The Importance of ESG and Law consideration in Corporate Decision

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Abstract

Johnson and Johnson (J&J), a multinational healthcare company, has significantly impacted communities with their pharmaceutical and medical advancements. The company puts the public's needs before company profit, thus making a trusted bond with its consumers. Johnson and Johnson have a much better connection with the public than other pharmaceutical brands because it takes the initiative to treat all communities. These initiatives include serving NGO's and making sure their day-to-day operations do not negatively affect the public. Not only do they serve their communities, they also serve their employees. By implementing wellness initiatives and leadership opportunities, J&J makes its employees feel welcome and safe working there. The wellness initiatives and leadership opportunities also attract people to the company and ensure that the company is transparent and uncorrupted to the shareholders.

J&J has taken many steps to ensure its continued success, even creating a document called "The Credo," in the 1930s. The credo ensures that the company is there for its community and that its governance reflects its assertion. A company must take many steps and strategies to ensure its brand is a success. It is important to understand the importance of law and law strategies such as the poison pill strategy, policy development, and scientific evidence. Achieving these law strategies leads to higher stock market value and long-term company advantages. Investors will also feel that the company that they invested in is transparent and will not lead to a significant crisis. In addition, the company shows astonishing care for its communities by implementing ESG factors when making corporate decisions and considering the importance of the law. ESG stands for Environmental, social, and governance factors. These factors are implemented to ensure the company is taking green initiatives, being sustainable, and overall treating employees, shareholders, and consumers as explained in the credo.

This project aims to further inspect how Johnson and Johnson's ESG considerations make it possible for this company to excel in its industry at such a fast rate without facing much retaliation or fallout from the consumers and stakeholders. Furthermore, one will learn how ESG factors and law considerations also impact shareholder value when exploring this topic at a more detailed pace. ESG and law factors, if not dealt with correctly, lead to a crisis in a company and negative impacts on corporations; exploring the vital importance of the corporate push on ESG and law factors will explain how these crises are avoidable.

Introduction:

Through the immense considerations of legal and environmental, social, and governance (ESG) factors in corporate decisions, a company can strategize the best ways to build on the brand of their establishment ("ESG"). ESG is a proposed action by a company to help stakeholders and consumers understand how an organization is managing its company (Peterdy). These factors have grown from other strategies that have focused on health or safety and pollution issues in the past (Peterdy). An organization that has added to these strategies is Johnson and Johnson (J&J). By adding more elements that have helped with transparency and sustainability, the company has found more long-term sustainable ways to keep their customer base growing and to help keep loyalty among their shareholders (Peterdy). The reason as to why the market of this company grows, is because consumers will buy from companies that have had little to no crisis or lawsuits ("ESG Investing").

Johnson & Johnson Today:

Over the past 135 years, Johnson & Johnson (J&J) has grown its brand at an exceptional rate, even with a 30% share drop after the Tylenol crisis of 1982 ("Tylenol crisis"). J&J, a multinational healthcare company, has excelled in achieving the highest impact on communities with its pharmaceutical and medical advancements ("J&J ESG performance"). J&J's company shows its astonishing care for the community by implementing ESG factors and legal considerations when making corporate decisions. Pharmaceuticals handle approximately 55 percent of the company's total sales (Mikulic). In 2023, the company made about 85 billion dollars in total revenue (Mikulic). To achieve these astonishing numbers shareholder and consumer trust is needed to ensure that the purchasing and investment of the company and its product are steady. In order to achieve this trust, a company must implement strategies that show how transparent and credible it is to key stakeholders. These facts corroborate the premise of the immense importance of legal and ESG factors in corporate decisions to build on a company's brand.

Consumer loyalty is vital to a company and over the past century it has used ESG factors to make a durable bond with its consumers. For example, one can recall the outcome of the pharmaceutical competition between Pfizer-BioNTech and Moderna. During the Coronavirus pandemic, J&J created a single-dose vaccine unlike those created by competing pharmaceuticals, as they did not need to be stored at the cold temperatures that the other vaccines had to be in (Corrum and Zimmer). J&J's dedication to safe and affordable healthcare, a crucial aspect of its ESG strategy, allowed the company to administer its vaccine to all during the pandemic ("COVID-19 Vaccine Authorized by U.S. FDA").

This further emphasizes the company's social responsibility to its consumers - another ESG factor- ensuring that the public will get quality products and a good rate no matter their financial situation. Although all these pharmaceutical companies had made contributions regarding vaccine development and administration, Pfizer, and Moderna were looking for high profit and did not distribute to all the public as they had distribution requirements ("Pfizer BioNTech and Moderna profit"). The distribution requirement cut off all low-income communities, leading to a crisis for consumers in the marginalized communities ("Pfizer BioNTech and Moderna profit"). These groups of people did not get the same chance as others to receive the vaccine which was a risk to their health. Johnson and Johnson's ethical principle emphasized by its ESG factors had allowed the company to gain the loyalty of the public, making it a leader in its industry, and building trust with its stakeholders. As a result, this trust aided in the success of the stock market for the company ("J&J ESG performance").

The project aims to inspect further how exactly Johnson and Johnson's ESG, and legal considerations make it possible for the company to excel in its industry at such an increased rate without facing any retaliation or fallout from the consumers ("World Most admire").

Johnson & Johnson's corporate strategy is centered on an ESG strategy, which frames the company's ambitions, informs operations, and creates corporate accountability (1). The research will examine Johnson & Johnson's approach and its benefits from the ESG-first perspective on competitive value, corporate law, and governance.

Description of main concepts:

Understanding the general reasons as to why ESG factors and law considerations are implemented for a company's long-term growth is a crucial part of understanding how Johnson & Johnson is so successful. One must explore business concepts that help improve company brand and accountability. This would include a range of factors such as sustainable growth, consumer and stockholder loyalty, and the reputation of a company's brand (Ulloa). A beneficial ESG and law strategy would include various elements as the strategy itself is a complex one. To achieve the end goal of a profitable company these elements must be effectively implemented.

Sustainability reporting is crucial to companies. Many companies publish sustainability reports to transparently disclose a company's actions ("Sustainability reports"). These reports have vital importance, as they allow companies to increase their loyalty to their customers. Consumers and shareholders read these reports to ensure the company's commitment to sustainability. Establishing sustainability strategies and reports encourages investors or shareholders to invest in the company. The sustainability approach ensures that accountability and transparency is maintained in a company. Companies that take care of the environment tend to have steadier stocks. Companies also have less trouble paying back money they owe and running their businesses. So, sustainability strategies help companies be more stable and secure investments. However, these sustainability reports don't just impact one aspect of business, they also impact purchasing decisions. Consumers will buy items that are beneficial to them and their environment ("ESG"). That is the reason many companies will have a logo on their merchandise emphasizing that their merchandise is clean and safe ("Physiological strategies"). Including these reports on the company's page will prove to consumers that the company is clean and helps to improve the environment ("Physiological strategies").

Johnson and Johnson achieved this by posting their sustainability report on their website for the public to see, leading to open transparency with the consumers and shareholders. Included in their sustainability report were factors from specific environmental issues like water usage and conservation efforts to social responsibilities, governance, and case studies. While Johnson and Johnson's sustainability reports provided detailed and comprehensive information about the efforts and accomplishments made. There are aspects of the report that are unrepresented and overlooked. These details would include future commitments, goals that lack actionable plans and may be overlooked. Also, immediate crisis response is often omitted in these reports. These responses are reactions to specific environmental crises like pandemic that are not thoroughly covered as they have no significant tie to J&J's everyday operations. Overall, J&J's sustainability reports serve to communicate the company's action plan and achievements in sustainability and environmental responsibility.

Similarly, this is also the reason companies invest in green initiatives (Bellassai). Companies invest in renewable energy, reduce waste, and implement eco-friendly practices to reduce their carbon footprint (Bellassai). One example would be Johnson and Johnson. Increasing the work on climate action, J&J is now sourcing 100% renewable electricity and reducing emissions across operations all over the world ("sustainability"). The company is working hard to reach the goal of zero carbon emissions ("sustainability"). The approach is not only environmentally friendly, but it also is an ESG factor and a major law consideration as helping to sustain the environment would prove that the company is green and clean. Furthermore, this would help the companies to increase their brand globally in a positive manner.

Another ESG perspective is governance. If a company has exceptional leadership, then that would allow it to expand its brand and face challenges that come along the way ("ESG"). Two factors that help improve governance strategies are proxy statements and bylaws ("Glossary Business"). A proxy statement is a document sent to shareholders ahead of a meeting, outlining proposed actions and ideas ("Glossary Business"). The documents aid shareholders when voting on certain matters ("Glossary Business"). Good leadership in companies accounts for voices not just by one person but by a group of leaders. To allow the smooth flow of ideas, these proxy statements ease the organization in company meetings to allow a smoother flow of ideas and actions ("Glossary Business"). Similarly, this is why bylaws are set in place in companies. Bylaws are a set of company rules and procedures that govern the day-to-day operations of a corporation, such as meetings, elections, and media procedures ("Glossary Business"). A unique way that Johnson and Johnson execute their governance is with their credo. The credo is a document instating that the needs of the consumer come before company profit ("Our Credo"). It is used as a guiding principle for decision making and ethical conduct. For example, the credo outlines the importance of commitment to customers and employee welfare. The credo pushes on delivering high quality services and forces J&J to prioritize the safety and efficiency in its product. This also ensures that the company is prioritizing the consumers' health. In addition to committing to their customers the credo emphasizes the importance of employee welfare the credo makes J&J create an inclusive work environment. By creating a supportive atmosphere, J&J invests their time in employee development which includes safe working conditions and diversity or inclusion This proves to the shareholders that the company is united in its leadership and is not corrupt as, a company following J&J's credo means adhering to rules and regulations that affect everyone in a positive way. Thus, allowing a smoother flow of ideas and a set of specific ideas and rules that the company must comply with internally.

Companies not only act on the Environmental perspective of ESG strategies but also consider various law perspectives to keep a company safe from a crisis ("LexisNexis Due diligence"). One way would be due diligence. Due diligence is a thorough investigation of a company's financial records, operations, and other facts to assess its value or potential risks ("LexisNexis Due diligence"). Although this is not a process that is beneficial to consumers it is to the company and is strongly recommended by legal advisors ("LexisNexis Due diligence"). A company can gain the trust of investors and keep away from financial problems (Stanly). Investors help a company's stock market value. The stock market stands for ownership of a company. When one buys a stock, they're essentially buying a small part of that company's profit. If stocks go down, then one's assets go down as well. So, the trust of investors is a crucial factor, hence the need for due diligence (Stanly). For Johnson and Johnson, this was crucial during the time of the COVID-19 pandemic. The reason for this is that J&J had an outstanding background when it came to helping underserved communities. So, when the company had created a single-dose COVID-19 vaccine that could be administered to all, it would be a safe way to build on their brand protection from a crisis ("COVID-19 Vaccine Authorized by U.S. FDA"). Investors would also be interested in staying with a company that has good press because that means a good stock market valuation.

Why should these ESG Factors be considered?

Each specific factor in ESG has distinct roles, and it is crucial to individually understand them. Firstly, Environmental factors have several impacts on companies. When considering environmental factors, one is specifically considering factors such as cost saving, brand reputation, and economic well-being. ("McKinsey Quarterly"). Why are these factors important? They are vital for three specific factors, number one, cost saving ("McKinsey Quarterly"). Reducing costs associated with waste management, energy consumption, and resource extraction is important because it can financially allow organizations to continue to operate their daily operations. ("McKinsey Quarterly"). Second, brand reputation, these companies are more likely to build trust with customers, investors, etc., which can lead to increased loyalty and in turn companies increase demand because of long-term growth (Vestil). Lastly, the final factor is economic well-being (Vestil). When companies are economically sustainable, they will have more resources to use overall, meaning they will be able to continue to make goods for consumers at a cheaper price (Vestil). Furthermore, this means the outcome of creating these products will be good as humans will not be affected by the operations made by these companies (Vestil). Consumers will also tend to buy from green companies ("Physiological strategies").

Like environmental factors, social factors also have quite a few impacts on companies, and they should be considered when making corporate decisions. These factors are considering access to new markets, reputation, and talent attraction (McKenzie) These factors help increase a company's brand ("ESG"). Access to new markets, with a bigger customer base, of customers who value the same as the company will lead to a company expanding its customer base and revenue because the market will be open to more people, not a certain group (McKenzie). A huge social factor in a company is reputation (McKenzie). For example, putting the needs of the public before profit will lead to a positive reputation and brand image, which can lead to increased customer loyalty (McKenzie). Consumers will tend toward a company that shows that its consumers are its top priority. Talent attraction is also important to companies (Sociabble). Employees value working for companies that prioritize social responsibility, which can lead to increased employee satisfaction and improved productivity (Pew Research Center). The companies that include these factors will lead to the employees wanting to work in these establishments (Pew Research Center).

Another incredibly principal factor in ESG is governance. Governance factors ensure a company is ethical and diverse (Donahue). It heavily impacts a company's performance not only on its consumers but also financially (Donahue). Specifically, a company should consider enhancing its reputation, mitigating risk, and increasing transparency. Including this ESG factor leads to these three major outcomes (*United Nations*). Firstly, enhancing reputation is not an easy task (*United Nations*). It entails having a core, democratic group of people that ensures a set tone and environment in the company for all individuals who work there including employees and shareholders (*United Nations*). A good reputation means that governance in a company is strong, which leads to trust and unity among all individuals again leading to a better brand image (*United Nations*). Another outcome of governance is mitigating risks. It is important to identify and manage risks within a company and other deals (*United Nations*). Mitigating risks has many outcomes. A major one is that it creates a united front, making the company look like it works as a “whole” or is united (Donahue). So, whether there are internal problems in a company, the external reputation will be intact, and that is the end goal (Donahue). Lastly, another outcome of having strong governance is increased transparency. Increased transparency means certain groups like investors or shareholders will hold the company's leadership accountable for their actions (*United Nations*). Accountability forces the company to be transparent and clean to keep the shareholders/stakeholders. If necessary, mistakes could also be resolved this way as well (*United Nations*). This of course impacts shareholder value (Yoon). Shareholder value refers to the total value that shareholders receive from their investment in a company (Yoon). So, for there to be better shareholder value, the company must have an excellent governance factor to eliminate all corruption that could otherwise bring it down.

Johnson and Johnson’s approach to the social factor:

How does Johnson and Johnson’s keep company morale up and keep the engagement going? J&J achieves their social goals through diversity, equity, and inclusion (DEI): efforts to promote and support diversity in the workforce, eliminate biases and discrimination, and create an inclusive environment (“Employee resource group”). Basically, including these factors will make it so that employees will want to keep working at this company (“Employee resource group”).

A J&J approach to achieve their social goals and promote diversity is through Wellness Initiatives (“Employee resource group”). These are programs or initiatives that promote employee physical, emotional, and mental well-being (“Employee resource group”). Johnson and Johnson have established employer resource groups (ERGs) to support diversity, equity, and inclusion efforts (“Employee resource group”). An example of this would be network groups for LGBTQ+ employees (“Employee resource group”). This is an example that would support the S and G of ESG factors (“Employee resource group”).

Also, J&J invests in leadership development through training programs and mentorship initiatives (“Leadership Development”). The approach will create leaders but loyal employees for the company in the future (“Leadership Development”). Attendees have left glowing reviews on these initiatives, further securing Johnson and Johnson’s growth. People tend to be attracted to things that have glowing reviews, whether a doctor’s office or restaurant (“Leadership Development”). Many people want the best quality served to them. Similarly, these glowing reviews regarding J&J means that people that are going into medicine, science, and research majors will tend to be attracted to J&J (“Leadership Development”). The more participants in these programs the more possible employees and future loyal roles that could be filled (“Leadership Development”). A person who has been familiar with J&J longer in their life, whether through their educational programs or internships, is more valuable than applicants interviewing for a job (“Leadership Development”). Customer loyalty is because people who stay at a company longer will be familiarized with it and will create a bias towards that company, that relationship is harder to break thus, J&J prospers from these programs.

Johnson and Johnson's approach to the environmental factor:

Johnson and Johnson is known for not only its pharmaceutical advancements but also its advancements in sustainability. The company achieves this by including sustainable operations, product stewardship, and natural resource conservation (“Global environmental sustainability”). Essentially, J&J focuses on their sustainable operation by reducing the company's environmental footprint (“Global environmental sustainability”). Moreover, green initiatives are aimed at minimizing waste, conserving water, and reducing greenhouse gas emissions (“Global environmental sustainability”). J&J aims for a carbon neutrality goal in its day-to-day operations thus implementing natural resource conservation to reduce the use of natural resources (“Global environmental sustainability”). Johnson and Johnson has many plans on environmental sustainability (“Global environmental sustainability”). Another strategy the company uses is product stewardship (“Global environmental sustainability”). When the product itself is sustainable, Johnson and Johnson specifically helps to reduce its environmental impact on the Earth by producing products that can be reused, reduced, and recycled (“Global environmental sustainability”).

A specific example of their sustainable operation would be J&J's waste minimization (“Position on environmental stewardship”). One of J&J's strategies to achieve this is the zero waste to landfill goal (“Position on environmental stewardship”). The zero waste to landfill is diverting at least 90% of its waste away from landfills through recycling, composting, and recovery programs (“Position on environmental stewardship”). A real-world example would be that multiple facilities in regions such as North America, Europe, and Asia have successfully diverted more than 90% of their waste from landfills through recycling, composting, and other environmentally sustainable solutions (“Position on environmental stewardship”). Johnson and Johnson shared successes in their local sustainability reports (“Position on environmental stewardship”).

One way that Johnson and Johnson aids in natural resource conservation is by specifically acting through sustainable operations to help handle their water conservation (“Position on environmental stewardship”). Johnson and Johnson, through water stewardship and community engagement, makes sure that they don't deplete their water resources (“Position on environmental stewardship”). Instead, water resources are being used sustainably through two major action plans (“Position on environmental stewardship”). Water stewardship at Johnon and Johnson is focused on responsible water use across its operations (“Position on environmental stewardship”). The company has implemented water-saving technologies and practices in its manufacturing processes to reduce unnecessary water usage (“Position on environmental stewardship”). A real-world example is through their partnerships (“Position on environmental stewardship”). J&J collaborates with local NGOs to enhance water management practices at local levels ("Position on community impact"). These partnerships focus on sustainable water use and education around water conservation ("Position on environmental stewardship"). J&J also works with their stakeholders ("Position on community impact"). J&J helps local community's use their water resources effectively away from pollution through partnerships by the stakeholders ("Position on community impact").

Regarding product stewardship, Johnson and Johnson achieves product stewardship by implementing two crucial aspects. These aspects include sustainable Product Design and responsible sourcing ("Position on environmental stewardship"). J&J focuses on designing products that are sustainable and environmentally friendly ("Position on environmental stewardship"). The approach includes using materials that are eco-friendly, reducing waste during production, and ensuring the recyclability of packaging ("Position on environmental stewardship"). By including the 12 principles of green chemistry and outstanding engineering when creating their products, that helps better chemical routes and processes. The approach ultimately aids in more sustainable solvents and reduces waste. ("Position on environmental stewardship") J&J also shows tremendous care towards Responsible Sourcing. The company is committed to sourcing materials responsibly and eco-friendly; including ensuring that raw materials are obtained socially and environmentally sustainable ("Position on environmental stewardship").

To compare, one example of a company that has faced criticism for not using the environmental factor is ExxonMobil. This company is focused on oil and gas and has faced backlash for its environmental practices, especially its contributions to climate change and greenhouse gas emissions ("Client Earth"). The public argues that the company ignores environmental changes and is against regulations that would promote sustainable energy practices ("Client Earth"). Furthermore, the company has faced legal challenges related to its ambiguity about climate risks to investors. The company also did not inform investors or the public about potential financial impacts linked to climate change ("Client Earth"). This lack of transparency has raised concerns among investors and environmental groups and has negatively impacted the company's reputation ("Client Earth"). These factors contribute to ExxonMobil's ESG-related challenges. The lack of these ESG strategies severely impacts companies and can cause the downfall of these organizations.

Johnson and Johnson 's approach to the governance factor:

Johnson and Johnson's governance is a principled corporate governance structure designed to ensure strategic direction ("Out Management Approach"). The company's Board of Directors includes professionals from diverse industries, tasked with maintaining ethical decisions and protecting shareholder interests to prevent shareholder activism ("Out Management Approach"). Johnson & Johnson's ethical insights are supported in its credo, introduced in 1943 ("Our Credo"). The credo outlines the company's responsibilities to customers, employees, communities, and shareholders (“Our Credo”). The J&J credo is crucial in corporate decision-making and ethical actions (“Our Credo”).

By creating an environment filled with accountability, the credo has prevented the loss of consumer trust from controversies by enforcing the goal of committing to maintaining ethical standards in all day-to-day operations (“Our Social Impact”). In Johnson and Johnson, excellent governance involves mitigating risks in the company, especially in management (“Our Social Impact”). To do so, regular assessments are implemented to ensure that the company meets all standards and legal requirements (“Our Social Impact”). The assessments also strengthen its trust and transparency with the consumers (“Our Social Impact”). This approach not only maintains consumer trust but also stakeholder trust. Johnson & Johnson’s governance relates to stakeholder engagement (“Our Social Impact”). The company prioritizes transparent communication with customers, employees, investors, etc. The company often seeks their feedback to better meet the market expectations (“Our Social Impact”). In doing so, Johnson & Johnson ensures that its long-term goals and business strategies are met with both corporate and stakeholder; further ensuring loyalty among the stakeholders (“Our Social Impact”). These governance principles not only protect the company’s reputation but also sustain a well-managed company (“Our Social Impact”).

Although Johnson & Johnson has many strategies in place to ensure that the company is sustainable and is using ESG factors in daily operations, the establishment has been linked to numerous lawsuits related to the opioid crisis, which have highlighted serious governance issues within the company. The public has claimed that J&J is responsible for the opioid epidemic (“J&J opioid epidemic”). The public felt that J&J was misleading with marketing practices, especially with the promotion of its prescription painkillers (“J&J opioid epidemic”). These legal challenges reveal not only potential violations of regulatory standards but also raise broader ethical questions about the company's responsibilities as a major player in the healthcare industry (“J&J opioid epidemic”). By prioritizing profit over patient safety and public health, J&J's decisions ruined its public trust and raised concerns about its corporate governance (“J&J opioid epidemic”). Additionally, the opioid litigation against J&J highlights the importance of accountability in corporate practices. As the opioid crisis continues to devastate communities, the company's customer base can lessen as the public is reminded that J&J is contributing to addiction, overdose and failure to uphold its commitment to social responsibility (“J&J opioid epidemic”). These challenges show the importance for all companies to prioritize transparency and ethical decision-making, as highlighted within ESG. Addressing this outcome of neglecting legal issues and moving on from this incident is essential for J&J as it seeks to rebuild trust with stakeholders and increase its social responsibility.

Why consider the law?

Legal consideration should be considered in corporate decision-making because it can lead to higher stock market value and long-term advantage (“Understanding legal considerations"). These considerations are similar to the concept of ESG factors being strategies for a better and larger company brand ("Understanding legal considerations"). Legal strategies have a range of outcomes, for example they could stop a company from a hostile takeover or just simply make sure all company operations are one hundred percent legal and consumer safe (Hayes). Overall, legal considerations have many benefits not only within the company but outside of it as well ("Understanding legal considerations").

As mentioned, when a company invests in legal considerations, many crises can be overcome (Hayes). One of these crises can be a hostile takeover (Hayes). A hostile takeover is when one company wants to take control of another company without getting consent from the board of directors of the targeted company (King). To achieve this the company that is taking control of another company will try many ways to get many of the shareholder's votes to remove the current management (King). How legal considerations are used to prevent this is through a legal strategy called the poison pill (King). The poison pill is a corporate strategy that works by discouraging the potential hostile takeover by showing signs of significant financial loss if the takeover continues. First a triggering event is set in place. Then rights issuance is put in place, and this is when all remaining shareholders get detachable rights (King). The approach allows the remaining shareholders to buy more shares that are lower than the market value (King). All these actions taken would then allow the outcome of diluting the power of the hostile company (Hayes). The shareholders would have more ownership of the company rather than the hostile company and it would not be financially stable for the hostile company to take control of it anymore (Hayes). For example, to exercise the poison pill plan many actions must be taken before the rights can be exercised (King). To further specify, the poison pill plan is legal and there is no other legal way that the hostile company could try to take over (King). The scenario signifies the importance of using the law to advantage for companies ("Understanding legal considerations").

Another reason to consider the legal perspective is because of the shareholders (Bhatt). Shareholders may use legal consideration, or shareholder activism, to further push for changes in company governance policies (Bhatt). The reason as to why it is important is because this could aid in better management in a company eternally (Curtis). However, that is not always the case, and it could lead to a hostile takeover as the shareholders could use their rights as owners to transform the management into something they deem more efficient (Curtis). Shareholder activism is completely legal and cannot just be taken away (Curtis) This is why it is advised to many corporate companies that shareholders and the company in name to have legal transparency on the day-to-day operations (Curtis). It is legal and will allow shareholders to be biased towards the company without hesitating the governance (Bhatt). Thus, not using the rights of shareholder activism in a negative way (Curtis).

Policy development is dependent on legal consideration because companies need it for a range of factors. These factors include environmental sustainability and anti-corruption

(Bhayani). It is the process of deciding what should be achieved, how to do it economically, how it should be done, etc. (Bhayani). Developing this policy must be done legally and this is the reason as to why these legal considerations must be used (Bhayani). The process of developing a policy involves research & feedback from stakeholders (Bhayani). Together the Board and stakeholders draft the policies and revise it for accuracy (Bhayani). These policies are then exercised to help ensure that a company runs smoothly (Bhayani). It accounts for rules and regulations that would account for many problems a company might face. Policy development will allow organizations to solidify their position regarding daily conduct or operations.

Having a good legal team ensures legal compliance to prevent lawsuits. Legal teams provide crucial counsel on applicable laws and regulations, helping establishments navigate complex legal environments (Arcot Group). They specifically help with mitigating risks by identifying potential legal risks and implementing strategies, such as the one mentioned. These strategies help in reducing the likelihood of litigation (Arcot Group). Legal teams also assist in drafting and reviewing company policies and procedures to ensure compliance with current laws, which can help prevent legal disputes (The Centre for Legal Leadership). A real-life example of this is the case of Starbucks and its non-discrimination policies (Avila, Et All). In 2018, Starbucks faced backlash after an incident in a Philadelphia store (Avila, Et All). Two Black men were arrested while waiting for a barista. This incident led to protests and emphasized the need for companies to have clear, effective non-discrimination policies in place (Avila, Et All). So, in response, Starbucks addressed the situation by closing many of its stores for an afternoon to conduct racial bias training for employees (Avila, Et All). Additionally, the legal team was reviewing and revising its existing company policies to prevent any similar incidents. They then enhanced the non-discrimination policies and ensured that the procedures for handling customer interactions were aligned with both legal requirements and company values (Avila, Et All). This brought back many of its customers back, because of the new guidelines set in place. Overall, legal teams stay on top of changes in laws and regulations, ensuring that the organization or establishment maintains compliance with new requirements, such as protection laws and industry-specific regulations. Investing in a strong legal team contributes to a company's long-term stability and reputation by addressing legal issues before they escalate into lawsuits.

Taking a closer look at Johnson and Johnsons law approach:

Johnson and Johnson becoming a very popular name in pharmaceuticals was no easy task ("Leading the way in healthcare"). J&J had had their fair share of lawsuits (Knauth and Specter). J&J has legal strategies that they use to stay on top of the pharmaceutical game with significantly less backlash than other companies ("Leading the way in healthcare"). J&J uses ESG factors to maximize long term profit and company prosperity whereas this company strongly takes law considerations for a series of reasons ("ESG Resources"). Most specifically, the negative side, the lawsuit and court scenarios ("ESG Resources"). The top two strategies that Johnson and Johnson specifically use are scientific evidence and public relations efforts ("Scientific and evidence-based approach").

Scientific evidence, especially with the company Johnson and Johnson is proved before a product is even dropped (FSU). The general scientific evidence process starts at the clinical research level. (FSU) This is the process of clinical researchers making decisions based on unbiased research (FSU). Researchers also give treatments that are expected to help patients feel better and live much longer (FSU). Similarly, Johnson and Johnson use their scientific evidence to emphasize that the company conducts thorough research on products even utilizing real-world evidence ("Scientific and evidence-based approach"). J&J uses this evidence to prove to its consumers that the research behind the product is clean and so is the product itself, further implying that the product will not be harmful to consumers unless otherwise tampered with (Scientific and evidence-based approach"). What this means for J&J is that they get proof of a well-constructed product and loyalty from consumers because the company dedicated its time and resources to an extensive research process ("scientific and evidence-based approach"). Just so that the consumers' well-being is the top priority ("scientific and evidence-based approach"). Johnson and Johnson also emphasize the importance of improving healthcare solutions which aids in their claims about enhancing health results to better care for their patients through the safety and effectiveness of their products ("Scientific and evidence-based approach"). With all the social and environmental responsibility that J&J takes on, they still have a priority to be transparent with all interested in their brand ("Scientific and evidence-based approach"). An outcome of this would lead to better trust and loyalty with shareholders (Khalid). Shareholders will feel comfortable and satisfied with the company's morale and day-to-day operations (Khalid) so they will not doubt the management (Khalid). Overall, whether it is consumer loyalty or shareholder trust, Johnson and Johnson's scientific evidence strategy is a complex one that can assure the success of a brand so long as the research or product is not tampered with ("Scientific and evidence-based approach").

The second strategy, although more a matter of brand management, is that Johnson and Johnson uses its public relation efforts (PR) ("Media Center"). Through public relation efforts Johnson and Johnson legally mitigates the impact of litigation on their company reputation and brand ("Media Center"). The effort of mitigating the possible negative impact is done through many components ("Media Center"). These components include a communication strategy, stakeholder engagement, and corporate social responsibility (CSR) ("Media Center"). Related to the scientific evidence strategy, J&J develops clear communication strategies to address legal issues/litigation publicly (Abbas). This involves constructing pieces of information that are transparent, factual, and focuses on the goal of offsetting misinformation or negative media portrayal (Abbas). Clear communication helps to keep consumer trust and credibility.

A specific example would be the Tylenol crisis. Tylenol capsules had been tampered with causing cyanide to be found in these capsules (Abbas). Many deaths were recorded following this tragic outcome (Abbas). J&J released public statements to respond to the situation offering accurate and timely information (Abbas). These statements were shared across multiple media platforms, allowing consumers to get information straight from Johnson and Johnson (Abbas). The action solidified Johnosn and Johnson's standing and trust with the public (Abbas).

Stakeholder engagement is also managed through public relation efforts. J&J continuously engages with various stakeholders ("Position on Stakeholder Engagement"). This would include healthcare professionals, consumers, etc. ("Position on Stakeholder Engagement"). The engagement helped them address concerns and emphasize their priority on quality and safety in their products ("Position on Stakeholder Engagement"). Lastly, J&J consolidated their power legally, through corporate social responsibility ("Corporate Social Responsibility"). Johnson and Johnson signify its commitment to social responsibility through initiatives that promote health and wellness ("Corporate Social Responsibility"). By showing their positive contributions to the community, J&J works to strengthen its public image ("Corporate Social Responsibility"). Moreover, the strategy works by countering any negative allegations associated with the company from litigation ("Corporate Social Responsibility").

Johnson & Johnson has faced legal challenges related to lawsuits (Whitmer, 2024). For example, they had a Talcum powder litigation problem (Whitmer). J&J faced backlash as its powder was allegedly leading to ovarian cancer (Whitmer). The litigation angered the public, almost resulting in the loss of trust with the consumers (Whitmer). The litigation would have been an exceptional time for a hostile takeover of another company or stakeholder if they deemed it worthy to be (King). The talcum powder scandal is a prime example as to how this could have been avoided if legal precautions were taken (King). Johnson and Johnson did, however, act with a strong law strategy. J&J had repeatedly argued that their talcum powder is safe and proved so with their scientific research (Gibson). That was J&J's communication/PR strategy (Gibson the scientific studies defended against allegations of harm in court (Gibson). Legal considerations are vital because Johnson and Johnson brand image is highly respected and well known, if there are no strong strategies the company could collapse (Gibson). If the company were involved with continued risk problems that would hurt that brand, then the corporate social responsibility would lead to poor leadership in Johnson and Johnson. The risk could also hurt trust with stakeholders because of the premise that no one wants to be related to a company with major legal disputes or litigations (Gibson).

Although Johnson & Johnson has many law approaches that allow it to be successful. The company has also faced many significant criticisms regarding its legal approach, specifically in how it has managed litigation ("J&J Opioid Epidemic"). One major flaw has been its strategy of opposing lawsuits rather than addressing the underlying issues transparently ("J&J Opioid Epidemic"). For instance, in response to the lawsuits concerning its involvement in the opioid crisis and the safety of its products, J&J went for an aggressive legal approach rather than addressing the concerns transparently ("J&J Opioid Epidemic"). The stance can lead to the company losing public trust and show a lack of accountability in the company. The company could benefit from having taken the Starbucks approach mentioned earlier. Starbucks proved to the public that its company cared for its customers by closing stores to introduce new guidelines to the employees as well as changing many policies within the company, in doing all this Starbucks was completely transparent with its customers and the steps the company will take to ensure customer safety and care (Avila, Et All). Johnson and Johnson's law team did the opposite of this. As a result, the company lost public and stakeholder trust. The incident proves the importance of transparency and having strategies set in place in case of litigation and overall company morals.

Johnsons and Johnsons real world outcomes:

Overall, with all the legal and ESG considerations, Johnson and Johnson has created many successful outcomes within the 100 years it has been around. Without the loyalty of consumers, investors, and employees these outcomes could not have been achievable. J&J highlights this in their yearly sustainability reports ("Health for Humanity Report"). J&J upholds many principles, and transparency is one of them ("Health for Humanity Report"). Each achievement of their company highlights some aspects of ESG, further implying its crucial importance ("Health for Humanity Report").

The report highlights J&J's commitment to increasing access to affordable healthcare, particularly in low-income communities ("Health for Humanity Report"). The company has established partnerships with organizations to improve healthcare and provide training to healthcare professionals ("Health for Humanity Report") The company adjusted their prices to provide access to its products for all. Also, for the more needy the company created an almost federal support program called patient assistance programs (Access to Healthcare) ("Health for Humanity Report" Johnson and Johnson's efforts to increase access to healthcare prove their commitment to improving health worldwide ("Health for Humanity Report"). Furthermore, by allowing collaboration with other NGOs to provide access to better health equipment, J&J is helping bring communities together in a unifying way ("Health for Humanity Report"

The report also includes J&J's efforts in vaccine development, including the company's work on COVID-19 vaccines ("Health for Humanity Report") The company has also developed vaccines for diseases such as Ebola, HIV, and more. J&J's yearly sustainability reports prove that the company is always continuing its research of new vaccines and treatments ("Health for Humanity Report") J&J's focus on vaccine development proves once again their priority when it comes to global change, the people ("Health for Humanity Report"). The company's commitment helps to continue global public health ("Health for Humanity Report").

Lastly, the report emphasizes J&J's commitment to diversity, equity, and inclusion in the workplace ("Health for Humanity Report"). The company has created various programs to promote diversity to create a more internationally minded workplace ("Health for Humanity

Report”). J&J also provides resources and programs that are there to support employees from underrepresented groups (“Health for Humanity Report”). An example would be African groups or LGBTQ groups (“Health for Humanity Report”). By further implementing the social factor of ESG the company creates a place of belonging that attracts a broader selection of talent (“Health for Humanity Report”). This inclusion is essential for creating a more inclusive workspace (“Health for Humanity Report”).

Counterargument:

Many argue that focusing on ESG factors is a long-term strategy that distracts from the primary goal of making a profit. They claim that companies should prioritize financial performance more heavily (“Criticism of ESG”). Furthermore, the belief is that financial performance outweighs ESG considerations and will compromise a company's long-term profitability (“Criticism of ESG”). While it is true that ESG factors may not directly impact profitability in the short term, research has shown that companies that prioritize ESG tend to perform better financially overall.

An example would be the Tylenol crisis in the 1980’s. A scandal that caused a major product recall in 1982 after seven people died from taking Extra-Strength Tylenol capsules. The reason was that the product was tampered with and sold without an authorized decision (“Crisis”). The medicine was found to be laced with potassium cyanide (“Crisis”). This led to a significant reputational crisis for Johnson and Johnson (“Crisis”). People had stopped buying from the company as the vast population did not want to take medication from a company that could put them more at risk (“Crisis”). It is important because it is a company's social responsibility to ensure there are steps taken to prevent legal disputes regarding a company (“ESG Investing”). This was obviously not taken seriously, hence the huge legal dispute (Oakland University). However, quick actions were taken to prevent the company from undergoing even more damage such as a major pull from the shareholders (Oakland University). The first step of action taken in this situation was by the chairperson, James Burke, Johnson and Johnson’s chairman created a team to cover strategy on how to tackle the negative backlash (Oakland University). Taking the population in this situation and putting them first, the recall was announced nationwide to educate the population on the problem happening (Broom). Again, another ESG factor was used to protect the population. Johnson and Johnson lost millions of dollars by completely backing away from Tylenol (Broom).

Although they had a major loss of profit, they gained back their consumers' trust as they convinced the population that Johnson and Johnson cares more about their Consumers health than the revenue the company makes (Berg & Robb). By using the sympathy communication strategies pressured by shareholders, Johnson and Johnson got consumers back to their side (Oakland University). Now by implementing many ESG factors throughout the company for several reasons the company reputation is at an all-time high (“ESG Investing”). Making at the top for pharmaceutical companies (Oakland University). If these factors are not implemented, then the consumers lose trust in the company and so to conclude financial performance cannot outweigh ESG considerations (Oakland University).

Conclusion

Johnson & Johnson's corporate strategy is centered on an Environmental, Social, and Governance (ESG) strategy that promotes sustainability and social responsibility into its daily business operations. The top pharmaceutical company has made significant commitments to address pressing global health issues, promote diversity and inclusion, and has severely reduced its environmental footprint. Specifically, they have programs that impact the world daily like their Inclusion programs and Health for all programs.

No matter how the world changes, Johnson and Johnson’s priority is its consumers. Thus, the reason why the company always takes accountability and is thriving in the corporate perspective. The company proves their loyalty to the public time and time again. By heavily focusing on the strategies mentioned in the paper, Johnson and Johnson has set an example in the corporate world of the importance of transparency with its consumers and shareholders.

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