

# JOHNSON & JOHNSON HEALTH CARE SYSTEMS ENHANCES THEIR LEAN PROGRAM WITH APICS

Leaders at the Customer & Logistics Services-North America (CLS-NA) group of Johnson & Johnson Health Care Systems wanted to develop a network of professionals focused on continuous improvement. By starting small and investing in associates who had specifically expressed an interest in the education, leaders were able to overcome internal barriers and spark a successful grassroots effort.

Training associates using APICS certification and lean principles, the initiative generated demand and create value for Johnson & Johnson Health Care:

## RESULTS

- 1,000 discrete insights to improve processes and supply chain outcomes
- A \$1.8 million in operating cost savings.
- 52% increase in lean capability review scores
- Positive effects on the customer experience, operational capabilities, compliance, and the bottom line.

This case study was originally published as a Corporate Spotlight in the January/February 2017 issue of APICS magazine. The article, written by Managing Editor Elizabeth Rennie, can be found under the title "Johnson & Johnson Health Care Systems Engages and Inspires Associates."

In 2015, a small team of lean leaders at the Customer & Logistics Services-North America (CLS-NA) group of Johnson & Johnson Health Care Systems wanted to develop a network of professionals focused on continuous improvement. The members of this network would use lean principles and practices in order to bring about meaningful, positive effects on the customer experience, operational capabilities, compliance, and the bottom line. This grassroots effort was intended to generate demand and create value for Johnson & Johnson and its supply chain functions, including transportation, distribution, and contracting.

CLS-NA supports the delivery end of the Johnson & Johnson supply chain organization and is composed of approximately 1,200 associates. Decision-makers believed these associates possessed great untapped potential to use lean thinking combined with other principles from the APICS body of knowledge in order to effectively lead strategic continuous-improvement initiatives. They were right. In fact, Johnson & Johnson Health Care Systems received the 2016 APICS Corporate Award of Excellence in Education in recognition of its significant achievements.

## Barriers to overcome

The lean program initially faced challenges associated with legitimacy and commitment. "The challenge of legitimacy stemmed partially from a lingering concern that attending training and applying the concepts on the path to certification was not worth the investment of time and effort," explains Michael Morand, CFPIM, supply chain manager at Johnson & Johnson Health Care Systems.

In response to this difficulty, the lean leadership team decided to start small and invested significant time in associates who had specifically expressed an interest in the education. The understanding was that these pioneers would set an example for others. The early adopters were empowered as office and site champions and were added to the company's Lean Leadership Council as functional department heads. They were further supported as they identified new projects and candidates for the application of lean thinking.

The lean efforts and the approach to process improvement helped eliminate waste and reduce costs for both Johnson & Johnson Health Care Systems and its customers.

## Johnson and Johnson Health Care Systems

There also existed within the organization a commonly held belief that pursuing lean certification would need to be prioritized and considered with respect to other base business and project responsibilities. To address this challenge, team members drove a messaging campaign and used a variety of opportunities to explain that lean thinking and the application of other concepts to support continuous improvement were not intended to determine what would get done; rather, they would answer the question of how to get things done. This campaign helped employees understand that there was minimal additional commitment required and that continuous improvement is a core element of the Johnson & Johnson Health Care Systems culture that helps employees deliver results for customers and improve cost and compliance. Although the overarching emphasis of these lean projects was on waste reduction in end-to-end value streams, many of the initiatives paid specific attention to value and process enhancement.

"For instance, a customer-facing, collaborative project that reduces the overstock and subsequent destruction of seasonal products may not result in momentous cost savings for the manufacturer given the specific terms of sale, but it could create value for the customer," Morand explains. "Similarly, a compliance-oriented project may seek to assess historic non-compliance drivers, investigate root cause issues, and amend processes to improve results."

## On a leaner path

The initiative included a series of training courses ranging from one hour to two weeks in duration, which were tailored to the needs of each individual and team. The education included lessons about principles, culture, and lean tools and was followed by the completion of a lean project with quantifiable results. Candidates then underwent a technical assessment that served as a check of their knowledge of and exposure to lean thinking.

Next, supervisors were asked to complete an assessment to determine if their candidates led and delivered results on their projects by effectively communicating and influencing outcomes. Finally, the candidates presented the project details to the first vice president in their leadership chain for formal approval.

“As a lean coach, this approach has afforded me the ability to customize the support given to each of our lean practitioners, with different combinations of approaches and tools for opportunities with major variations in their objectives and stakeholders,” Morand says.

The CLS-NA organization formally supported individuals in their APICS journeys by paying for certification classes, preparation materials, and exams. The education was informally supported through Johnson & Johnson Health Care Systems’ APICS-certified members, who socialize and role model the application of the body of knowledge. Plus, associates are given consideration for time off for studying and completing examinations.

“This expressed interest in APICS certification drives additional interest for associates looking to advance in their careers,” Morand says. “Associates are also encouraged to consider APICS certification during performance-review discussions as a goal for professional development, and [certifications] are often used as a means of building knowledge in lieu of direct experience for candidates who are looking to shift into a new functional space. ... APICS certification demonstrates the ability to grasp the requisite concepts needed for success.”

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— *Michael Morand, CFPIM, supply chain manager at Johnson & Johnson Health Care Systems*

## Waste-reduction results

Since its inception, the CLS-NA lean program has built substantial momentum across several different offices and functions in more than a dozen sites in North America. Morand says the initiative has provided a meaningful approach to creating value for Johnson & Johnson Health Care Systems customers and patients. Training events and exercises prompt critical thinking and problem-solving, experiential learning through the application of lean tools to real-world issues, and peer-to-peer coaching for guidance and support along the way

In 2015, the program delivered roughly 1,000 discrete insights into projects and opportunities to improve processes and supply chain outcomes. In addition, the lean capability review scores—which assess 15 discrete competencies including distribution center leadership commitment, change management, goal alignment, lean tool usage, and employee engagement—have increased by 52 percent over the baseline score. In terms of impact on operating costs, that same year, the lean project portfolio delivered more than \$1.8 million in cost savings.

Finally, the lean efforts and the approach to process improvement have helped eliminate waste and reduce costs for both Johnson & Johnson Health Care Systems and its customers. Lean methodologies are being used to enhance customer collaboration by identifying where to improve customer supply chain interactions. The professionals who engage in these discussions use their training and knowledge of lean tools to create a focus on continuous improvement.

“Lean principles and tools have provided Johnson & Johnson Health Care Systems with a framework to move from defining an opportunity through to data collection and assessment and then piloting and implementation of sustainable outcomes,” Morand says. “There is no shortage of examples that we have seen in a wide range of teams and functions in our supply chain organization. This program has cultivated a meaningful capability for continuous improvement and given our talented associates the opportunity to pursue challenging objectives and achieve tremendous results.”

## About APICS

APICS is the association for supply chain management and the leading provider of research, education and certification programs that elevate supply chain excellence, innovation and resilience. The APICS Certified in Production and Inventory Management (CPIM); APICS Certified Supply Chain Professional (CSCP); APICS Certified in Logistics, Transportation and Distribution (CLTD); and APICS Supply Chain Operations Reference-Professional (SCOR-P) designations set the industry standard. With more than 45,000 members and approximately 300 channel partners, APICS is transforming the way people do business, drive growth and reach global customers. For more information, visit [apics.org](http://apics.org).

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