultural attributes came out of their study as the features of successful corporate cultures with long-term outstanding financial performance.

Similarly, Kotter and Heskett (1992) investigated 207 companies spread among 25 different industries over an eleven-year period. They concluded that corporations with cultures labeled *adaptive* experienced four times more growth in revenues than their counterparts, described as *unadaptive*. An adaptive organizational culture is one that is greatly committed to its key constituencies. It usually values innovation and presents the capability and experience to create changes. In contrast, an unadaptive organizational culture overvalues stability and security. It is a culture that reinforces low-risk values. Consequently, such values limit flexibility and adaptability of an organization.

Yet another approach linking culture and performance is Collins and Porras (1994). They examined a set of 18 visionary companies in depth, comparing each with another company in the same industry. In short, the study concludes that culture is distinguished as an element to explain the visionary companies' successes over the years. Later in this chapter, I will further discuss the culture models proposed by some of these studies.

Culture and decision-making process. The rationale behind this second outcome is that corporate culture may function as framework for guiding employees' decision-

making process. Because the researchers assumed that employees' decisions will affect

business performance, the previously mentioned studies have indirectly examined the

impact of culture on the decision-making process (Collins and Porras, 1994; Deal &

Kennedy, 1982; Kotter & Heskett, 1992; Peters & Waterman, 1982). However, the point

to be emphasized is the *relationship* between culture and decision-making process. Bate's

(1984) findings have shown that a poor organizational decision-making process can be a

consequence of cultural restraints.

Inflexible cultures are corporate cultures that are unshaped, limiting employees to

certain paradigms, which can narrow employees' minds down to just one way of "truth."

Even though these cultures may be considered strong, they hold unbreakable assumptions

as core values. In that sense, meaningful alternatives are wasted because "that's just not

the way things are done around here" (Bate, 1984).

In contrast, flexible culture can function as a framework in employees' minds without

restricting their thoughts. The core values are not only broad enough to be adaptable but

also, and most important, challenged by employees.

Thus, culture may impact the decision-making process by framing the employees'

assumptions and attitudes, and the decision-making process may impact the financial

performance. When a strong set of values helps employees to make the "right decision,"

then "right actions" are taken as well. Ultimately, those right actions will affect the

company's bottom line.

Culture and behaviors. The third outcome relates to culture and positive employee

behavior. The rationale here is similar to that of the decision-making process. While

internal behaviors may directly impact recruiting, retention, satisfaction, and feelings of

well-being, these outcomes end up affecting business performance either in the short or the long term.

Studies have suggested that *value congruence* leads to internal positive behaviors. Researchers define value congruence as the match between corporate values and employees' values. When there is a cultural fit, organizations and employees share equal expectations, and beneficial behaviors are most likely to occur (Elliot, 1996). Recently, one research finding has claimed: "workers in organizations that have intentionally established values-based culture are more likely to be proud to work at their companies (85%) than those [employees] at companies that are not striving to build a values-based culture (66%). They also tend to recommend their companies more often as good places to work (80% vs. 52%)" (Anonymous, 2002, ¶ 6). Furthermore, scholars who have studied organizational policies believe that "when organizational values are similar to employees' values, the organization may be able to choose policies which their employees are most likely to prefer" (Elliot, p. 1). In line with these findings, value congruence has significant influence on employee recruiting and retention (Kerr & Slocum, 1987; Kopelman, Brief & Guzzo, 1990; Scheridan, 1992).

Recruiting and retention rate are also affected by the degree of compatibility of expectations between individuals and companies (Jex, 2002). Interestingly, Ashby and Pell (2001) have put together ten features of organizational culture "that have worked to make these companies stand out as employers of choice" (p. 34).

Another positive behavioral example is "Culture-Work Health Model" (Peterson & Wilson, 1998), which relates culture with the well-being of employees. The model (Figure 2) illustrates the impact of a culture on employees' health, the quality of their life

at work, and health care use and illness. Once employees' expectations are met by the culture values, rates of turnover and stress usually decrease.

Descriptive Models

Culture can be analyzed as either an established condition that belongs to the organization or as a developing process (Clampitt, 2001; Miller, 2003). The functionalist school suggests that culture is something that company has, while other models suggest that it is a course of actions requiring constant maintenance. Deal and Kennedy's (1982) model of *strong cultures* and Peters and Waterman's (1982) model of *excellent cultures* are considered classical examples of the functionalist school. Both models proposed that successful companies could be identified in terms of what belongs to their cultures (Miller, 2003).

Deal and Kennedy prescribe four key components of strong cultures: (1) *values,* which are beliefs and visions that members hold for an organization; (2) *heroes,* individuals who exemplify the organization's values; (3) *rites and rituals,* which are the ceremonies through which the organization celebrates its values; and (4), *cultural network,* defined as the communication system through which cultural values are instituted and reinforced (Deal & Kennedy, 1982).

Similarly, Peters and Waterman's study identifies eight characteristics of excellent companies. In brief, they are: "bias for action"; "stay close to the customer"; "autonomy and entrepreneurship"; "productivity through people"; "hands-on and value-driven management"; "stick to the knitting"; "simple form and lean staff"; and last, "loose-tight proprieties" (Peters & Waterman, 1992).

Not only these authors but also others have been eager to explain corporate culture successes (see Ashby & Pell, 2001; Collins & Porras, 1994; Kotter & Heskett, 1992). Some of these studies were criticized due to their simplistic views of an existing "prescription" for strong cultures; studies that have thought about culture as a more complex system (Miller, 2003) have been more favorable received. Notably, Schein (1992) has taken a complex approach to culture when he brought together the two schools of thought: the adaptational and the ideational (Sathe, 1985). The former understands culture in terms of the observable aspects, while the latter sees cultures as inherent values, beliefs and assumptions held in the minds of employees (Aude, 1995). Different from the prescriptive models (i.e. the functionalist school), Schein's approach acknowledges not only the complexity of culture but also the importance of communication to strengthen the values. According to Schein, the communication among employees influences the development and maintenance of corporate beliefs.

In the Schein "onion" model (Figure 1), the elements of corporate culture can be manifested through three distinct levels. Level One, the first layer of the onion, represents the most visible elements of cultures. The degree of visibility decreases as the levels move toward the center of the oval-shaped model. Therefore, the third level or layer holds the most difficult elements to perceive in a culture.
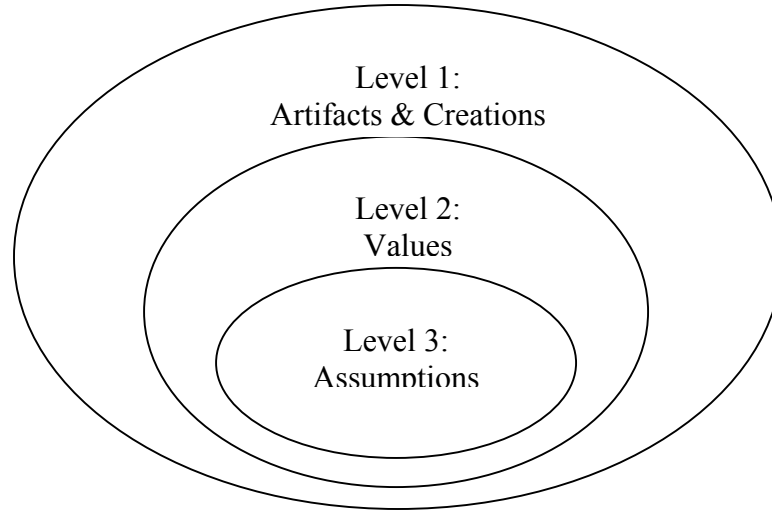
Figure 1. The Schein "Onion" Model.

Artifacts and Creations (Level One) are cultural patterns related to the physical and social environment. Physical patterns can include layout, technology, dress code, or even written documents, while social environment patterns are behaviors, such as communication and decision-making styles. Note that although artifacts and creations are the most easily perceived manifestation of corporate culture, the meanings underlying them may not be so simple to understand (Schein, 1992).

Values (Level Two) can be understood as the stated and unstated preferences and principles shared by members of an organization. Examples include loyalty, customer satisfaction, innovation, diversity, and teamwork (Schein, 1992).

Basic Assumptions (Level Three) are the deepest and most complex layer. The core assumptions held by members in organizations are not easily stated or perceived. Rather, they are beliefs framed in employees' minds and interpreted through employees' attitudes and decisions (Jex, 2002).

Recognized as a reinterpretation of Schein's work, Hatch (1993) proposes a more dynamic view of organizational culture models. Instead of the onion model with static

layers, she defines a dynamic interrelationship among artifacts, behaviors, values, and

assumptions, and presents a model with four processes: manifestation, realization,

symbolization, and interpretation.

Finally, two additional models suggest the importance of the human resources

management system as a mediator of culture values. First, the "Culture-Performance

Chain" (Figure 2) suggests that "…culture drives system design, which in turn influences

human behavior. Behavior leads to job performance and, ultimately, to results" (Fitz-Enz,

1997, p. 71).
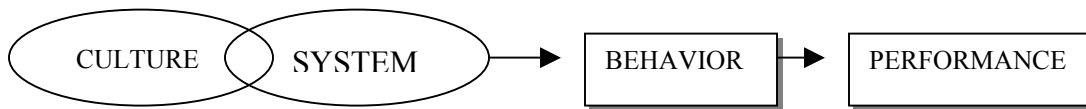
Figure 2. The Fitz-Enz Culture-Performance Chain Model.

Second, as previously mentioned in this review, Peterson and Wilson's (1998)

"Culture-Work-Health Model" (Figure 3) relates corporate culture to five different

outcomes by using business and management systems as the link among them. The study

concludes that corporate culture directly impacts the design of the systems.

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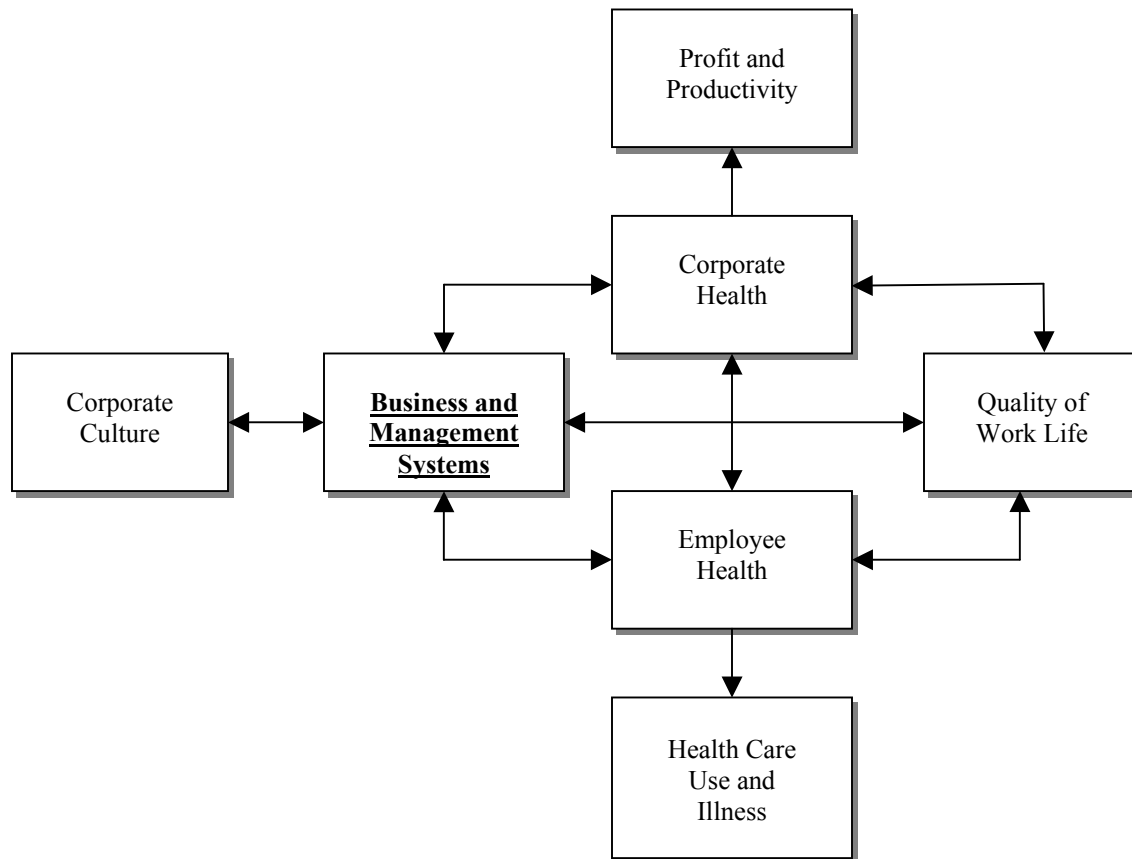
Figure 3. The Peterson and Wilson Culture-Work-Health Model.

In summary, this review of the current literature discussed not only the different meanings of corporate culture but also the most suitable ones for the purpose of this study. Second, the needs and importance of corporate culture were identified, along with the interconnection among performance, decision-making process, and employee behavior. Third, the models revealed the common characteristics of strong cultures as well as the significance of management systems to intermediate the culture values.

Corporate Communication

Communication and organization are strongly complementary. "Neither communication nor organization comes first; they are the same event…the process of communicating is the act of organizing, and efforts to organize are communication-bound" (Pepper, 1995, p.7). Therefore, by understanding communication and organizational activities as attached topics, it is easier to understand why corporate culture can only be developed and maintained through the support of a communication strategy.

The growing focus on corporate communication is due to research findings relating communication and organizational benefits. Communication is increasingly seen as a competitive advantage. Well-informed employees with active participation in the decision-making process are a powerful source for innovation and adaptation. As Horton (1995) states, "successful organizations…gather the information needed to build and deliver the effective messages" (p. 7). Moreover, the complexity of communication in a globalized world requires managers to take a closer look than ever before at corporate communication. The diversity in workplaces and constant changes in the business environment also contribute to the increasing literature around corporate communication (Hargie & Tourish, 2000).

There is a considerable agreement in the definition of corporate communication or organizational communication; it is generally characterized as a process of sending and receiving messages with attached meaning to reach business results. (Schermerhorn, Hunt & Osborn, 1998). Additionally, Dewine (2001) pulls strategy into the term by stating that corporate communication is "…the processes by which messages are sent, the monitoring

of these types of messages sent, the values associated with those messages, the amount of information conveyed, the rules and norms under which messages are sent, and the organizational variables that affect the process such as structure and outcome measures" (p. 6).

Corporate communication is a fundamental part of the organizational system. Organizational variables such as strategies, intentions, and outcomes are what differentiate corporate communication from other types of communicative contexts, such as family communication (Dewine, 2001).

Descriptive Models

The principles of a basic communication model are broad enough to be useful in any situation, whether the communication involves two people or large groups, employees or organizations. The same basic transaction occurs and similar potential problems can arise as well. In other words, a successful message, regardless of the context, depends on the ability to understand not only the variables of the communication process but also the role that each variable plays in the model (Pepper, 1995).

In general, variables of a basic communication model include a *sender,* a *receiver,* a *message,* and a *communication channel.* Since the process is not linear and does have a circular flow (viz. transactional models), eventually the receiver will either send a feedback message or respond through attitudes and behaviors. Noise that surrounds the entire process is also part of the model (Champoux, 2000; Martin, 2001). The end result is the transfer of a meaning "that includes words, intentions, contexts, histories, and attitudes" (Pepper, 1995, pp. 7-8).

Alternative models. Basic communication models, summarized by "who…says what…in which way…to whom…with what effect," (Gibson, Ivancevish & Donelly, 1997, p. 400), have inspired several alternative models of communication strategy, such as those of Munter (2003) and Argenti (1998).

Munter (2003) has adapted the variables of a basic model for her "Communication Strategy" model (Figure 4). She refers to the "sender" as the "communicator," and to the "receiver" as the "audience." "Communication channel" is replaced by the "Channel choice." The environment of the model ("noise") is "culture context." As each variable in the basic model plays a different role in the communication process, Munter's variables have also unique purposes that should be analyzed separately. In fact, her work provides a strategy for each one of them, functioning as a practical guideline for an effective communication.
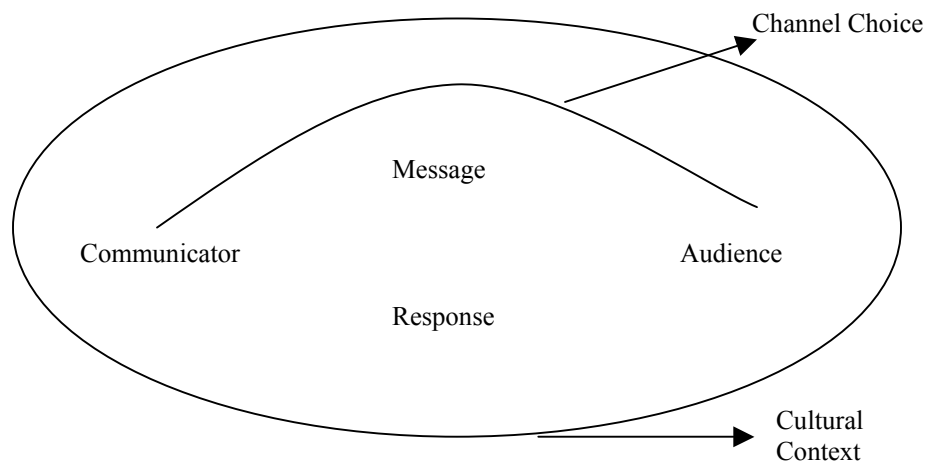
Figure 4. The Munter Communication Strategy Model.

Using a similar rationale to explain corporate communication, Argenti (1998) presents a "corporate communication strategy framework" (see Figure 5). His

explanation derives from the Aristotelian definition of communication. Thus, in his framework, " 'instead of a 'speaker' [the sender], the first component in a corporate communication strategy is the organization…the second component, in place of Aristotle's person to whom the end or object of speech refers, is the constituency [the receiver]…the final component, which Aristotle describes as 'the subject of which he treats', will be referred to as messages" (pp. 32-33). Going further, Argenti (1998) classifies the constituency as two kinds: primary and secondary. The primary ones are the employees, customer, shareholders, and communities. The secondary are media, suppliers, government, and creditors.

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   │                  │      │ constituencies…  │
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        ┌────────────────────────┐
        │ Who then respond to …   │
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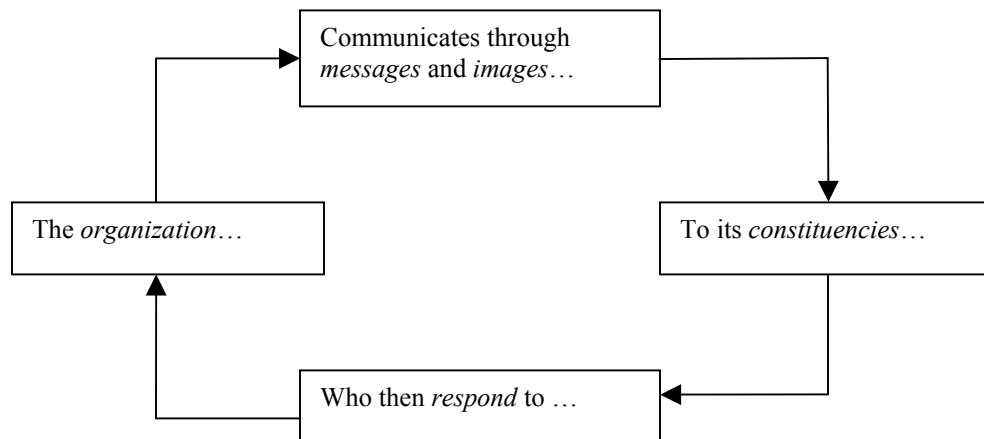
Figure 5. The Argenti Corporate Communication Strategy Model.

Similarly to Munter, Argenti emphasizes the importance of not only thinking about the communication strategy as a process but also analyzing each one of the variables separately. According to Argenti, "creating a coherent corporate communication strategy, then, involves …defining the organization's overall strategy for the communication, analyzing the relevant constituencies, and delivering messages appropriately" (1998, p. 33). In line with the findings about strong cultures, companies need to develop a coherent

corporate culture system, define a corporate culture communication strategy, and deliver the message of values and beliefs to their employees.

Argenti advocates assessment of "the results of your communication…[to] determine whether the communication had the desired result" (1998, p. 42). Since the communication process has a circular flow, it is only after an expected constituency responds that the corporate communication can be considered successful. Aligned with recommendations from the culture literature, companies need to constantly assess and challenge their values and beliefs by probing their employees.

In summary, the rationale behind corporate communication strategies can be applied to a "corporate culture communication strategy" in order to maintain and develop companies' values and beliefs. Munter (2003) and Argenti (1998) take the principles of basic communication models to develop communication strategy models, and I propose a culture communication strategy based on these two authors' models. Chapter Three will present the proposed model of corporate culture communication strategy.

The last topic in this literature review discusses the strategic role of the practices of HR/OD professional as an effective channel choice for communicating values and beliefs.

<div align="center">HR Strategic Role</div>

The Cultural Management

Increasingly since the 1980s, human resources managers have been seen as strategic business partners. According to Guest, "the apparent novelty of HRM [human resource management] lies in the claim that by making full use of its human resources a firm will gain competitive advantage" (1990, p. 378). Due to the unique characteristics of the

current business environment, employees' capabilities and skills become the only long-term competitive advantage of companies (Conolly, Mardis & Down, 1997). Moreover, several scholars have presented research findings relating high-performance results to HR practices as well (Conolly, Mardis & Down, 1997; Fitz-Enz, 1997; Ulrich, Brockbank, Yeung & Lake, 1995).

Among the numerous advantages of a strategic-focused HR, *cultural management* is one of the most important, and it is the topic of the present review. Cultural management refers to the activities related to culture formation, development, change, and maintenance (Fairholm, 1994). Therefore, culture management is the HR strategic role that strengthens corporate values and beliefs and, consequently, improves business results.

Numerous studies highlight the importance of cultural management but use different approaches. Some studies identify the need for a cultural infrastructure, while others believe that HR system should be "culturally compatible," and still others advocate a cohesive culture system. Ultimately, they all propose the same tactic: aligning human resources policies, programs, and practices with corporate culture values.

Previous models attempted to prescribe the "right" values for successful companies (Deal & Kennedy, 1982; Peters & Waterman, 1982). However, recent studies suggest that the key to the success of leading companies is not specific values, but rather the fit between the culture and reality (Greene, 1995). No matter what cultural values a company holds, failure is most likely to occur unless those values are tightly correlated with both external and internal realities; the values of a corporate culture must fit the needs of the business environment and of the employees. Thus, the internal systems of a

company have to be built according to its cultural values. More specifically, the HR

management system of a company has to be culturally compatible (Greene, 1995).

Once there is fit between the culture and the role of HR management, the next and

most difficult step is to develop and execute a tactical plan. The tactical plan is how the

HR/OD professionals manage their cultural roles, and the execution of the plan refers to

the implementation of human resource practices. Recalling the basic communication

model (i.e. sender, receiver, communication channel, feedback and noise), HR practices

can be seen as the communication channel for maintaining and developing values.

HR practices. Assuming that HR practices are a channel choice to communicate

corporate culture, the implementation of such practices is what makes the difference. HR

practices of staffing, developing, designing, and rewarding can achieve strategic results

when aligned to the company values and goals (Gareth, 1998).

As illustrated in Figure 6, the practices related to the cultural formation, development,

and maintenance serve as the core to four HR areas: staffing, organizational training and

development, work design, and performance management.
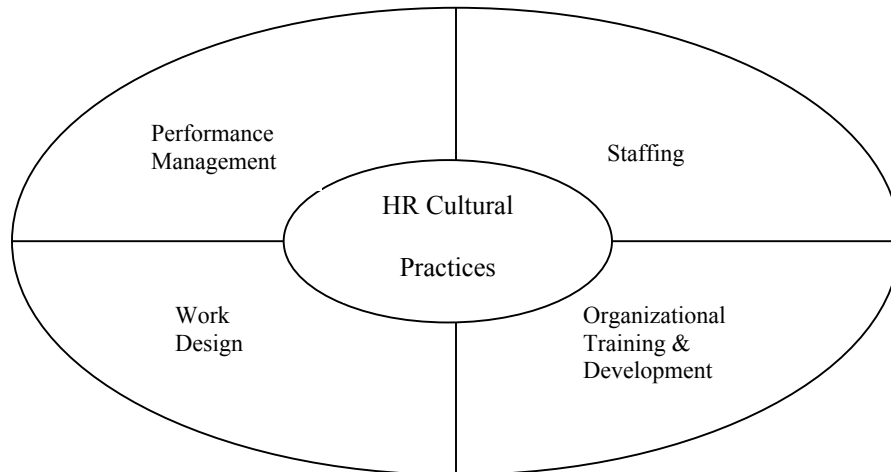
Figure 6. A Model for HR "Cultural" Practices.

First, staffing deals with recruiting, hiring, and retaining the most talented and qualified people who have values congruent with the corporate culture. Company-driven values that overlap with personal values are easier to live by. Global organizations and organizations that value diversity face a big challenge here: "to recruit and retain people with similar core values of the corporate culture regardless of which national culture they are from" (Schell & Solomon, 1997; Treen, 2000).

Second, organizational training and development involves facilitating learning, understanding, and commitment to the corporate values, as well as associated career development and training. It is the HR professionals who make sure the future managers receive the training they need to become role models of the company values and beliefs (Rowden, 2000). Leaders play an important role in helping organizations disseminate their cultures. In fact, leadership development practices may be the key differential of HR practices. By developing values-based leadership skills, a company ensures their long-term cultural values.

Third, work design refers to "the arrangement of tasks, people, and technology to produce both psychological outcomes and work performance" (Cummings & Worley, 2001). It includes the work procedures, job analyses, practices, and programs needed to make the expected behaviors occur consistently among employees (Machrone & Tenekins, 1999).

Behaviors and assumptions can be reinforced by strengthening the values and beliefs in the HR work processes, within the rest of company functions, and beyond, to the external services related to the company. For example, HR professionals should honor the company values not only in the hiring process, but also in the termination process: if the value is to treat employees with respect, the company should do whatever is possible to help the terminated employee find another position in the job market.

HR needs to be involved with the overall work procedures and policies to ensure alignment with the cultural values. For example, the work processes of a global organization with a strong culture may allow their leaders to make decisions and take actions independently of predetermined policies, based on their intuitive judgment of what is right or wrong (Schell & Solomon, 1997).

Last, there is performance management, which is imperative for a cohesive culture. Performance management is the process used to identify, encourage, measure, evaluate, improve, and reward employee performance (Mathis & Jackson, 2000). These are actions that should be carefully designed or redesigned to communicate the right message and elicit expected behaviors, and to reinforce and recognize the stated values and not other contradictory unstated values (Greene, 1995; Treen, 2000).

In conclusion, HR professionals are the guardians of the corporate culture (Schell & Solomon, 1997). The daily HR practices, once shaped, become a powerful channel choice to corporate culture communication strategy. "Who is hired and retained, how people are paid and what behaviors are deemed desirable all send strong message about the desired culture" (Greene, 1995, p. 121).

III. RESEARCH DESIGN AND METHODOLOGY

Research Design

The overall research question that drives the design of this study is: *What are the HR/OD practices through which strong cultures are developed and maintained?* To answer this question, I first propose a theoretical framework and then present an ethnographic case study of Johnson & Johnson's culture by applying the framework (i.e. the model application).

(1) Theoretical framework. The proposed model (Figure 7) attempts to demonstrate a corporate culture communication strategy for HR/OD professionals. The rationale of the model can be summarized thus: a organization being the *communicator* (sender) and employees being the *constituency* (receivers of the message). Shared values and beliefs (or corporate culture) are the *message*. HR cultural practices represent the *channel choice*. Finally, expected attitudes and behaviors are the *response* (or feedback) of employees.

Noise is not represented in this particular model. However, it is important to be aware of eventual barriers that may disrupt the delivery of an effective communication. In this case, the issues that organizations struggle with in order to develop and maintain a strong culture could represent the noise. For instance, noise can be represented by cross-culture differences, changes in the business environment, or product quality issues.

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                        ┌─────────────┐
                        │ Shared values│
                        │  and beliefs │
                        │  (Message)   │
                        └─────────────┘
          ↗                                        ↘
   ┌──────────────┐   HR Cultural Practices   ┌──────────────┐
   │ Organizations│    (Channel choice)       │  Employees   │
   │(Communicator)│  ·····················▶    │(Constituency)│
   │              │   ◀·····················    │              │
   └──────────────┘                           └──────────────┘
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                   │ Expected attitudes│
                   │  and behaviors    │
                   │   (Response)      │
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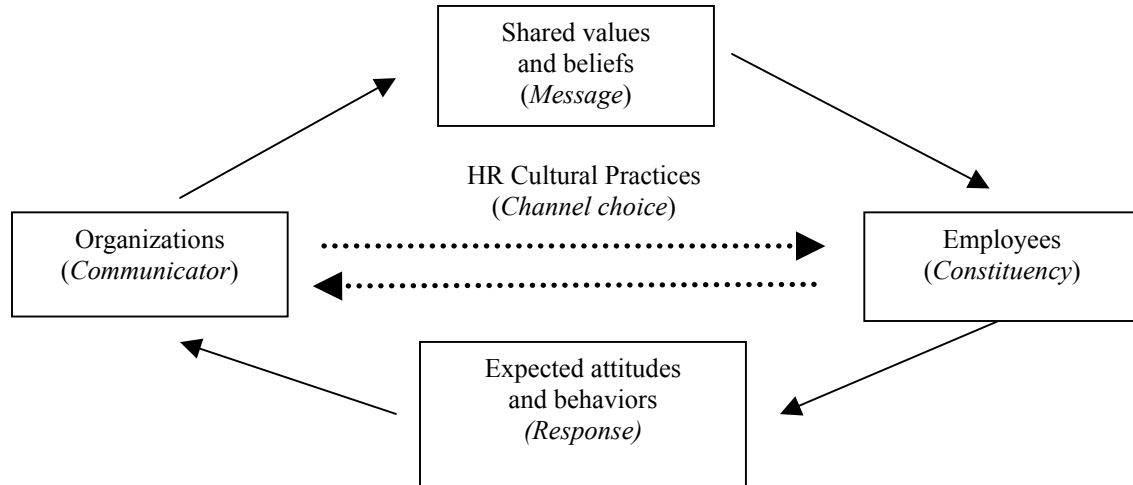
Figure 7. The "Corporate Culture Communication Strategy" Model.

(2) Ethnographic case study. To evaluate the previous communication model, an

ethnographic case study of Johnson & Johnson culture is presented (Chapter Four),

considering its HR best practices to maintain and develop its corporate culture

worldwide. I then attempt to assess the model "Corporate Culture Communication

Strategy" through the case study, answering these questions: *Why is J&J considered a*

company with a strong corporate culture? How is J&J communicating and maintaining

its culture? What can we learn from J&J's HR practices? As a result, this study hopes to

provide not only a guiding model but also real examples of successful HR practices.

<div align="center">Methodology</div>

Study type. Driven by the research questions and the theoretical framework, this

research required a comprehensive and descriptive study type. Within these

considerations, a qualitative analysis was the most appropriate choice. A brief

quantitative analysis of J&J's business performance supports the discussion. In the end,

the current study can be characterized as an ethnographic case study, using multiple data sources.

On the one hand, a case study is a method of learning about a complex instance through extensive description and contextual analysis. The product is an articulation of why the instance occurred as it did, and what may be important to explore in similar situations.

On the other hand, an ethnographic study provides a detailed exploration of group activity and may include literature about and/or by the group. It is an approach that employs multiple methodologies to arrive at a theoretically comprehensive understanding of a culture within a group of individuals.

Study sample. An important element of this ethnographic case study approach is the in-depth examination of the J&J culture system. To this end, the company — Johnson & Johnson — is the single sample for the study. J&J is the world's most comprehensive and broadly based manufacturer of health care products as well as provider of related services, for the consumer, pharmaceutical and medical devices, and diagnostic markets. J&J has 198 families of companies structured by three business segments worldwide. Moreover, the company has almost 120 years of history and has been widely recognized in the management literature as an example of strong corporate culture and ethical values (see Aguilar, 1994; Collins & Porras, 1994; Deal and Kennedy, 1982; Foster & Kaplan, 2001; Kotter & Heskett, 1992; Peters & Waterman, 1984; Nash, 1988; Waterman, 1994).

The main issue observed was how J&J values and beliefs are managed from the headquarters to the worldwide operating units, through HR/OD. In that regard, there was no value in narrowing down the sample size of J&J case study to either a specific

business unit or geographic area. In other words, this ethnography attempts to explain the cultural consistency of the web of interdependence of group behaviors and interactions throughout the company.

Nevertheless, since the ultimate focus is to describe consistent behaviors and practices, I have mostly concentrated the data analysis within headquarter's practices, which are the most valid and strongly absorbed by the family of companies. However, the data sources came from a worldwide variety of J&J locations and businesses, especially from Latin America. The presentation of data is mostly focused on the headquarter's examples and, additionally, some other illustrations that are useful to show the consistency of J&J culture system in international locations.

Data gathering procedures and analysis. Data was collected systematically, selected information was assessed, and the unique aspects of the J&J cultural system are presented. The analysis of data and presentation of the findings are designed to answer the research questions and apply the Corporate Culture Communication Strategy model. Results are presented according to the variables of the proposed model.

One phase of data gathering consisted of observations that were conducted during the normal course of the workday without any specific identifying information of individuals. The focus of this observation was on general organizational processes, which triggered my interest in J&J culture system. These observations occurred while this researcher was a J&J summer intern and are retrospective, as no notes in any form were taken at that time.

In addition, I have participated in public meetings held by J&J's corporate management where the Company's members lectured and extensively discussed the

corporate cultural values. During these meetings and ongoing informal conversations with key J&J employees, I was able to get a descriptive idea about the J&J culture system.

The secondary data gathering was performed to validate the observations and the previously mentioned informal conversations. Annual reports, the Company's Web site, several research findings related to J&J culture, surveys involving J&J, interviews with J&J CEOs, and speeches were the source of content assessments.

Confidentiality and Human Subject. The confidentiality was extremely rigorous during the entire research process. Specific J&J data presented in the results came from secondary data, avoiding any potential confidentiality risk. In other words, since the presentation and analysis of data are supported by published materials, there was minimal risk of confidentiality issues throughout the whole data-gathering phase and analysis of results phase.

IV. PRESENTATION AND ANALYSIS

Which company holds a strong corporate culture? Which company has been successful in sustaining a strong culture? Which company is a role model in linking HR practices and cultural values? I have identified Johnson & Johnson as the company that best communicates its corporate cultural values and beliefs.

Why is J&J considered a company with a strong corporate culture? This chapter discusses the company's cultural distinctiveness through the evaluation of data about J&J.

Part 1: Johnson & Johnson – A Strong Culture

As mentioned in the literature review, several studies have related the strength of a culture to significant outcomes. Therefore, to understand J&J's strong values-based culture, the following analysis links J&J culture to three valuable outcomes: successful financial performance; structured decision-making process; and positive employee behaviors.

Culture and performance. Several studies explain the advantages of having a strong culture by demonstrating the substantial impact of culture on a company's financial performance over time. All of the four most popular studies discussed in the literature review identified J&J as having a strong culture (Table 1). Three of them—Deal & Kennedy, 1982; Collins & Porras, 1994; Peters & Waterman, 1982—clearly consider the company as a prime example for substantiation of their findings of the high correlation between culture and financial performance.

Table 1.

Findings related to J&J's strong culture in the most popular studies.

Authors	Study	Findings related to J&J
Deal & Kennedy (1982)	In a sample size of near 80 companies, only 25 indicated defined beliefs. Out of 25, 18 hold beliefs addressing quality issues. And all 18 companies with quality beliefs have consistently successful financial results over the years.	J&J is considered one of the 18 companies with defined quality beliefs and successful financial performance.
Peters & Waterman (1982)	Analysis of 62 companies considered outstanding by a group of observers of the business environment.	J&J is considered one of the 62 high-performance companies considered excellent with regard to the basics.
Kotter & Heskett (1992)	In a sample of 207 companies in 25 industries for 11 years, they have concluded that "adaptative" cultures have four times more growth in revenues than "unadaptative" culture.	J&J is considered a very strong corporate culture, being ranked at eleventh position in a list of 202 researched companies
Collins & Porras (1994)	A six-year research project of 18 visionary companies comparing with others also successful companies in the same industry.	J&J is considered part of the 18 visionary companies that go beyond being a successful and enduring company.

In addition, J&J has been recognized for its steady and outstanding results in the literature in general (Collins & Porras, 1994; Deal & Kennedy, 1982; Peters & Waterman, 1984). "Johnson & Johnson offers the two things that today's equity investor

most want—the potential for outsize gains and the consistency that has been lacking in the current stock market.…Johnson & Johnson may well be ultimate buy-and-hold stock" (Birger, 2001, Abstract ¶ 1).

The company's values-based culture has proved to work in different economic conditions. Recently, *The Economist* Group has given to J&J the Global Corporate Achievement Award for 2002. The award distinguishes companies that have had outstanding performance in volatile economic conditions. Moreover, financial analysts say that the company proves to have "the strength and stability to not only survive the current crises but also prosper over the long term" (Pierce, 2002, Abstract ¶ 1).

In fact, the strong financial performance from J&J is a model of corporate vision and culture. For instance, the health care company has constantly presented superior growth over the past 100 years, with 57 years of rising sales and 68 years of positive returns to shareholders. Indeed, J&J shareholders have been receiving returns above the average of the market (S&P 500) since 1986 (see Appendix A).

By analyzing the company results over the past eleven years (1991–2001), it isn't difficult to understand how a values-based culture pays off. Revenues have almost tripled since 1991, and earnings per share increased an average of 13.8 percent annually during the same period (see Appendix B). The value of $100 investment on J&J stock in 1991 has risen to $418 in 2001.

Innovation and creativity are not only among the company values but also were stated in the 1982 letter to shareholders: "the most tangible evidence of our continuing commitment to the long-term is in our mounting investment in research and development" (Johnson & Johnson Annual Report, 1982, p. 3). Investments in R&D have

been an average 10% of the sales annually during the eleven years evaluated (see

Appendix C). In 2002, the company expected to reach even higher investments than in

previous years: more than $4 billion in R&D.

Still, fueling the innovation process, J&J has actively adopted a strategy of growth

through mergers and acquisitions (M&A). During the period of 1991 to 2001, the

company executed M&A activities in 48 businesses (see Appendix D). As Ralph Larsen,

former J&J CEO, claims "we are engaged in an ongoing and disciplined process by

which we seek out acquisition opportunities and work to ensure that our existing business

achieve leadership levels of performance" (Johnson & Johnson Annual Report, 2000, p.

2).

Another evidence of J&J culture characteristics, also translated into results, is

flexibility and adaptability. The family of 150 companies in 1991 became 198 in 2001. In

contrast, around the same period, the company divested 21 businesses or product lines.

Moreover, seventy percent of the company's sales come from products that are either

number one or number two in their markets (Johnson & Johnson Annual Report, 2001).

It is clear that J&J's flexibility and adaptability has been used to refresh its business

and product portfolio. The underlying assumption is that acquisitions and divestitures

keep the J&J portfolio strong. To have a full process of "creative destruction" (see e.g.,

Foster & Kaplan, 2001), it is imperative not only to *create* business and product lines but

also to *destroy* those businesses that no longer are reaching the expected results. "These

activities are vital parts of the process of renewal and rebirth that is essential to our

sustained and profitable growth," says Larsen, former J&J CEO (Johnson & Johnson

Annual Report, 2000, p.2).

Ultimately, these innovations, acquisitions, and divestitures have not only made J&J stock steady and attractive, but have also made its cultural value system stronger than ever. J&J developed values and beliefs adaptable enough to shift from a "baby powder and band-aid" company (i.e. consumer products) to a cutting-edge company of pharmaceutical and medical devices products.

While maintaining a fast pace of mergers and acquisitions, J&J culture has developed an interesting competitive advantage: *acculturation.* The term refers to "a process, which takes place over time, and results in changes both in the culture and in the individual" (Loner & Berry, 1986, p. 298). J&J's expertise in the cultural integration of employees of newly-acquired companies functions as a recycling machine that makes J&J values healthier and stronger as the company acquires businesses and integrates their cultures to J&J's value system without restraining their freedom. Bill Quinn, director of J&J's integration program, acts as facilitator for the CEO of the acquired companies; for example, Quinn says that due to cultural differences, he spent a year onsite-coaching executives to help J&J and DePuy reach an understanding (Taylor III, 2002).

Above all, J&J results translate how a values-based culture helps to maintain the company growth at pace and scale of the market (Foster & Kaplan, 2001). To establish its leadership position in medical devices, pharmaceuticals, and consumer healthcare products, J&J has proved to hold not only a strong corporate culture; it is also a model of a healthy culture, capable of changes and fast adaptation. As J&J's CEO, Bill Weldon, says, "Our values are the ante you need to play in the game. To stay in the game, you need results" (Taylor III, 2002, ¶ 4).

Culture and decision-making process. Cultural values impact a company's decision-making process by framing employees' assumptions and attitudes. Indeed, paraphrasing the definition of culture as "the way things are done around here" (Deal & Kennedy, 1982, p.4), culture can be seen as the structured process by which behaviors and decisions are formed according to the corporate values.

As a strong culture, it is not surprising that J&J values drive a very distinctive and structured decision-making process. *Our Credo*—the most important document representing J&J core values—is the framework used by their employees during a decision-making process; they call this the *credo-based decision process*. As one employee put it, "When a difficult decision needs to be made, we all know what we mean when we ask, 'Are there Credo issues to address?'" (http://www.jnj.com/careers/loc.html). Or as Ralph Larsen, former J&J CEO, affirmed in an interview with CNN, "The value system within Johnson & Johnson underlies everything we do…. So nothing of significance happens at Johnson & Johnson without consideration to its ethical implications and we pay a lot of attention to that" (Dobbs, 2002, Fifth Interview).

Johnson & Johnson understands that four constituencies—customers, employees, community, and shareholders—are part of its responsibilities as a health care company. Therefore, for J&J employees, there is no question about whom they have to consider as part of their decisions. Moreover, the Credo framework dictates the prioritization of those constituencies: the company's primary responsibility is to its customers, employees are second, the community is third, and the shareholders are last. The underlying principle behind this framework is that by meeting the expectations of the first three constituencies, the fourth will consequently be fulfilled as well.

The Tylenol case is perhaps the most famous and important example of a fast decision-making process framed by the Credo values. In 1982, J&J's Tylenol medication commanded 35% of the US over-the-counter analgesic market, representing about 15% of the company's profit. However, in 1982, unknown individuals criminally replaced the pain-and fever-relieving medicine inside the capsule of Tylenol with cyanide (a fatal poison). The company's decision after seven resulting deaths was proof of J&J values in action. Jim Burke, then J&J CEO, decided to recall *all* Tylenol capsules from the market. And in 1986, after another problem with product tampering, Tylenol in capsules was discontinued and replaced by the caplet form with a triple-seal tamper-resistant package.

In addition to the impact on the company's share price when the first crisis hit, the lost production and destroyed products (31 million bottles with a retail value of more than $100 million) as result of the recall were substantial. Within five months of the first disaster, Johnson & Johnson had recovered 70% of its market share for the drug; the fact that its market share improved over time showed that the company had succeeded in preserving the long-term value of the brand. In three years, its total earlier market share was reached.

Since J&J's ethical code and its customers are the driven values of J&J beliefs system, Jim Burke's decision was strongly framed by the company values despite opposition by the government and some of his own staff. "The government, the lawyers and his business advisors told him not to pull the product" (Finney, 2000, ¶ 3). As Burke said, "We weren't responsible for the cyanide, but were responsible for the design of that product, we needed to make the change, and we needed to make it then" (Finney, Answer ¶ 8).

Similarly to the Tylenol case, other decisions at J&J are framed by the credo-based decision process known by members of the company as the five-step process. The first step is to recognize the moral issue of a decision. The second step requires discernment of the right course of action by reviewing the Credo constituencies and the J&J policy on business conduct and by examining the ethical perspectives. The next step is the test of the alternatives, followed by the action of making the decision. Then, as a final step, the J&J credo-based decision process advises employees to always revisit and reflect on the decision made, since mistakes can occur.

As a pharmaceutical and medical devices company, Johnson & Johnson is always making decisions to ensure the safest use of their products and the best interest of the consumers. For instance, as an extension of the Credo values, J&J has an ethical code to better deal with decisions such as withdrawing a lifesaver pediatric product in some markets. Since infants must not take the product, it could become a potential lethal weapon if commercialized in countries with high rates of illiteracy.

Given these examples, J&J has often scored high when it comes to reputation and strong ethical values. Recently, J&J has won the first place of pharmaceutical companies' reputation rank. The 2002 survey, published by Rating Research, evaluated the key players of the pharmaceutical industry by conducting in-depth interviews with industry analysts and senior-level executives of the 16 top pharmaceutical companies in the world. Of the eight key behavioral measures, J&J ranked either first or second in nearly all of them. Undoubtedly, the company was in the first place of the ethics criterion rank (see Appendix E; Resnick, 2002).

Another example of a decision based on J&J cultural system is the rationale behind the company's acquisitions. Among the ten parameters used to evaluate an acquisition are the culture and management of the target. Weldon, J&J CEO, says that "one of those walk-away points" is when the potential business to be acquired doesn't have "the right fit with our culture" (Taylor III, 2002, ¶ 24).

Lastly, the involvement of J&J in the community is also a good example of the company's credo-based decision. Since the Credo highlights the company's social responsibility, it is common to see J&J involvement in a number of key community initiatives such as programs related to children's health, education and development of Nurse Executives, and contributions to aid the victims of tragedies and catastrophes. For instance, in addition to the Johnson & Johnson-Wharton Fellows Program in Management for Nurse Executives celebrating its 20th anniversary, a more recent Campaign for Nursing's Future aims to reduce the shortage of nursing professionals.

Culture and behaviors. According to findings previously presented, strong cultural values may impact employees' behaviors. When there is a fit between company's values and employees' values, job satisfaction, recruiting, retention and well-being are mostly likely to be positive.

Again, Johnson & Johnson examples can be used to validate these findings. The J&J recruiting process attracts prospective candidates looking for a company that cares about employees and offers a long-term career. The retention rate of high performers also doesn't seem to be a problem for the J&J family of companies. "The company's presence at job fairs generates a lot of interest – from attendees as well as organizers" (Stavraka, 2001, ¶ 8). Due to the J&J reputation, regularly one of the top corporations in surveys

measuring the best employers (see Appendix F), job fair organizers say that the attendance in career-fairs is higher when J&J participates (Stavraka, 2001).

It is not difficult to understand why J&J attracts the attention of job candidates. In a popular survey (2003), Johnson & Johnson was ranked the sixth most admired company in America and the first among pharmaceutical companies. In addition, according to the results of a well-known market-research firm, Johnson & Johnson was acknowledged for having the best corporate reputation for four consecutive years. In addition, since 1986, an annual list has ranked J&J as one of the 100 best companies for working mothers.

Awards are also part of the J&J good-employer reputation. For instance, in 2000, the company was recognized with the Psychologically Healthy Workplace Award. Another example is when the Department of Labor's Office of Federal Contract Compliance Programs (OFCCP) presented Johnson & Johnson with the Opportunity 2000 Award. It is the highest award granted to an employer for initiatives in creating upward mobility for women and establishing work and family programs.

On employees' well-being, J&J practices strive to create a healthy work environment aligned with J&J values. Because of an array of health and wellness programs, employees at J&J have saved the company $8.5 million in health care costs. This fact was announced by a health information company that provides market research and benchmark databases. The study conducted "a financial analysis of medical claims for 18,331 Johnson & Johnson domestic employees who participated in the company's program from 1995 to 1999 found savings of $225 per employee per year, on average of $8.5 million annually" (Paetsch, 2002, ¶ 3).

Once again, J&J's successful outcomes are supported by its strong culture. Because of its strength in sharing its values and beliefs, the company is able to achieve the three mentioned outcomes in a distinctive way, and these outcomes suggest that the roles of corporate cultures are also well established at Johnson & Johnson. In other words, the roles (culture identity, alignment of behaviors, motivation) and the outcomes (successful financial performance, structured decision-making process, positive employee behavior) of a strong corporate culture make the difference in a company's long-term success.

Moreover, J&J corporate culture goes beyond maintaining strong shared values. The company has developed masterly skills to make its culture flexible as well. The next section explains how J&J manages its flexible and yet strong culture.

Part 2: Johnson & Johnson —The Communication Model

The ultimate contribution of this study is to help HR/OD professionals with cultural management. Now that it is established that Johnson & Johnson is a classical example of a strong culture, I will explain how the company manages its culture through HR practices.

How is J&J communicating and maintaining its culture? What is the role of J&J HR in managing cultural values? What can we learn from J&J HR practices?

In order to answer such questions, the model proposed in the Theoretical Framework section (Chapter Three) was applied to the Johnson & Johnson case study. This model application evaluated each variable under the J&J perspective.

The model application (see Figure 8) understands the *organization*, Johnson & Johnson, as the communicator of the message. In this case, Our Credo is the crucial message of J&J *shared values and beliefs*. The Credo's philosophy along with other two

important assumptions resumes the J&J corporate culture. J&J HR best practices

represent the *channel choice*. They are considered the most important communication

channel used by the company to consistently manage the cultural values.

J&J diverse workforce represents the constituency – the *employees*. As mentioned in

the Argenti model, there are other constituencies such as the customers, community, and

shareholders. However, due to parsimony issues, this application focuses on

communicating corporate culture to the employees.

Last but not least, there are constituency's responses. In order to assure an effective

corporate culture communication, organizations should assess if the employees responds

to the message by having *expected attitudes and behaviors*. At Johnson & Johnson, there

is an outstanding assessment practice: the Credo Survey. The results of the Credo Survey

translate the employees' responses worldwide. However, the responses are certainly

observed by other means also, such as performance appraisals and the actual behaviors

and attitudes of employees.
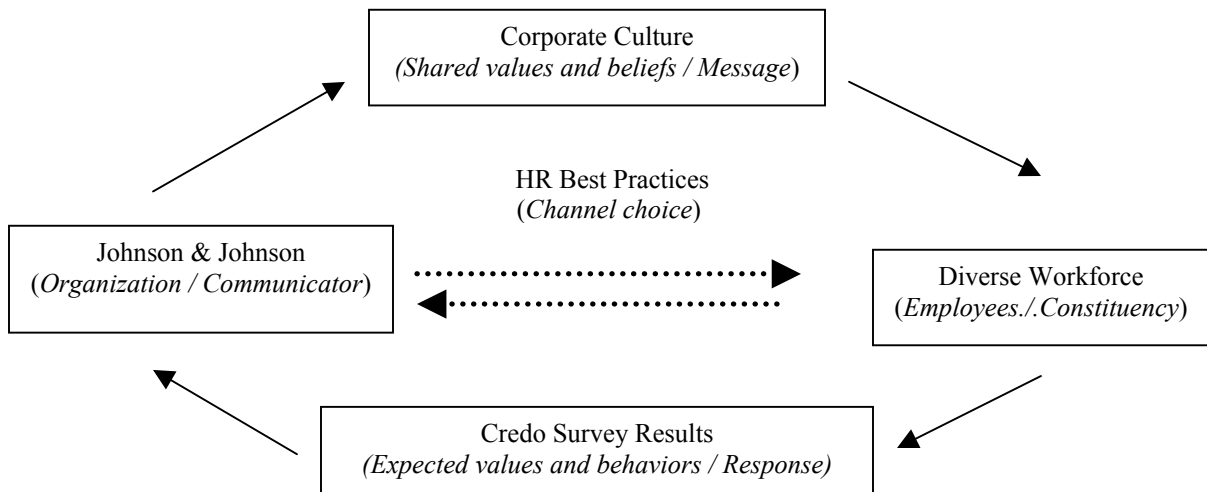
Figure 8. J&J Corporate Culture Communication Strategy.

Descriptions, examples, testimonies, previous research findings and historic facts are part of the current data analysis and presentations. Those pieces of information were gathered by different data such as interviews, annual reports, and previous findings and observations. Together, they have contributed to explore and enrich the discussion of the model application.

<center>Johnson & Johnson: The Organization</center>

The Corporate Culture Communication Strategy model is needed when organizations are willing to promote their values and beliefs to the employees (or other constituencies). In that sense, organizations are seen as the communicators or senders of a values-based message. In the current model application, Johnson & Johnson represents the *organization*. An overall description of the J&J history and structure is useful to understand the subsequent explanations of the model variables.

History. Brothers James Wood and Edward Mead Johnson founded the company in 1885. In the following year, Robert Wood Johnson joined his brothers in the partnership and became the company's president until his death in 1910. It is said that modesty was not a strong features of Robert Johnson's personality. The first president, also considered the founder of J&J, used to say that his brothers had not really started the company before he had joined them (Lukas, 2003).

J&J had stepped in the health care market by launching a product that contained medical compounds mixed in adhesive. The second J&J product was a soft, absorbent cotton and gauze, a significant advance in antiseptic surgical equipment (Out & Volpe, 1997).

In 1888, J&J published *Modern Methods of Antiseptic Wound Treatment* to educate customers about the future of surgical procedures. A discrete advertisement of J&J products was in the back of the published guide. It was a success. As a result, within six years the company was producing 3.5 million yards of gauze annually (Lukas, 2003).

Robert Wood Johnson's successor as president of the company was his brother, James W. Johnson. He led the company from 1910 to 1932, by which time J&J had already been recognized as a leader of the health care field in the U.S. The company product portfolio had considerably increased with consumer-oriented products such as the still widely known BAND-AID® Adhesive Bandages and Johnson's Baby Cream (http://www.jnj.com).

During the same period, J&J had driven its growth to international settings. In 1919, J&J established its first foreign subsidiary in Canada, and in 1924, its first overseas unit in Great Britain. Since then, the company has been actively growing in international markets (Out & Volpe, 1997).

In 1932, Robert Wood Johnson Jr., son of the first president, became chairman and established the fundamental pillars of J&J corporate culture (Aguilar & Bhambri, 1986). Johnson, known as the "General" due to his service in the World War II, was an entrepreneurial businessman, confident of his ethical values and his unique industrial philosophy. His leadership contribution in the J&J history has been illustrated by the most important living document of the company: *Our Credo* (see Appendix G and H).

In addition to shaping J&J culture by creating the Credo philosophy, General Johnson built a solid company structure of decentralized management. Ahead of his time, the General was convinced that J&J should be structured in highly autonomous operating

businesses and should achieve growth by diversification of product lines and geographic settings (Nash, 1988). As General Johnson said, J&J became a company of independent divisions, or subsidiaries. Since then, it has been constantly updating its product lines by either creating new technologies or acquiring established businesses (Out & Volpe, 1997). During its 117 years of history, J&J has been recognized as an example of a caring and trustworthy corporate brand, strong cultural values, and outstanding long-term financial performance (http://www.jnj.com).

Today, the company is the world's most comprehensive and broadly-based manufacturer of health care products. It is also known for providing related services for the consumer, and pharmaceutical and professional markets. The stated company principles are "to provide scientifically sound, high quality products and services to help heal, cure diseases and improve the quality of life" (http://www.jnj.com/our_company/index.htm).

Structure. J&J decentralized structure has become part of the corporate identity. Currently, the company counts up to 198 operating units. Known as the " Johnson & Johnson family of companies," they are located in 54 different countries, selling products in more than 175 markets around the world (http://www.jnj.com/our_company/ family_of_companies/index.htm).

The family of companies is structured in three major business segments: Consumer; Pharmaceutical; and Medical Devices & Diagnostics (see Appendix I). Each business segment is organized into franchises to focus on target customers and better services. As one of the company directors used to say, J&J business segments are like three brothers.

Sometimes there is friction among them, but they are ready to leverage J&J successes by helping each other when necessary.

The diversification of product lines spread among the three business units has helped J&J to become much more than the initial consumer products company. Interestingly, the pharmaceutical business segment is responsible for the largest part of J&J revenues today. It accounts for 45% of the total revenues, while the Medical Devices & Diagnostics generates 34% of the company's revenues (see Appendix J). "Johnson & Johnson's medical device companies develop, market and sell more medical devices than any other company in the world" (www.jnj.com/our_company/fast_facts/history.htm).

The decentralized structure still is one of the company's biggest commitments. The operating units are usually independent as to how they manage their businesses. However, the corporate top executives carefully monitor J&J's overall structure to assure an optimized balance between the headquarters and the operating units worldwide. J&J believes that the authority should be in the hands of the managers who are close to the marketplace and the corporate top executives should focus on broader aspects of both the health care industry and people management (http://www.jnj.com).

The corporate headquarters is located in New Brunswick, New Jersey, close to the original headquarters. It serves to centralize just enough activities to leverage J&J size and create the right synergies and efficiencies among the family of companies. J&J Corporate limits its assistance to the autonomous operating units, providing guidance and services in critical areas such as human resources, finance, environment, advertising, law, and quality management (http://www.jnj.com).

In contrast, the operating units are spread all over the world. Primarily, natives of the countries in which they are located run the international settings. Sometimes they have such deep and long-term connections with their home markets that local people consider the company to be domestic. For example, Brazilians consider J&J to be a Brazilian corporation, and British people usually assume the company was founded in the U.K (Nash, 1988).

Each operating unit has a chairman, president, general manager or managing director who reports directly or through a line executive to the Group Operating Committee at headquarters. Only the financial goals are discussed between the corporate and their units, while explicit performance goals mandated by headquarters are avoided, giving the management team near the market full autonomy. Larsen explained the rationale: "I don't want to set financial targets for the growth of the business within J&J. Either I shoot too low and the businesses don't reach their potential, or I shoot too high and they are forced to pursue bad business practices to make the numbers" (Foster & Kaplan, 2001, p. 242).

Specific mission statements emphasize the autonomy of the operating units. Each unit has its own mission statement, outlining the focus of that particular business. Thus J&J Corporate also avoids overlapping of business targets that can cause unhealthy competition among the units.

The Chairman of the Board and Chief Executive Officer, William C. Weldon, heads the whole company as well as the top executives in the corporate office. Below Weldon, there is a strong number two. James T. Lenehan is the Vice-Chairman of the Board and President (Johnson & Johnson Annual Report, 2002). The Board of Directors consists of 13 members on seven committees: audit; benefits; compensation; finance; nominating

and corporate governance; public policy; and science and technology. The corporate structure is best represented by the Group Executive Committee, an eleven-person committee that functions as the principal management team in charge of operations and allocation of J&J's resources (Johnson & Johnson Annual Report, 2002).

Managing by franchise, or groups of product categories, J&J's overall structure has 35 primary global affiliates that create and manufacture new products (see Appendix I). Several members of the Group Executive Committee are also among the 17 global franchise managers in charge of the 35 global affiliates. They are called the Chairmen of the Group Operating Committee. Mainly, this Committee is responsible for coordinating the worldwide activities of companies within the three business segments—Consumer, Pharmaceutical, and Medical Devices and Diagnostic (Johnson & Johnson Annual Report, 2002; http://www.investor.jnj.com/governance/index.cfm?text).

<center>J&J Diverse Workforce: The Employees</center>

J&J employees embody the *constituency* variable of the model application. They are the receivers of the message. To become familiar with J&J employees, it is important to understand its most evident characteristic: diversity. J&J worldwide M&A activities, product diversification, and company values all contribute to the creation of such a diverse workforce. This diversity can be translated into several categories: multinational diversity; ethnic and religious diversity; and educational diversity.

J&J employees number nearly 106,100 individuals in 54 countries and represent several national, ethnic, and religious values, customs, and beliefs. The educational background varies extensively, from blue collar workers to cutting-edge scientists. The J&J Committee Office of Science and Technology (COSAT) consists of a selected group

of Ph.D. scientists who work in R&D and have strong links to the academic and research community. There is another special group: full-time entrepreneur employees working in the Joint Venture Group (JJDC) (Foster & Kaplan, 2001, p. 232). These two special groups plus the employees working in 198 operating units account for a range of educational backgrounds.

Even though diversity is the most visible characteristic of J&J employees, they seem to be very alike when it comes to ethical values. J&J multicultural employees may differ in some of their personal values and beliefs. However, the Credo ethical values seem to be a common denominator among them. In conversations with employees who have participated in events attended by J&J members worldwide, they often have emphasized how connected they felt during the activities due to J&J shared values.

Similarly, the work environment is very consistent throughout the worldwide J&J family of companies. The company is often recognized for its friendly-work environment. In fact, it is part of the Credo values to balance work life and personal life. Moreover, the decentralized structure also contributes to a warm atmosphere in each of the company settings. Despite J&J's size, the employees usually work in a small-company environment and enjoy low or moderate stress levels.

<div align="center">J&J Credo Survey Results: The Response</div>

The employees' feedback, known as the Credo Survey Results, represents the *response* of the model. It is also the representation of expected attitudes and behaviors once the corporate values are strong among employees. J&J Credo Survey is an assessment system designed to elicit the opinions of J&J worldwide employees of the company's most important values-based document, *Our Credo.* A member of J&J

described the survey as an effective way of "closing the loop on this thing called the Credo" (Anonymous, 2001, p.2).

As emphasized by Argenti (1998) in his corporate communication strategy model, getting the constituencies' responses is as important as communicating the original message. Only after hearing the constituencies' feedback can the organization measure its effectiveness in communicating the message.

Given the significance of "closing the loop," I will explain the Credo Survey results before presenting the J&J message (i.e. J&J corporate culture). The model does have an ongoing circular flow. Corporate cultural values and beliefs should be constantly improved or even adapted each time employees give a feedback message. After the first cycle, it is difficult to identify which message comes first: the message from the organization or the message from the employees. Ultimately, the goal is to assess and continually reduce the gap between the stated culture (values communicated by the company) and in-use culture (values perceived by the employees).

History. The Credo Survey was launched in 1986 as the result of Jim Burke's visit to the board of IBM Corporation in the 1980s. Burke, CEO of J&J, was impressed and inspired by IBM's employee survey program. Although he wanted to know what his employees felt about J&J's responsibility towards them, Burke didn't like standard attitude surveys. However, assessing the four responsibilities of *Our Credo* in a survey was exactly what Burke was looking for (Trevino & Nelson, 1999).

In 1985, Burke enthusiastically presented the Credo Survey in the Worldwide Management Meeting. The survey was carefully reviewed and tested in a variety of

locations. Then, in 1986/1987, the first survey was conducted in the U.S. In the following year, it was extended to all international settings (Trevino & Nelson, 1999).

"The survey program itself has been designed in the spirit of the Credo and the J&J culture. All Johnson & Johnson employees, from Jim Burke to the floor sweepers at the smallest plant, are sent a questionnaire" (Nash, 1988, p. 89). After confidential tabulation of all those answered questionnaires, the corporate sent the results to each of top managers in the respective operating units.

Again, reconfirming the J&J belief in decentralized management, the Credo Survey results have become the responsibility of the management team in each operating unit. The units analyze the results, design the action plans, and consequently present the improvements (Nash, 1988).

Moreover, the high confidentiality of those results was carefully considered when launching the survey. The purpose of the Credo Survey had to be clear. It is not meant to punish managers for not conveying an accurate message of the company's values and beliefs. Rather, the survey should be used as a powerful management tool, so managers would be able to monitor whether the in-use behaviors and attitudes were aligned to the values stated by the Credo. "The exercise [Credo survey] serves to stimulate people's awareness of their own commitment to the Credo" (Nash, 1988, p. 90).

Another aspect of the Credo Survey results is its power as a changing agent. Burke looked for means to motivate people to challenge the Credo values. He hoped that the Credo Survey results would work as a changing agent at some point, and indeed, the credo Surveys have been useful to either review or make the Credo values clearer. In the final analysis, the survey results not only maintain the company's stated values as a

reality within the company, but also contribute to shaping the company's stated values as employees' needs are articulated.

The Balancing Work and Family Program is an HR practice inspired by the results of the Credo Survey. The program was introduced after analyzing the results of the survey conducted in 1988 and noting a deficiency in the J&J commitment to work-family programs. Moreover, an addition to *Our Credo* was made to reinforce the concept of J&J's family-friendly work environment: " We must be mindful of ways to help our employees fulfill their family responsibilities" (see Appendix G; Mason, 1993).

Other changes inspired by the survey results have led to more localized actions. For example, in the early years after the Credo Survey implementation, one of J&J's companies had problems with the results related to management trust. Concerned with the low rate, the president of the company investigated further, looking for a better understanding of what trust meant to those employees. As a result, several actions were taken focusing on employee communications, and communications have become part of that company's strategic planning (Nash, 1988).

A great advantage of the Credo Survey is its capability to follow and track management improvements. For instance, after several corrective actions, top managers of J&J Consumer Products in Brazil confirmed their improvements with substantial enhancements in the survey results.

 The HR director in Brazil, Nilson Gomes, explained that the company was going through a hard time during 1990s, and that they almost lost the meaning of the Credo values. The Brazilian J&J Consumer Products was focusing more on high technology than on their employees. The results of the Credo Survey immediately reflected the low

morale of employees. Consequently, the company underwent deep changes in everything from direction and work design to large open-discussion sessions with employees. Soon, the work environment improved and the subsequent survey results presented a 9 percent increase (Gomes, 2003).

Design. The survey questions are designed to look for evidence that the four constituencies of the Credo (customers, employees, community and shareholders) are indeed valued by the company from the employees' point of view. Not surprisingly, since it is an employee survey, questions about the second responsibility of the Our Credo—the employees—are heavily emphasized. These questions ask employees to rate how closely aligned their company and their company's managers and supervisors are with the Credo values.

Until recently, the survey was divided in two sections, 118 multiple choices and some open-ended questions. The survey is currently going through some changes designed to speed up the loop or the cycle of communication between J&J and its employees. First, it has become a Web-based survey, which avoids time-consuming paperwork and allows for automation of the tabulation of the results. Second, the number of questions has been reduced to approximately 88 questions. While it had taken about 30 to 40 minutes to answer the old survey, the new one allows employees to take about half of the time to complete the reduced questionnaire.

Employees are not asked to give feedback of even a single line of *Our Credo* anymore; instead, the questions are more focused. Again, the changes target the acceleration of the communication flow, which is aligned with the fast pace of innovations and acquisitions that the company has been going through (see Appendix D).

J&J has been renewing its size and shape according to the pace and scale of the global and changing business environment. Formerly, the survey was conducted every two or three years throughout the entire company. Now, the survey will be taken every year by approximately 1/3 of the employees in each operating unit. The goal is to have a more accurate comparison when linking results in consecutive years.

In conclusion, the Credo Survey results make a very suitable example of the response variable of the proposed model. The survey results emphasize the importance of a feedback message in the cycle of Corporate Culture Communication Strategy. Other means also can be used and in fact are used by the company to ensure that employees' behaviors and attitudes are aligned to J&J's stated values. However, the survey is a focused quantitative tool to evaluate how well managers, supervisors, and the entire company are living up to the Credo. In the next section, the variable message, which is represented by J&J corporate culture, is extensively explored.

J&J Corporate Culture: The Shared Values And Beliefs

Corporate cultures are shared values and beliefs translated into expected behaviors, commitments, and attitudes within the companies. In the proposed model, corporate cultures stand for the variable *message* or the "shared values and beliefs." This section explores the meaning of such a message: the J&J corporate culture.

According to Schein (1992), two major analyses should be considered in order to understand corporate culture. They are embodied by (1) the three levels of culture and (2) the leaders' influences.

(1) The three levels of culture. Schein, a well-known author of culture literature, has identified three levels by which a corporate culture should be understood. In the

Literature Review Chapter, Figure 1 illustrates them as layers of an "onion" model.

Schein explains that these levels are "the degrees to which the cultural phenomenon is

visible to the observer" (1992, p. 16).

   The first level are *artifacts.* Artifacts represent the cultural elements visible through

organizational structures and processes. However, only after identifying the other two

levels can the observer achieve a deeper understanding of the meanings underlined in

such structures and processes.

   Then, the second level, *espoused values,* represents the values that are stated by the

leaders. They are declared in the mission statement, strategic planning, and annual

reports. The last and most important level is the *basic underlying assumptions*. These are

the end results of a corporate culture. Through a psychological process of consecutive

actions, basic underlying assumptions represent the ultimate expression of the culture.
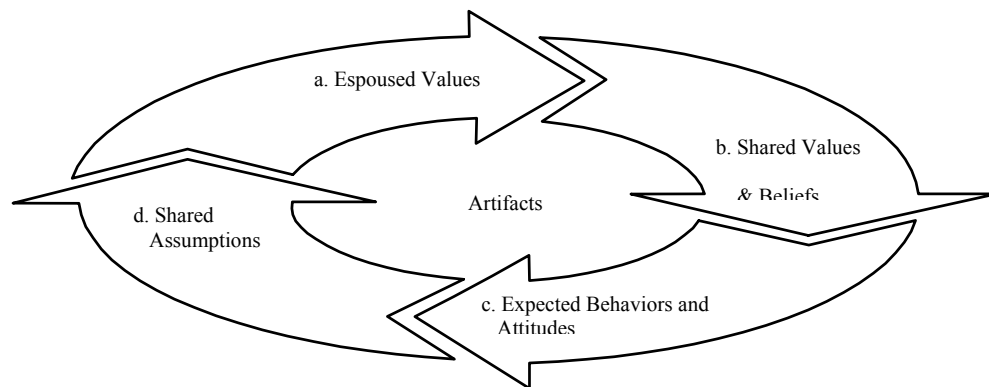
Figure 9. The Process of Basic Assumptions

   With the aid of the Figure 9, Schein's rationale can be summarized thus: once the (a)

espoused values become (b) employees' shared values and beliefs, they can turn into (c)

expected behaviors and attitudes. After they do so, those behaviors and attitudes develop

into (d) shared assumptions or basic underlying assumptions. Around the entire process there are artifacts, which are helpful illustrations of values.

In other words, shared or basic assumptions are the in-use values, which may or may not be similar to the espoused values. According to Schein, they are "the implicit assumptions that actually guide behavior, that tell a group member how to perceive, think, and feel about things" (1992, p. 22).

(2) The leaders' influences. "Culture and leadership are two sides of the same coin in that leaders first create cultures….Once cultures exist, they determine the criteria for leadership and thus determine who will or will not be a leader" (Schein, 1992, p. 15). Thus, on one side of the coin, leaders can be seen as the inspirational and motivational source of values. After the cultural system elects them as leaders, they are the backbone of it. The espoused values may be transformed into basic assumptions through the leaders' attitudes and decisions.

Based on these two major factors, this ethnographic case study presents J&J corporate culture. Next, J&J *basic assumptions* along with related *artifacts* and *espoused values* are discussed. They were chosen by taking into consideration observations, cross-referenced with other research findings, and contributions and quotes from J&J leaders.

The Cultural System

"Culture as a set of basic assumptions defines for us what to pay attention to, what things mean, how to react emotionally to what is going on, and what actions to take in various kinds of situations" (Schein, 1992, p. 22). Inspired by this statement, three basic assumptions were identified as representing J&J cultural system: the focus on long-term performance, the decentralized management, and definitely *Our Credo*.

In 1980, Burke, then the CEO, restated these assumptions by writing a document

called *A Statement of the Strategic Direction:*

> We believe the consistency of our overall performance as a corporation is
>
> due to our unique form of decentralized management, our adherence to the
>
> ethical principles embodied in our Credo, and our emphasis on managing
>
> the business for the long term (Aguilar & Bhambri, 1986, p. 13).

Today, Weldon, the current CEO, still emphasizes the same assumptions once

espoused by Burke.

> If you go forward 10 years, we'll [Johnson & Johnson] look different but
>
> we'll still be broad-based health care, decentralized, managing for long-
>
> term, and we'll still have a focus and passion around people and values. I
>
> think it's been awfully good for us so far, so I don't see any reason to
>
> change it (Sarfaty, 2002, ¶ 22).

The illustration in Figure 10 gives an overall picture of J&J culture system. It is a

metaphoric idea of how the three basic assumptions along with the espoused values and

artifacts relate to each other.
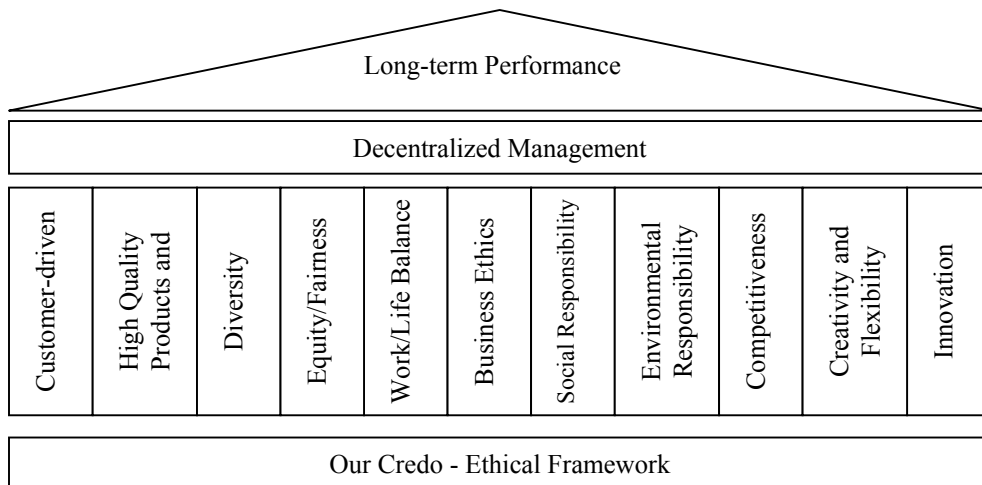
Figure 10. The J&J Cultural System

Similar to a concrete foundation of a building, the Credo is the basis of J&J cultural system (see Fig. 10). The ethical framework stated in the Credo establishes the entire structure of the J&J decision-making process. The document clearly defines four responsibilities beginning with customers and ending with stockholders. Then there are eleven pillars, which symbolize the *value structure* of the building. J&J has clearly defined core values in the Credo (see also Figure 11). These values function as an extension of the ethical framework by providing further direction to the employees. Above the pillars, there is the assumption of decentralized management. The strong presence of this belief was discussed above. Autonomous operating units around the world compose the company's structure. The idea lies behind a J&J's slogan "small-company environment, big impact" (http://www.jnj.com/careers/index.htm).

In summary, the Credo's ethical framework along with the eleven value pillars holds up the strong belief in decentralized management. The decentralization has only been effective only due to the Credo support, which is highly centralized by the headquarters. As Burke says: "the Credo itself is the most important exception to decentralization" (Nash, 1988, p. 80).

It seems there is a contradiction between centralized and decentralized assumptions, but actually they are complementary. To manage the symphony orchestra of 198 autonomous companies, it is imperative to have a solid corporate identity. That is why J&J needs a centralized operation of the Credo values.

Larsen, the successor to Burke, once said: "The Credo underpins everything we do. And in this complicated world, if there's any guiding principle that allows Johnson & Johnson to run on a decentralized basis, it is the Credo. We can operate 170 or 180

different divisions because we have the glue of the Credo to hold them together" (Neef & Citrin, 1999, p. 212).

In the top of Figure 10, illustrated as a roof, is the assumption of the long-term performance. To run the business for the long-term through good and bad times is a basic assumption of J&J's cultural system.

The long-term is a deep commitment, possibly the most incontestable in the J&J history. Whenever it is necessary, J&J leaders don't hesitate to take actions that are not profit-driven in a short or medium term. Rather, the high priority is to maintain the enduring success of the company in the long term. Burke described how he reinforced this assumption throughout J&J by the following passage:

> When I visit our companies around the world, I try to discourage
>
> managers from telling me what the business is like today. I'm not really
>
> interested. It's only natural for people to want to tell me how things are
>
> going at the moment, but I tell them to talk about the future. This is hard
>
> for them, but by taking this attitude, I am sending a signal that we are
>
> primarily interested in long-term growth, and we want to know how it is
>
> going to be achieved. This focus on the future forces our managers out of
>
> the rut of simply running the business as it is today. We must keep moving
>
> on to new things. If we are going to have a future, them we must
>
> concentrate on it (Foster & Kaplan, 2001, p. 227)

J&J has proved itself as a company that values the lasting relationship with its customers. In a final analysis, Burke's decisions regarding the Tylenol crisis were based on maintaining the confidence of the customers in the long term. Immediately after the

incidents, J&J recalled all the Tylenol capsules from the entire U.S market and later

discontinued the product. A nation-wide announcement was made through numerous

media channels. In other words, several actions, not profit-driven in the short term, were

taken to assure customer safety. Burke was aware of the immediate negative impact on

both J&J finances and stock price. However, different from a similar case in the industry

(see Collins & Porras, 1984, pp. 60-61), J&J's decisions did reassure the customers of the

company's long-term commitment.

J&J's long-term commitment is also apparent in its day-to-day decisions; J&J CEOs

have devoted themselves to developing a visionary leadership. Both Burke and Larsen,

former J&J CEOs, have constantly brought up potential problems in open discussions

with employees. Meetings to stimulate controversial discussions are a common practice

at J&J.

Burke and Larsen knew the long-term risk of a cultural lock-in, which can seriously

affect a company performance in the future. "Cultural lock-in results from the gradual

stiffening of the invisible architecture of the corporation, and the ossification of its

decision-making abilities, control systems, and mental models (Foster & Kaplan, 2001, p.

16). To avoid that, J&J leaders strive to make sure that the values and beliefs indeed

reflect the market reality.

In the early 1990s, Larsen was concerned with what he described "clouds on the

horizon." At the time, IBM, another well-known company of strong cultural values, was

facing a decline in its performance. Just as the computer hardware market had changed

for IBM, the health care market was going through reforms during the period. Noting the

similar characteristics between IBM and J&J, Larsen questioned himself: "Could J&J's

values and principles be sustained? Did they need to be interpreted or applied in new ways, given the challenges of the '90s?" (Foster & Kaplan, 2001, p. 293)

To elicit employees' opinions about those and other issues, Larsen started worldwide meetings, later namely FrameworkS. The CEO observed that they needed to share collective experiences in open discussion, and then create multiple mental models to refresh ideas within the company. The FrameworkS sessions targeted potential problems. Key people around the world temporarily shifted their focus to "just discuss" and "think together." Larsen and Weldon, the current J&J CEO, faced resistance, but they were confident that, although the process seemed-time consuming, it would pay off in the long-term. Indeed, the first impact of the FrameworkS sessions was apparent only eighteen or twenty-four months later (Foster & Kaplan, 2001).

Another widely perceived example of its long-term commitment is the J&J's corporate image. J&J's brand is an expression of tradition. The customers, who are parents, doctors, and patients, have confidence in J&J's many years of experience delivering products and services. In a periodic reputation survey, respondents have consistently elected J&J as a trustmark, inspiring reliance over the years. A survey respondent expressed these thoughts, saying, "…wouldn't trust my kids to anything else" and said she had used J&J's products through five children and six grandchildren (Aslop, 1999, ¶ 9). Another respondent affirmed: "Johnson & Johnson has been around forever, and I'm sure my mom used their products on me" (Aslop, ¶ 9-10).

In assessing J&J's culture system, basic assumptions, espoused values, and artifacts are tightly correlated to each other. However, the Credo stands out among all the features of the system. It is possibly the most meaningful symbol of the company. The Credo can

be seen as an artifact, an espoused-values document, and clearly a basic assumption. Due to such unique combination, this case study further discusses the Credo analysis.

Further into the Credo

The Credo has all the elements that scholars have written when describing a culture. Schein's description accurately describes the Credo:

> The group learns that certain such values, as initially promulgated by prophets, founders, and leaders, work in the sense of reducing uncertainty in critical areas of the group's functioning. And as they continue to work, they gradually become transformed into no discussable assumptions supported by articulated sets of beliefs, norms, and operational rules of behaviors…A set of values that becomes embodied in and ideology or organizational philosophy thus can serve as a guide and as a way of dealing with the uncertainty of intrinsically uncontrollable or difficult events (1992, p. 20).

The Credo is literally everywhere in the 198 operating units (see Appendix G). The document can be found in J&J websites, annual reports, recruitment flyers, internal communication boards, and at an eight-foot-tall limestone structure in the headquarters. It has been translated in more than 35 languages. The document has about 60 years of history. Despite some revisions over the years, its basic philosophy remains the same as the first version. Not surprisingly, some of the words have been modernized, some of them have changed substantially, and others remain the same (see Appendices G and H). As a strong symbol of corporate culture, the Credo has a history full of myths, legends,

and heroes. To further understand them, this case study presents the ethical framework of the Credo, the other values, and the historic hallmarks.

The ethical framework. A distinguished characteristic of the Credo is that it states a set of relationships rather than a set of rules. This passage from Larsen's speech, then CEO, at the 1999 Shareholders Meeting, explains the Credo's hierarchy of four responsibilities in simple words:

> As the years go by I have become more convinced than ever of the brilliance of the Credo, written more than 50 years ago. This elegant, simple, one page document makes it very clear that people come first — our patients, our customers, our employees and our communities in which we live and work. And remarkably, the Credo concludes by observing that if we strive to sustain this commitment throughout everything we do and in every decision we make, then our shareowners will do okay. And that is exactly what has happened over so many years. As we now close out the decade of the 1990s I am more convinced than ever of the timelessness of this profound document we call the Credo. In an ever more complicated world marked by shifting standards and values, the Credo is for us, in a sense, our North Star (Standards of Leadership, n.d, http://www.andreazintz.com/ ajj.htm).

In addition to the four hierarchies of responsibilities, the Credo also espoused other values, which work as additional guidelines to inspire the employees' decisions.

The other values. The Credo's other values also drive activities at J&J. In fact, most of these values are goals for the company. They are part of the strategic planning and usually are included in the annual report.

In Figure 11, some of these values are highlighted in the Credo text. The values of innovation, creativity, and flexibility have often been part of J&J strategic planning, for example. These values are reinforced when the company decides to invest heavily in R&D and diversify its business. J&J also uses them to attract people during recruiting campaigns.

Burke used to tell his experience regarding how far the entrepreneurial spirit of J&J goes. Once he was called into the office of General Johnson, who was chairman at the time. Johnson said to Burke that he knew Burke's project hadn't worked out, but his failure was completely acceptable to the company. In General Johnson's word "failure is our most important product" (Collins & Porras, 1994, p.147). Instead of being fired, as he had expected, Burke walked away from Johnson's office with a lesson: failures at J&J are a price to pay when creating a healthy entrepreneurial spirit (McGill & Slocum, 1994; Williams & Hart, 1999).

Our Credo

CUSTOMER-DRIVEN	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.	QUALITY MANAGEMENT

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.

CUSTOMER-DRIVEN

QUALITY MANAGEMENT

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**.

EQUITNESS/ FAIRNESS

DIVERSITY

WORK / FAMILY BALANCE

ETHICS

SOCIAL RESPONSABILITY

**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.

ENVIRONMENTAL RESPONSABILITY

CREATIVE AND FLEXIBILITY

COMPETITIVENESS

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.

INNOVATION

Figure 11. The Nuances of the Credo Values.

The historic hallmarks. "To understand a group culture, one must attempt to get at its shared basic assumptions and one must understand the learning process by which such basic assumptions come to be" (Schein, 1992 p. 26). The learning process of J&J culture is intimately related to the Credo history. The evolution of the Credo seen in Figure 12 strongly influenced the shaping and reinforcements of the culture over the years.
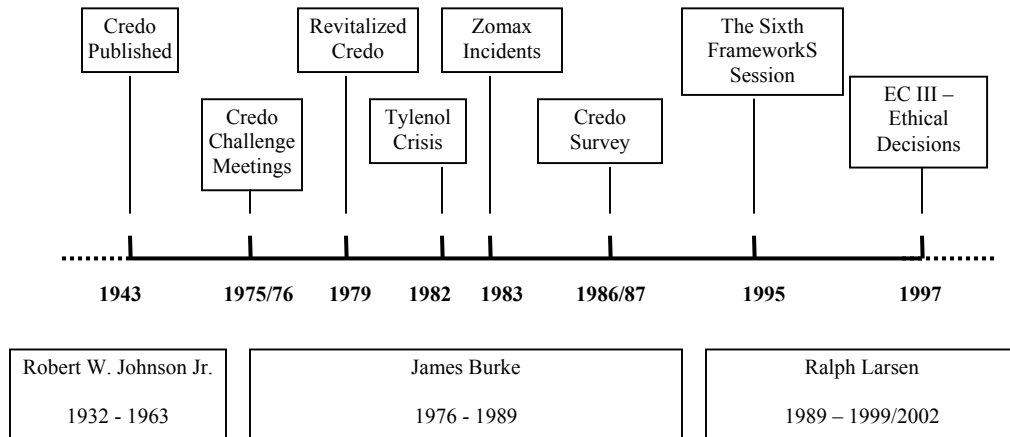
Figure 12. The Hallmarks of Credo.

- 1943: *Our Credo* was published.

Robert W. Johnson, chairman from 1938 to 1963, is recognized as the individual most responsible for shaping the basic assumptions of J&J culture. He created the Credo as a way to formalize his main ideas (Fulmer & Goldsmith, 2000). After its publication, the document received wide public attention and acclaim. Unusual at that time, the idea of putting the customer first and shareholders last was considered farsighted by business leaders and media (http://www.jnj.com/our_company/our_credo_history/index.htm).

- 1975/76: The Credo Challenge Meetings.

Many years had passed since 1943, and CEO Burke realized the need to revitalize people's awareness in terms of what the Credo represented to the organization (Trevino & Nelson, 1999). According to him, the "Credo Challenge Meetings" was a wake-up call regarding the document's values. Motivated by minor improper payments scheme in some of foreign units, Burke decided to challenge the Credo throughout several meetings (Aguilar, 1994): "So I called a meeting of some 20 key executives and challenged them. I said, 'Here's the Credo. If we're not going to live by it, let's tear it off the wall. If you

want to change it, tell us how to change it. We either ought to commit to it or get rid of it'
(Aguilar, p.66).

This was the beginning of several Credo Challenge Meetings. First, the top leaders
opened the meeting by reading the document and giving their own interpretations
afterwards. As a company president who has attended one of the meetings described:
"You feel pretty awkward getting up in front of your people and saying, 'Now I am going
to read the Credo'. But when you've seen Jim Burke do it and how it inspires you, well
you just go ahead" (Nash, 1988, p. 87).

Then they turned the discussion over to the worldwide managers by asking three
challenging questions: "Was the Credo still applicable in whole or in part? Were there
any changes, which should be made? And most importantly, how should it be
implemented in the management of Johnson & Johnson companies?" (Nash, 1988. p. 85).

As the top leaders stimulated the discussions, people were becoming intensely
committed to the corporate values. Strong arguments about the right balance between
profitability and social responsibility constantly heated up the discussions. Burke knew
that these arguments would always exist as newcomers joined the company. But the CEO
also realized that people were gaining ownership over the Credo values as they discussed
them exhaustively. Ultimately, Burke realized that the document was more powerful than
he would have imagined (Foster, 2000).

- 1979: A revitalized Credo.

From the meetings, an updated version called the "Revitalized Credo" was published.
The discussions in the challenge meetings resulted in some changes in the Credo text.
Whereas the original Credo stood out for five responsibilities, the revised version

combined the employees' and managers' responsibilities in one. The environmental

commitment became part of the social responsibility, and other minor changes helped

update the language of the document (see Appendix F and G; Aguilar, 1994).

Not surprisingly, Burke has said that he spent about 40 percent of his CEO agenda

communicating the Credo throughout the company (Collins & Porras, 1994). Just for the

Credo revision, he spent at least 50-60 hours on the process. By taking the Credo

revisions so seriously, the J&J leader showed the seriousness of each word in the

document (Nash, 1988).

- 1982: Tylenol Crisis.

This is the most tangible proof of what Burke had defended during the Credo

Challenge Meetings. As Schein affirmed, "…only the values that are susceptible to

physical or social validation and that continue to work reliably in solving the group's

problems will become transformed into assumptions. By social validation I mean that

certain values are confirmed only by the shared social experience of a group" (1992, p.

20).

The Tylenol crisis was definitely a shared social experience and validation of J&J's

ethical values, to not only insiders but also outsiders. People at the company used to say

that it was the most crucial living example of the Credo's ethical framework. Ironically,

the subsequent energetic actions given the fatalities may have enhanced the reputation of

the company afterwards. Authors say that after the crises (1982 and 1986) the Credo may

have become the most popular statement on corporate responsibility (Aguilar, 1994).

- 1983: Zomax incidents.

The Credo had taken such a wide perspective that not only Burke but also the world started to judge J&J by the values in the document. Respect for the four responsibilities became even more serious. That is why the company didn't hesitate when the management decided to withdraw Zomax from the market. The famous new prescription drug was linked to a dozen fatal allergic reactions, and despite its benefits, J&J discontinued the medication (Foster, 2000; Nash, 1988).

- 1986/87: The Credo Survey.

As mentioned before, the Credo Survey came to play an extremely important role in the maintenance of J&J cultural system. As a worldwide assessment of the Credo values, employees can periodically rate, challenge, share, and improve the real meaning of those values. The survey represents the close of the communication loop. It is the employees' feedback voice. Most of all, it has become a multipurpose management tool.

1995: The sixth FrameworkS session.

Larsen, Burke's successor, also made great contributions to the Credo history, making the document even more meaningful. The Credo became the backbone of several management tools, especially for HR. During the sixth FrameworkS section, *The Standards of Leadership* were developed. Basically, this is a Credo-based set of leadership competencies, which later was deployed at all levels of J&J.

Moreover, Larsen had empowered the Credo Surveys. For example, he included the data results in strategic planning analysis. Today, the survey data analysis, the subsequent meetings with employees, and the needed corrective actions have become part of the managers' agendas. Larsen brought the Credo values to the agenda of each manager at J&J. These are his tenets to the worldwide managers: "Behaving with honesty and

integrity. Treating others with dignity and respect. Applying Credo values. Using Credo

survey results to improve business. Balancing the interests of all constituents. Managing

for the long term" (Executive have to practice moral management, 2002, ¶ 7).

- 1997: Executive Conference III – Ethical Decisions.

The most recent development directly related to the Credo is a training program. The

Executive Conference III is extremely focused on the ethical decision-making process.

During the training, an executive committee member holds a discussion about the Credo

and ethics. Real cases from J&J operations are used to illustrate and incite discussion

around the topic. Then senior executives (usually the top four to five managers in each

operating unit) are asked to evaluate and discuss their recommendations with the

executive committee member (Berger, 1995; Fulmer & Goldsmith, 2000).

At J&J, the word "Credo" is part of the employees' everyday conversations. They

talk about "Credo-based leadership," "Credo issues," "Credo Survey," and so on. To an

outsider, it is difficult to follow so much jargon. It is even more difficult to fully

understand their implications. But it is clear that everything related to the Credo goes

right to the essence of the company. One might even say that the Credo is the *soul* of J&J

culture.

Once the J&J unique cultural system has been explored, the model application

reaches the last and fundamental variable of the case study: the J&J HR best practices. I

will demonstrate how J&J takes advantage of its HR and also OD practices to manage

such strong cultural values.

J&J HR Best Practices: The Channel Choice

The ultimate purpose of this case study is to inspire HR and OD professionals with insightful ideas on how to maintain and develop strong corporate values and beliefs. The variable *HR best practices* represents the communication *channel choice* to manage corporate cultures. I will complete my analysis of the model application by discussing some examples of J&J HR best practices related to the company's values.

Note that not only HR departments but also, and mostly important, top leaders and managers should participate in the HR/OD practices to manage cultural values. In fact, most of the best-in-class practices go beyond the borders of HR departments. At J&J, managers are highly encouraged by the company to focus their agendas on "people issues." Being a role model, developing talents, and communicating J&J's values and beliefs are all part of the managers' agendas. Therefore, the examples of J&J HR best practices are extended past the HR department and represent the top managers' attitude towards values and people.

Nevertheless, the J&J HR department does have unique characteristics, strongly aligned with the company's values. The HR of J&J is described as having high sociability and high solidarity. Within the former, the individuals of an organization work together in a friendly and effective work environment. Within the latter, individuals are characterized as task-centered and motivated to get the job done together (Gareth, 1998; Sathe, 1985).

In order to find a good balance between sociability and solidarity, the HR strategies of communal organizations such as J&J are extremely focused on the maintenance of cultural values. The HR department is expected to create a sociable, cohesive, and goal-

oriented work environment. Whenever changes need to be made, HR professionals are

expected to play a strategic role to assure a smooth transition (Gareth, 1998). J&J is

considered a communal organization, and its HR profile is characterized as "obsessed"

with shared values. The sociable environment, cooperative and friendly, makes it easier

to encourage some of the J&J values such as innovation, creativity, flexibility, and

work/life balance. At the same time, the solidarity side helps assure other J&J values as

the competitiveness, high quality, and customer-driven focus.

Similar to Figure 6 in the Literature Review, Figure 13 illustrates the main

dimensions of J&J HR cultural practices. Throughout the description of some J&J

examples, one can notice the blending of sociability and solidarity characteristics.

Performance Management

Staffing

J&J HR

Cultural

Work Design

Training & Development
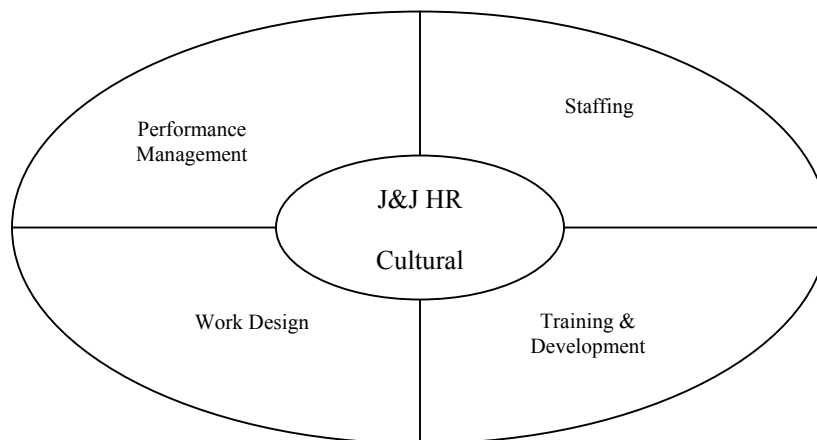
Figure 13. J&J HR Cultural Practices

Work design. J&J work design practices are extremely important when it comes to

processes that promoted the expected behaviors. To begin with, the J&J assumption of

decentralized management is itself a strong work design example. The highly

decentralized structure facilitates value-based behaviors related to innovation, creativity,

flexibility and even diversity. The small and friendly company environment of the 198

operating units promotes the entrepreneurial spirit of J&J employees. The employees feel cooperative towards each other, and are highly encouraged to take intelligent risks.

Moreover, they are accustomed to the ambiguities of the J&J structure. While the company takes a strong decentralized management approach, it is meticulously centralized regarding its global cultural values. In the same way, the balance between sociability and solidarity is also ambiguous. As J&J employees have been surrounded by ambiguity, they feel comfortable facing the ambiguous characteristics of the marketplace as well.

Entrepreneurial spirit, innovation, creativity, flexibility, autonomy, and ambiguity are all values supported by the units' autonomy and the ambiguous work procedures. This unique infrastructure proved to be a key competitive advantage to the Vistakon unit.

In 1987, Vistakon introduced Acuvue disposal contact lenses in the market. Just a few years before the launching, a J&J employee from another division had told the Vistakon president about a Copenhagen ophthalmologist who had developed an inexpensive way of making contact lenses. In less than one year, Vistakon bought the patent rights to the new technology and assembled a team of employees to oversee the product development. A new facility was built and the advertising strategy and commercial support were planned. The result of such fast work took the competitors by surprise and Acuvue has become a very successful product (McGill & Slocum, 1994; McGrath, 1994). It is because the units are very autonomous that Vistakon was able to move from realizing the potential of the innovation to actually launching the product in the market with no delay (McGill & Slocum, 1994; McGrath, 1994).

Along with the decentralized structure, J&J corporate constantly supports the operating units by launching such programs as the Learning Services Group and the Process Excellence. The Learning Service Group is an in-house consulting group designed to assist the operating units in topics related to the workforce performance and adjustment to J&J culture. The Process Excellence offers total quality management principles to help the units achieve competitive and high-quality products (http://www.jnj.com).

Other programs related to the employees' well-being are also among the J&J HR best practices. The Live for Life program is a strong expression of the Credo values in the company's day-to-day activities. Live for Life was created after Burke expressed his desire for having the healthiest employees in the world. The program is focused on exercise, nutrition, stress control, and non-smoking assistance. An array of programs was presented, from offering in-house health fitness facilitates to informative sessions on related topics (Aguilar & Bhambri, 1986).

Another strong work design example based on the Credo values is the FrameworkS. Larsen, then J&J CEO, launched several worldwide meetings called FrameworkS. The capital S functions as a reminder that J&J must view its diverse and decentralized business through multiple frames. The meetings are a powerful management process held whenever necessary to stimulate changes. As Larsen concludes, FrameworkS are "a dramatic innovation in our approach to managing a global organization" (Larsen, 1999, ¶ 7).

J&J is a "company of worries" that is always looking to challenge itself. "We felt that we could become victims of our own success by embracing the false assumption that the

traditional ways of doing things would continue to power our growth" (Larsen, 1999, ¶ 5). Therefore, the executive committee has found through the FrameworkS a structured process to challenge a broad range of global topics.

FrameworkS are a natural extension of the Credo and serve to refresh the values stated in the document. For example, the customer-driven value is reaffirmed in the meetings when worldwide senior managers exhaustively discuss the trends in and needs of the marketplace. The responsibility to the employees in the Credo is a prerequisite of the open discussion, diversity, and free expression that are the roots of the FrameworkS' concept. Valuing employees' input is the strength of the meetings, and innovation, creativity, and competitiveness are basic assumptions. People are together to value multiple frames, ambiguity, and diverse experiences. Ultimately, the idea is to think "outside of the box."

A wide range of issues has been explored at FrameworkS. Senior managers from different divisions and backgrounds get together, determined to spend time and energy on a specific topic. Then they deploy specific actions that could take up to 6 months of planning (Foster & Kaplan, 2001; Larsen, 1993). Topics are broad-based, varying from U.S health care reform to health care in China, or even broader topics such as Growth, Innovation, Operations and Performance. However, the sixth Framework session, called "Leadership, Teamwork and Change," has created substantial differences in J&J HR/OD cultural practices. The outcomes have led J&J to refresh some of its values and update others. Out of the FrameworkS 6, four points became the organizational focus:

1. Improvement in aligning the management system (compensation, rewards, and succession planning) in order to support change,

2.   Action-oriented education and development program in terms of culture/leadership needs.

3.   Needed changes the leadership style and reward, and

4.   Existence of cross-sector opportunities within the decentralized structure that can be improved.

The four focused points from FrameworkS 6 have inspired most of the examples in the next section: Training & Development, which focuses on leadership development programs.

Training & development. In a study of 35 well-known organizations, J&J was among the six considered to have a strong and innovative leadership process (Fulmer, Gibbs & Goldsmith, 2000; Fulmer & Wagner, 1999). Thus, J&J leadership development programs also make an excellent example of cultural practices.

 J&J develops a specific methodology called i-Lead to prepare future leaders. The i-Lead process (Figure 14) provides a guide for employees so that each one, along with his or her immediate superior, can establish a customized development plan. Shaping future leaders' skills is a key element to maintaining and reinforcing corporate values.

The i-Lead process is structured in three levels: individual, managerial support, and organizational resources (Figure. 13). According to each level, there is a specific set of roles to play, aligned with J&J shared values. While each individual seeks feedback and improvement of leadership skills, the managerial level mediates between the other two levels with an effective communication process. The managerial level also acts as the role model of J&J cultural values. Therefore, this level should provide constant "on-the-job training" in how to be a leader at J&J. The third level is represented by J&J as whole,

which provides systems, work processes, tools, and resources necessary to develop an

authentic J&J leader (http://www.jnj.com).

Source: http://www.jnj.com/careers/ilead.html

Figure 14. The i-Lead Process

    J&J practices are tightly correlated with each other. Thus, the Standards of

Leadership (SOL) model comes out of the center of i-Lead model (Figure 15). SOL was

created during the FrameworkS 6 with the participation of more than 200 Johnson &

Johnson senior managers from around the world (Larsen, 1999)**.** The objectives of the

model were to:

- Align to J&J core strengths

- Have worldwide applicability

- Be adaptable to a wide range of situations

- Have a simple approach

- Be an agent of behavior change

- Be the core of leadership development programs.

SOL, launched in November of 1997, has become a wide-based framework, driving most of J&J HR programs such as recruitment, training, evaluation, and appraisal and reward systems, and is presented during the recruiting campaigns and on the first day of newcomers. It is an HR tool used throughout the company because it illustrates the relationship among J&J's main competencies. "The Standards of Leadership (Figure 15) has the Credo at its core, with business results around it. The 'pinwheel' contains five major clusters of competencies that describe the standard for the future J&J leader" (Standards of Leadership, n.d, http://www.andreazintz.com/ajj.htm).

Source: http://www.jnj.com/careers/standards.html

Figure 15. The Standards of Leadership (SOL)

Five competency clusters define the major dimensions of leadership, considered

fundamental to sustain the strength of J&J competitiveness. Illustrated by Figure 14, the

key leadership standards were defined as:

- A focus on the customer and the marketplace

- A commitment to innovation

- Working with suppliers and customers to develop interdependent partnering

- Management of complexity and positive change

- Creation of an environment where achievement is valued

Within each competency cluster are specific competencies defined by a set of

behavioral indicators (see Appendix L). Extending from those major competencies, J&J

HR customized these behaviors into the job descriptions that subsequently are reflected in

training needs and standards for the performance evaluations.

The Credo Values at the center were also deployed in six simple statements to help

the materialization of them. They are:

- Treating other with dignity and respect

- Applying Credo Values

- Using Credo Survey results to improve the business

- Behaving with honesty and integrity

- Balancing the interests of all constituents

- Managing for the long term

Similarly, the business results represented by the next most important layer

immediately surrounding the Credo values have twelve points. They can be seen as the

major key performance indicators that should be constantly evaluated by the operating

units.

- Customer satisfaction

- Product quality

- New product flow

- Cost effectiveness

- Regulatory compliance

- People development

- Productivity

- Environmental/safety responsibility

- Cash flow

- Volume growth

- Market share

- Income growth

In addition to developing the SOL as the major leadership standard for all levels

based on the Credo values, a training program named Executive Conference III targets

the ethical issues of becoming a future leader at J&J. The Executive Conference III lasts

five days, and participants also have pre-work to be done and a required follow-up one-

day conference 90 to 120 days later. It is an action-based learning process, including

personal evaluation using 360-degree feedback, discussions about ethical decision-

making and Credo values, and recommendations to the senior executive (Anonymous,

2001; Fulmer, 2001; Fulmer & Goldsmith, 2000).

These examples along with other training and development programs as the Executive Development and Leadership Challenge (see Fulmer's article) are responsible for shaping leaders' skills at J&J. Such programs have been key elements in assuring not only the pragmatic needs of the business environment but also the corporate values.

Performance management. Performance management represents a very important piece of J&J HR cultural practices. In brief, " the performance management system is a funnel that takes macro goals down to individual jobs and behaviors. Without such a system, critical business issues will fail to be addressed, and values will not turn into behaviors" (Trevino & Nelson, 1999, p.279).

At J&J, the performance management process actively uses the Credo and the SOL as a foundation. The competencies of the SOL framework along with the Credo values are the basis for any employees' job responsibilities and goals, training and development needs, performance appraisal and variable compensation.

In the beginning of the year, the employees' objectives are established. A mid-year assessment determines an employee's performance status. At the end of the year the final evaluation is completed. The reward, which is variable compensation, varies according to salary, bonus, stock award, and stock options.

Like any other goal-oriented organization, employees are expected to achieve desired business results and are rewarded for doing so. However, achieving business objectives is not enough at J&J; *how* the employees achieve their goals is also important. In other words, employees are rewarded by achieving results in ways that exemplify and do not compromise the corporate values (http:// www.jnj.com). As former CEO Larsen stated,

"Within Johnson & Johnson, you can't be a good leader if you don't believe in and try to live up to the Credo" (Foster, 2000, ¶ 12).

Among the monetary-based award programs that J&J offers to the employees, the "Standards of Leadership Award" program is directly related to the reinforcement of the values. This award provides a lump-sum payment of up to 50 percent of an employee's salary for extraordinary contributions to the business based on the corporate values.

Staffing. The staffing process at J&J can be summarized by the following practices. First, prospective associates who have the "cultural fit" with the company are recruited. Second, during the hiring process, the orientation program helps to define to newcomers the J&J cultural vocabulary, including terms such as SOL, Credo values, Credo issues, and the Credo survey. Retention automatically follows as a positive outcome of matching the values and expectations between the employees and J&J.

Because J&J HR is extremely conscientious about its recruiting process, the hiring and retention steps often have successful outcomes. In contrast to other HR departments that wait for the employee orientation sessions to display the information about company values and beliefs, J&J has a pro-active attitude. During its recruiting campaigns, the company stimulates the candidates to learn about the SOL competencies and the ethical issues related to the Credo. In 1999, J&J launched an innovative recruiting campaign that targeted not only active job seekers but also passive ones. In addition to an internal employee referral program, the J&J Web site has a comprehensive overview of the company culture and structure for prospective candidates (Gilbert, 2002). The J&J Web site provides detailed information with employees' testimonies about the cultural environment, values, benefits, compensation, and the Credo history. The site lists a wide

range of career opportunities available at the company. Those features have contributed

to the increased percentage of candidates hired through the Internet. In addition, a

decentralized hiring team that executes the staffing activities through the Web site is a

clear advantage for the autonomous operating units (Gilbert, 2002; http://www.jnj.com).

According to Vikas Shirodkar, J&J vice president of HR & Administration, the

competencies stated in the SOL are also the parameters for the "observable behaviors" of

the entry-level talents. The company has developed a method called "STAR" (situation,

technique, action, results) to recruit the J&J future leaders. "The STAR is basically

around where the candidate has to identify a certain situation and then substantiate how a

certain technique is deployed to drive result-oriented action" says Shirdodkar ("J&J:

raising bar," 2002, ¶ 1).

A tight relationship exists among J&J work design, training & development,

performance management and staffing, and the corporate values. J&J cultural system is

carefully managed to reaffirm the same set of values and beliefs over and over by

different means. Through the five variables on the model application, J&J top leaders'

words and actions have been shown to be extremely culture-based. J&J HR/OD

professionals seem to follow the same cohesive cultural practices.

V. DISCUSSION

The extensive literature on corporate culture and human resource management has demonstrated the impact of company values and beliefs on HR practices. However, this research demonstrated that HR practices not only are influenced by the cultural values but also, and most important, can strongly influence corporate values in turn.

After proposing a corporate culture communication model and applying the model in the J&J case study, the findings of this research suggested that:

(1)   HR/OD professionals have a new role as corporate culture facilitator. In other words, the HR practices should play the role of an effective channel choice to communicate corporate culture.

(2)   Strong corporate cultures could be best-in-class examples of an effective use of HR practices to strengthen cultural values.

Both findings can inform HR/OD professionals and organizations when it comes to improving the effectiveness of culture communications. The example provided by J&J shows how to fully leverage HR practices by applying and linking them to a cultural system. At J&J, the values stated by the top leaders become the "in-use" values because of its best practices. The company's values are reflected in the everyday activities since the work procedures support them, the training programs teach them, and the performance evaluations recognize and reinforce them.

Certainly, HR practices are not the only channel choice to communicate a culture. In fact, an organization should look for different options for channel choice when it comes to constantly promoting and refreshing its values. For example, top leaders could use

corporate announcements and events to promote the corporate values. Senior leadership should also make themselves role models of the expected attitudes and behaviors.

The key, however, is that HR practices should be considered a top choice corporate communication channel. This channel choice is differentiated by its long-term potential to reduce the gap between stated values and in-use values. Even if there are changes in the organizational leadership, the corporate values can last forever if consistently emphasized by practices and policies.

<div align="center">Conclusions</div>

As a source of inspiration, many aspects of J&J's experiences and practices can be generalized to situations faced by other organizations. This case study aimed to be relevant to HR/OD professionals and top managers who are willing to develop and maintain strong corporate values and beliefs. I draw four main conclusions:

Conclusion 1. Making corporate values stronger is a matter of developing a cohesive cultural system in which including the HR cultural practices is very important. Thinking about HR strategies and practices is as necessary as structuring the corporate values. As Gareth emphasizes:

> Past literature on organizational culture has proclaimed the notion of the one best model…. This is surely a mistake. You can be a successful organization with any of these cultural types, providing that your culture fits your business environment and is built around your critical business processes. But the HR agendas of each type will be markedly different (Gareth, 1998, ¶ 7).

Tactically, the HR strategy of an organization should begin by carefully recruiting the right people. The recruiting process should be focused on getting potential candidates for the company who have personal values similar to the organization's values. The cultural fit must be a highly weighted selection factor in a strategic HR. A company should strive to make its values clear to the prospective employees right from the beginning of its recruiting campaigns. So, the culture communication begins even when an employee is still a prospective candidate.

Conclusion 2. Creating strong cultural values depends on collective participation. Employees are more likely to apply corporate values if they are constantly involved in the process of building and strengthening them. Ownership has always been a key ingredient to employees' self-involvement.

Open discussions with employees have proved to be a popular and effective practice at J&J. Both Burke and Larsen, previous J&J CEOs, have taken the approach of formally involving a broad set of employees in high-level discussions (i.e. Credo Challenge Meetings and the FrameworkS) when dealing with unusual and potentially challenging situations. Maybe if General Johnson had not written the Credo, J&J would have done so during one of those discussion sessions. As Burke says, "If we hadn't had a Credo, we would have had to invent one" (Nash, 1988, p.104).

Therefore, an HR department needs to be strategically involved not only with the recruiting process but also with work designs that promote empowerment, ownership, and collective participation.

Conclusion 3. Consciously challenging the values doesn't mean disrespecting or weakening a culture. An organization should create work procedures and performance

evaluation criteria that support and reward participation and open discussion. The HR

agenda must consider promoting discussion of corporate values. Companies should re-

evaluate and revise formal missions, visions, and statements of values on an ongoing

basis, involving employees' participation. The Credo survey is an excellent example of

seeking employees' participation to challenge J&J values in a regular basis.

Through several check and balance practices, senior leadership and management

should show their willingness to assess whether the values are shared throughout the

organization. In fact, when creating periodical assessments of the corporate values'

relevance and accurateness, companies will likely have a much stronger culture than they

would have had without challenging values at all. J&J, a 118-year-old company, has

reinvented ways of sustaining the employees' attention to the symbol of its culture due to

constant discussions about the Credo values.

Conclusion 4. A company should avoid stating business goals instead of values when

communicating the culture. Top leaders should be cautious when communicating goals

and values; usually, they are very interconnected but are not identical. Stating a

company's goals for five years is far different from espousing timeless values. Examples

have shown that strong values have not become part of a corporate culture due to the

favorable competitive advantages or business environment. The following passage of a

previous J&J CEO illustrates this rationale:

> In Burke's opinion, everyone has to live and work from his or her own
>
> values. He feels that a highly detailed set of rules would not be as effective
>
> as the General's tenets in ensuring commitment to basic company
>
> responsibilities…"What is so powerful about the Credo is that the

document is so simple. You have to decide what is the right course in a specific instance" (Nash, 1988, p.92).

In conclusion, corporate culture may be one of the most important assets of a company. Certainly, strengthening a corporate culture is not a one-time event. It is a cumulative and ongoing process to be managed over the years. Most important, it is a communication process by which HR should play the strategic role of communication channel. As illustrated by the J&J case study, HR/OD professionals can explore a variety of formal and informal practices to maintain and develop a strong corporate culture. Once HR/OD professionals become aware of the potential of cultural facilitation, they can leverage the most traditional HR practices and see them from the perspective of a culture communication channel.

<center>Limitations, Implications, and Future Research</center>

While this study proposes a model that can be applied in virtually any organization, certain limitations and implications do exist. The discussion of limitations and implications goes beyond the methodology and is extended to theory and practice of the model as well.

The model application is limited to one organization, Johnson & Johnson. Although I am aware of the sample size limitation, this choice has been made due to the need for an in-depth analysis of a corporate culture system. Only after fully understanding J&J cultural values could the connections to the HR practices be explored. Future researchers could gather data from more than one organization to enrich the examples of best-in-class HR practices.

In addition, the characteristics of an ethnographic case study can also be a limitation by themselves. The option for a qualitative methodology could be subject to some rational bias. Even though I spent twelve weeks in a rewarding internship, I was still an outsider inquiring into the culture. Thus, a potential bias should be accounted for when describing the elements of J&J corporate culture.

To diminish the effect of the described bias and validate the assumptions about J&J culture system, I have performed an extensive outside-in assessment on the company. Conclusions were drawn from the combination of personal observations and analyses, and findings related to J&J's culture system.

Note that the ultimate goal was to explore the application of a model that combines three updated topics in the management literature: corporate culture, corporate communication, and HR strategic role. To this end, I have studied a strongly representative sample. Johnson & Johnson has been considered an example of strong culture and ethical values in countless studies in management literature (see Aguilar, 1994; Collins & Porras, 1994; Deal and Kennedy, 1982; Foster & Kaplan, 2001; Kotter & Heskett, 1992; Peters & Waterman, 1982; Nash, 1988; Waterman, 1994).

The theory and practice of the model—Corporate Culture Communication Strategy— has limitations and implications worth mentioning as well. Most important, the proposed model assumes that the HR practices will be fully supported by top executives and managers. In other words, the HR professionals can be effective in their roles as cultural facilitators if there is a top-down commitment to such a strategic role. The leadership role is an important aspect of corporate culture strength, and if it is not aligned to the values

stated by the company, HR/OD professionals will find it substantially challenging to gain the respect of the employees.

Finally, future researchers should focus on potential applications of the model. The theory could be applicable to different studies related to corporate culture communication. While this study will be limited to one channel choice (HR practices) and one constituency (employees), the proposed model may be applied by using either other channel choices or other constituencies. For example, corporate culture goes beyond the boundaries within the organizations. The culture of an organization is extended to its corporate image. A corporate culture communication strategy targeting customers or communities can be interesting to develop. Additionally, examples of less successful corporate cultures can be explored. Applying the same model to corporations that have weak interactions between cultural values and HR/OD practices can provide valuable lessons learned to the professionals in the field.

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http://www.jnj.com/careers/standards.html

http://www.jnj.com/our_company/awards/index.htm.

http://www.jnj.com/our_company/family_of_companies/index.htm.

http://www.jnj.com/our_company/fast_facts/history.htm.

http://www.jnj.com/our_company/index.htm.

http://www.jnj.com/our_company/our_credo/index.htm.

http:// www.hoovers.com.

http://www.yahoo.com.

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APPENDICES

APPENDIX A:

J&J Shareholders Returns (1980 – 2001)

Source: http://www.yahoo.com; http://www.jnj.com.
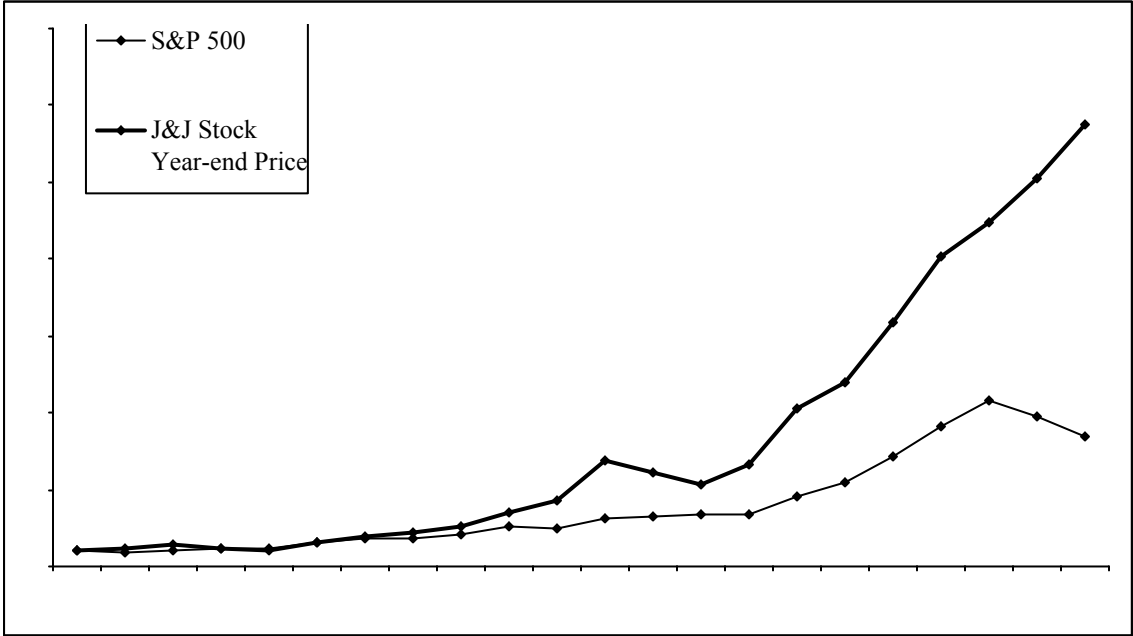
APPENDICE B:
J&J Total Revenues Growth (1991 – 2001)

Source: Johnson & Johnson Annual Report 2001

APPENDICE C:
J&J Revenues and R&D Expenses (1991 – 2001)

Source: Johnson & Johnson Annual Report 2001

APPENDICE D:

J&J Key Acquisitions and Divestitures (1991 – 2001)

Key Acquisitions

1991
- CLEAN & CLEAR skin care lines from Revlon
- Õo.b.Õ sanitary protection business from former joint venture partner Sara Lee
- Joint purchase with Merck of Woelm PharmaÕs OTC business in Germany

1992
- SAVLON antiseptic business from ICI Industries
- STERION sterilization container system from Monarch
- PLAX dental rinse business in Japan from Colgate Palmolive

1993
- RoC S.A. group (marketer of hypo-allergenic skin, body and beauty care products worldwide) from LVMH
- ORTHOXICOL line of cough and cold products from Upjohn in Australia

1994
- Neutrogena Corporation for $924 million
- Eastman KodakÕs Clinical Diagnostics business for $1,008 million
- Mitek Surgical Products (suture anchor products)
- Menlo Care (vascular access products to hospital and home health care professionals)
- Joint Medical Products (artificial hips and knee joints)
- Gyno Pharma, exclusive licensor and marketer of PARAGARD T380 A (intrauterine device) in U.S.
- UltraCision (ultrasonic surgical instruments)

1996
- Cordis, maker of heart disease products for approximately $1.8 billion
- Indigo Medical, pioneer in use of lasers for interstitial thermotherapy
- Exercise of option to purchase trademarks of Lactaid

1997
- Biopsys Medical (MAMMOTONE Breast Biopsy System)
- Biosense, leading developer of medical sensor technology
- Gynecare (minimally invasive medical devices in treatment of uterine disorders)
- OTC rights to Motrin from Pharmacia and Upjohn

1998
- DePuy, leading orthopaedics company (reconstructive products, spinal implants, trauma repair, and sports-related injuries)
- Merger with biotech firm, Centocor
- AVEENO, skincare business, from S.C. Johnson & SonÕs
- Angiogard (embolic containment device)
- Assets to CygnusÕ drug delivery business
- Assets to Medscand related to the TVT incontinence product
- Stock purchase of Horizon Health Services (ambulatory surgery center management)

1999
- Innovasive Devices (sports medicine surgery)
- Atrionix (pulmonary ablation catheter for atrial fibrillation)
- Medtrex (electrosurgical generators and disposable products)
- ST. JOSEPH aspirin

2000
- Alza, drug/drug-delivery system maker, for $11.8 billion
- Heartport, maker of minimally invasive heart surgery equipment
- BabyCenter (parenting resource) from e-Toys

1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001

Key Divestitures

- Devro edible sausage casings
- Professional dental products DISPERSALLOY, UNISON, DELTON, NUPRO and dental composites
- Sterile Design division of J&J Medical Products
- CHUX disposable wiping cloth business in Australia and New Zealand
- Janssen Chimica prepak and bulk chemicals supply business
- ŅAÓ Company orthodontic supplies business
- Ophthalmic pharmaceutical product line of IOLAB Corporation to Ciba Vision for $300 million
- J&J Advanced Materials Company and Chicopee B.V. (non-woven materials used in health care, consumer and industrial applications
- IOLAB ophthalmic surgical business to Chiron Corporation

Source: Johnson & Johnson Annual Report 1982, 2000, 2001; http:// www.jnj.com; http:// www.hoovers.com

APPENDICE E:
J&J Pharmaceutical Reputation Rank (2002)

Overall Reputation Ranking

Rank	Company
1	**Johnson & Johnson**
2	Merck
3	Pfizer
4	GlaxoSmithKline
5	Genetech
6	Bayer
7	Eli Lilly
8	Bristol-Meyers Squibb
9	Novartis
10	Aventis
11	AstraZenca
12	Abbott Laboratories
13	Pharmacia
14	Schering-Plough
15	Roche
15	Wyeth

Ethics

Rank	Company
1	**Johnson & Johnson**
2	Merck
3	Eli Lilly
4	Bayer
5	GlaxoSmithKline
6	Pfizer
7	Bristol-Myers Squib
8	Novartis
9	Aventis
9	Genentech
9	Pharmacia
12	Schering-Plough
13	Roche
14	Abbott Laboratories
15	AstraZenca
16	Wyeth

Workforce/Processes

Rank	Company
1	Genentech
1	Johnson & Johnson
1	Merck
4	GlaxoSmithKline
5	Bayer
5	Eli Lilly
7	Pfizer
8	AstraZeneca
8	Bristol-Myer Squibb
10	Aventis
11	Novartis
12	Pharmacia
13	Abbot Laboratories
14	Wyethe
15	Schering-Plough
16	Roche

Financial Stability

Rank	Company
1	Johnson & Johnson
2	Merck
3	GlaxoSmithKline
3	Pfizer
5	Bayer
5	Novartis
7	Bristol-Myers Squibb
8	AstraZeneca
8	Eli Lilly
10	Aventis
11	Abbott Laboratories
12	Pharmacia
13	Schering-Plough
13	Wyeth
15	Roche
16	Genetech

Social Responsibility

Rank	Company
1	Johnson & Johnson
2	Genetech
3	Merck
4	Eli Lilly
5	AstraZeneca
5	GlaxoSmithKline
7	Bristol-Myers Squibb
8	Bayer
9	Novartis
10	Pfizer
11	Roche
12	Aventis
13	Abbott Laboratoires
14	Wyeth
15	Pharmacia
16	Schering-Plough

Competitiveness

Rank	Company
1	Merck
2	Johnson & Johnson
3	Pfizer
4	Genentech
5	GlaxoSmithKline
6	Bayer
7	Eli Lilly
8	Bristol-Myers Squibb
9	Novartis
10	AstraZeneca
10	Aventis
12	Abbot Laboratories
13	Pharmacia
14	Schering-Plough
15	Roche
16	Wyeth

Marketing Effectiveness

Rank	Company
1	Johnson & Johnson
2	Pfizer
3	Merck
4	Bayer
5	GlaxoSmithKline
6	Bristol- Myers Squibb
7	Eli Lilly
8	Aventis
9	AstraZeneca
9	Genentech
11	Novartis
12	Abbot Laboratories
13	Roche
14	Schering-Plough
14	Wyeth
16	Pharmacia

Strategic Alliances

Rank	Company
1	Johnson & Johnson
2	Pharmacia
3	Bayer
3	Pfizer
5	Merck
6	Novartis
7	Aventis
8	Bristol-Myers Squibb
9	Eli Lilly
10	Genentech
11	GlaxioSmithKline
12	AstraZeneca
13	Roche
13	Schering-Plough
13	Wyeth
16	Abbott Laboratories

Charitable Support

Rank	Company
1	Genentech
1	Johnson & Johnson
3	Bayer
4	Merck
5	Eli Lilly
6	Pfizer
7	Bristol-Myers Squibb
8	Wyeth
9	Schering-Plough
10	Pharmacia
11	Aventis
11	Roche
13	GlaxoSmithKline
13	Novartis
15	AstraZenenca
16	Abbott Laboratories

Source: http:// www. PharmExec.com

APPENDICE F:
J&J Some Recognitions and Awards (1991 – 2003)

Year	Organization	Citation
2003	Fortune Magazine	Fortune Magazine ranked Johnson & Johnson as the 6th Most Admired Company in America and the first among pharmaceutical companies.
2003	Harris Interactive The Reputation Institute	According to the results of an annual reputation poll conducted by Harris Interactive and published in The Wall Street Journal, Johnson & Johnson was acknowledged for having the best corporate reputation in America for the fourth straight year.
2002	The Globe and Mail's Report on Business magazine	Janssen-Ortho Inc. received the second place ranking out of the top 50 Best Companies to Work For in Canada according to an annual survey conducted by Report on Business magazine and Hewitt Associates, North America's largest human-resources consulting firm. Published monthly in The Globe and Mail, Report on Business magazine is one of Canada's pre-eminent business publications, offering readers authority and insight with its award-winning coverage of business and economics.
1986 - 2002	Working Mother magazine	Johnson & Johnson was ranked as one of the 100 Best Companies for Working Mothers by Working Mother magazine for the 17th consecutive year.
2002	Science Magazine	A recent survey sponsored by Science's Office of Publishing and Member Services asked life scientists which biotechnology and pharmaceutical companies made the best employers and why. Johnson & Johnson was ranked number one in the ṆBest in Class- Loyal EmployeesÓ and number two in ṆBest in Class Work Culture Values.Ó Overall Johnson & Johnson was ranked third in the survey. Johnson & Johnson was noted for being a socially responsible workplace that fosters an alignment between work and personal values.
2002	Pharmaceutical Executive Magazine	Johnson & Johnson scored the number one ranking overall in a recent evaluation of pharmaceutical company reputations, according to an article in Pharmaceutical Executive Magazine.
2001	Business Review Weekly	Named Johnson & Johnson as one of the top "Employers of Choice" in Australia. This award exemplified Johnson & Johnson's recruiting and management efforts within the respective country.
2001	Employment Management Association	The Employment Management Association named jnj.com/careers "Best of Category" for its online handling of career opportunities. The EMA is a national organization that provides companies with the resources to handle issues associated with all areas of the employment process.

Year	Organization	Citation
2000	Pharmaceutical Executive Magazine	Johnson & Johnson named among the Top Five Pharma Companies for Women.
1998	Fortune Magazine	In August, in its inaugural list of America's best companies for minorities, Fortune ranked Johnson & Johnson in the Top 50 Best Companies for Asians, Blacks and Hispanics.
1998	American College of Occupational and Environmental Medicine	Johnson & Johnson was named one of four national winners of the Corporate Health Achievement Awards.
1998	Council on Economic Priorities	The Council named Johnson & Johnson as one of the top 50 companies in the country for Blacks, Hispanics and Asians.
1997	Working Mother Magazine	Named CEO Ralph Larsen and VP Chris Kjeldsen among 25 men in America who are "Champions for Working Parents."
1996	US Department of Labor	Named Johnson & Johnson to its "Working Women Count Honor Roll."
1996	Advertising Council	CEO Ralph Larsen chosen as 1996 Public Service Award Winner (Philanthropy and Balancing Work and Family Programs).
1995	New Jersey Monthly	New Jersey Monthly magazine named Johnson & Johnson among 10 companies Š "Best Place to Work."
1991	Families and Work Institute	Johnson & Johnson identified as the most family friendly company in the country.
1991	OFCCP	The Department of Labor's Office of Federal contract Compliance Programs (OFCCP) presented Johnson & Johnson with the Opportunity 2000 Award, the highest award granted to an employer, for its initiatives in creating upward mobility for women and establishing Work & Family Programs.

Source: http:// www.jnj.com

APPENDICE G:
The Current Version of the Our Credo

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.

Source: http://www.jnj.com/our_company/our_credo/index.htm

APPENDICE H:

The Original Version of the Our Credo

OUR CREDO

WE BELIEVE THAT OUR FIRST RESPONSIBILITY IS TO THE DOCTORS, NURSES, HOSPITAL,

MOTHERS, AND ALL OTHERS WHO USE OUR PRODUCTS.

OUR PRODUCTS MUST ALWAYS BE OF THE HIGHEST QUALITY.
WE MUST CONSTATNLY STRIVE TO REDUCE THE COST OF THESE PRODUCTS.
OUR ORDERS MUST BE PROMPTLY AND ACCURATELY FILLED.
OUR DEALERS MUST MAKE A FAIR PROFIT.

OUR SECOND RESPONSIBILITY IS TO THOSE WHO WORK WITH US –
THE MEN AND WOMEN IN OUR PLANTS AND OFFICES.
THEY MUST HAVE A SENSE OF SECURITY IN THEIR JOBS.
WAGES MUST BE FAIR AND ADEQUATE,
MANAGEMENT JUST, HOURS REASONALBE, AND WORKING CONDITIONS CLEAN AND ORDERLY.
EMPLOYEES SHOULD HAVE AN ORGANIZED SYSTEM FOR SUGGESTIONS AND COMPLAINTS.
SUPERVISORS AND DEPARTMENT HEADS MUST BE QULIFIED AND FAIR-MINDED.
THERE MUST BE OPPORTUNITY FOR ADVANCEMENT – FOR THOSE QUALIFIED
AND EACH PERSON MUST BE CONSIDERED AND INDIVIDUAL
STANDING ON HIS OWN DIGNITY AND MERIT.

OUR THIRD RESPONSIBILITY IS TO OUR MANAGEMENT.
OUR EXECUTIVES MUST BE PERSONS OF TALENT, EDUCATION, EXPERIENCE, AND ABILITY.
THEY MUST BE PERSONS OF COMMON SENSE AND FULL UNDERSTANDING.

OUR FOURTH RESPONSIBILITY IS TO THE COMMUNITIES IN WHICH WE LIVE.
WE MUST BE A GOOD CITIZEN – SUPPORT GOOD WORKS AND CHARITY,
AND BEAR OUR FAIR SAHRE OF TAXES.
WE MUST MAINTAIN IN GOOD ORDER THE PROPERTY WE ARE PRIVILEGED TO USE.
WE MUST PARTICIPATE IN PROMOTION OF CIVIC IMPROVEMENT,
HEALTH, EDUCATION AND GOOD GOVERNMENT,
AND ACQUAINT THE COMMUNITY WITH OUR ACTIVITES.

OUR FITTH AND LAST RESPONSIBILITY IS TO OUR STOCKHOLDERS.
BUSINESS MUST MAKE A SOUND PROFIT.
RESERVES MUST BE CREATED, RESEARCH MUST BE CARRIED ON,
ADVENTOUROUS PROGRAMS DEVELOPED, AND MISTAKES PAID FOR.
ADVERSE TIMES MUST BE PROVIDED FOR, ADQUATE TAXES PAID, NEW MACHINES PURCHASED,
NEW PLANTS BUILT, NEW PRODUCTS LAUNCHED, AND NEW SALES PLANS DEVELOPED.
WE MUST EXPERIMENT WITH NEW IDEAS.
WHEN THESE THINGS HAVE BEEN DONE THE STOCKHOLDER SHOULD RECEIVE A FAIR RETURN.
WE ARE DETERMINED WITH THE HELP OF GOD'S GRACE,
TO FULFILL THESE OBLIGATIONS TO THE BEST OF OUR ABILITY.

Source: Collins & Porras, 1994, p.59.

APPENDICE I:

The Main Global Affiliates by Business Segments

Consumer Business Segment:

- Greiter AG

- Johnson & Johnson Consumer Products Company

- Johnson & Johnson • Merck Consumer Pharmaceuticals Co.

- Johnson & Johnson Sales and Logistics Company

- McNeil Consumer & Specialty Pharmaceuticals

- McNeil Nutritionals

- Neutrogena Corporation

- http://www.jnj.com/careers/ - Ortho DermatologicalPENATEN

- Personal Products Company

- RoC S.A.

Pharmaceutical Business Segment:

- Centocor, Inc.

- http://www.jnj.com/careers/ - CentocorJanssen-Cilag

- Janssen Pharmaceutica Products, L. P.

- Johnson & Johnson Pharmaceutical Research & Development, L.L.C.

- Noramco, Inc.

- Ortho Biotech Products, L.P.

- Ortho-Neutrogena

- Ortho-McNeil Pharmaceutical, Inc.

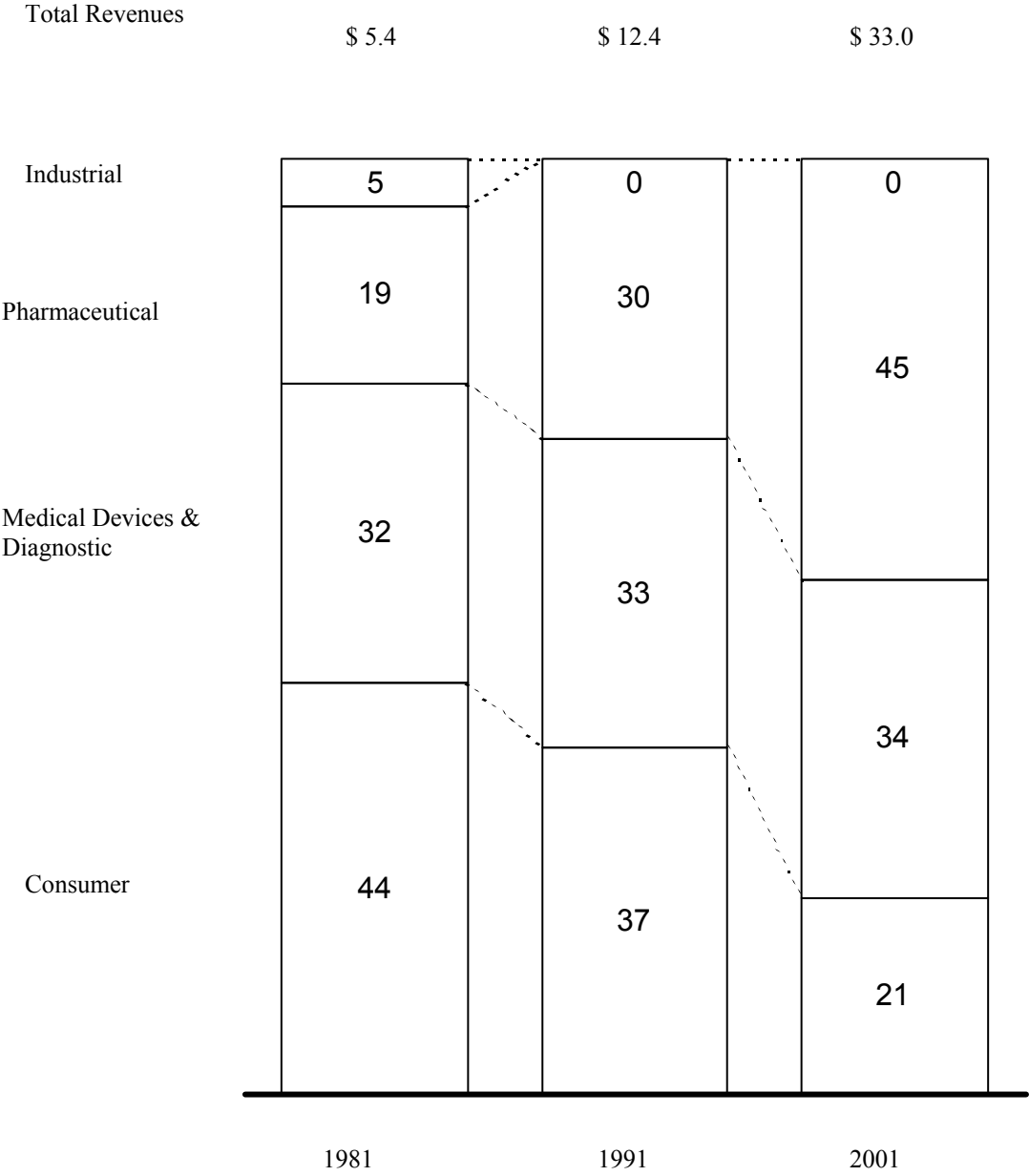Medical Devices and Diagnostics (Professional) Business Segment:

- Advanced Sterilization Products

- Cordis Corporation

- DePuy, Inc.

- ETHICON, INC.

- Ethicon Endo-Surgery, Inc.

- Independence Technology, L.L.C.

- Johnson & Johnson Health Care Systems Inc.

- http://www.jnj.com/careers/ - Johnson & Johnson MedicalLifeScan, Inc.

- Ortho-Clinical Diagnostics, Inc.

- The Spectacle Lens Group of Johnson & Johnson Vision Care, Inc.

- THERAKOS, Inc.

- Vistakon, Division of Johnson & Johnson Vision Care, Inc.

Source: http://www.jnj.com/careers/global.html

APPENDICE J:

Total Revenues by Business Segments

Total Revenues

$ 5.4 $ 12.4 $ 33.0

	1981	1991	2001
Industrial	5	0	0
Pharmaceutical	19	30	45
Medical Devices & Diagnostic	32	33	34
Consumer	44	37	21

1981   1991   2001

Source: J&J Annual Report 1982, 2000, and 2001.

APPENDICE L:

The Behaviors of SOL Competencies

These are some of the behaviors required to each of the five leadership competencies of the SOL framework.

Customer/Marketplace Focus

- Creates value for customers
    - Projects a sense of passion about customers
    - Recognizes the range of customers and their needs
    - Serves as the voice of the customer
    - Uses customer-perceived value as the key criterion for the design of current and future products and services
- Focuses externally
    - Analyzes market forces and positions Johnson & Johnson to capitalize on opportunities
    - Seizes the advantage of being first
    - Benchmarks competitive practices and performance.

Innovation

- Forges a vision of the future
    - Visualizes and communicates the future
    - Develops strategies for growth
    - Inspires others to commit to the vision
    - Executes vision and strategy
- Fuels business growth
    - Acts and encourages others to be entrepreneurial
    - Finds and exploits new opportunities
    - Takes risks and manages them intelligently
    - Demands the pursuit of stretch goals for self and others
- Promotes innovation and continuous learning
    - Generates and encourages creative ideas

- o   Finds new ways to do things better and faster

- o   Challenges and encourages others to challenge the status quo

- o   Transfers ideas and successes across boundaries

- o   Promotes quality improvement as a value and a process

- o   Finds new ways to use technology more effectively

- o   Learns from personal and organizational experiences

Interdependent Partnering

- • Builds interdependent partnering

  - o   Cooperates across functions, business units and geographic boundaries

  - o   Leverages technology, products and services across boundaries

  - o   Establishes mutually beneficial objectives; clarifies roles and accountabilities with

    partners

  - o   Communicates commitment to the success of the partnership in both words and actions

Masters Complexity

- • Manages complexity

  - o   Thinks analytically and acts decisively

  - o   Thrives in uncertain circumstances

  - o   Knows when to act and when to wait

  - o   Makes the complex clear and compelling

  - o   Builds consensus and impacts outcomes with limited authority

- • Implements positive change

  - o   Recognizes and communicates the need for change

  - o   Embraces non-traditional ideas and practices

  - o   Engages in constructive conflict

  - o   Drives the change process

  - o   Teaches and encourages others to deal with change

Organizational and People Development

- Creates an achievement environment

    o   Challenges and motivates people to reach their highest potential

    o   Creates an environment that encourages risk taking

    o   Promotes the business value of diverse perspectives, ideas, backgrounds, styles and

        cultures

    o   Fosters organizational flexibility

    o   Sets clear performance standards and holds people accountable for results

    o   Values, recognizes and rewards the achievement of others

    o   Promotes teamwork

- Develops people for optimal performance

    o   Fosters the continuous professional development and career growth of a diverse

        workforce

    o   Provides challenging work assignments and development opportunities

    o   Identifies and champions high potential talent as a Johnson & Johnson resource

    o   Coaches and mentors future leaders

    o   Requires people to expand their capabilities, knowledge and skills

    o   Functions as both team player and leader

Source: http://www.jnj.com/careers/standards.html.