



Corporate models for corporate governance

“There are some paradigms of companies that not only create strong wealth - creating incentives for top managers – but seem to sustain that, seem to do it year after year. One of my favourites is Johnson & Johnson...” INSEAD Professor of Accounting and Control S. David Young.

Johnson & Johnson, the New Jersey-based, publicly-listed manufacturer of healthcare products, is the world’s largest medical device company, the fourth largest biotech and eighth largest pharmaceutical company in the world. According to its most recent investor fact sheet (2009), J&J’s 250+ operating companies in 60 countries generated \$61.9 billion in sales last year (\$12.3 bln in net earnings) – more than half of which were from outside the US.

Johnson & Johnson

Some seven billion dollars went into research last year ... and then there is the Johnson & Johnson Trust, set up in 2007 to fund partnerships and grassroots philanthropy to support the company’s principles in the EMEA region (Europe, Middle East and Africa). There are four pillars, says the Managing Director of the J&T Trust, Frank Welvaert, who is also the company’s Director of Corporate Social Responsibility for Europe, the Middle East and North Africa.

“A couple of years ago we were looking at the key principles underpinning the management of Johnson & Johnson,” says Welvaert, “and you will see four things: first is the focus on healthcare. We are a healthcare company so that’s what it’s all about. We don’t venture into other areas.”

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“The second thing is, we’re a values-based corporation. We have a greater meaning that we bring to responses to our customers, our workers, to the people who make it happen in the company, to the communities where we do business.”

“The third is, we decentralise because that’s the only way you can manage values and respect different cultures. And finally we are committed to the long term. We have been around for more than a century already.”

J&J as a company has several assistance-type programmes. In the US, for example, the Patient Assistance Foundation provides medicine to people who would have no access to healthcare. The J&J Trust operates specifically in the EMENA region – Europe, Middle East and North Africa.

Welvaert and his team do not sit around waiting for proposals to appear on their desks before bringing in their corporate resources. “We look for projects,” he says. “We look for projects where we can build management capacity, where we can link to mother-and-baby programmes and saving lives as such; where we can improve the quality of life through prevention and education, and for areas where we can increase our corporate responsibility-sustainability thinking in relation with our

stakeholders. This is really our global framework.”

One example: the Aga Khan Development Network, where the Trust is a partner for an early childhood development programme in East Africa, a partial focus of which is ‘nurse capacity building’; that is, increasing the availability of nurses and improving nursing skills through education and training.

The J&J Trust looks to work with committed partners in the programmes it chooses to fund, rather than just handing out money or funding programmes the company then runs itself. Welvaert and his team bring more than money to the table. “We intervene externally with stakeholders around the topic of healthcare,” he says simply. “We network on the basis of proposals. More important (than money) is the competence of the organisations we can bring in...”

INSEAD is one of the organisations the J&J Trust partners with, at the school’s third campus in Abu Dhabi. INSEAD is a partner in J&J’s recent agreement with the Abu Dhabi Ministry of Health to provide an early childhood health care programme. “There is a lack of knowledge in this region of how you manage a highly effective primary care model,” explains Welvaert. Focusing on childhood diabetes is the first step in the plan. “Because diabetes has such a high incidence in the region, it is an area where you can make quick gains and where the Ministry of Health was interested in opening up this kind of training.” The idea going forward is to expand the project to the entire Middle East region. But, as J&J well knows, it takes more than money.

“The question is, from a political view: is a government – is any government – willing to make an investment in, basically, wellness and well-being, knowing that the first results may only become visible in the next generation?”

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