The Importance Of Fundamentals

Girish Malhotra, PE, President, EPCOT International

Globally, Johnson & Johnson is known for its integrity and product quality. A few years ago they handled the Tylenol situation extremely well and were commended for it.

It is astounding that the year 2010 has become a nightmare for Johnson & Johnson [1]. It is heart breaking to read the statement “Certain over-the-counter (OTC) Children’s and Infants’ liquid products [2] manufactured in the United States have been recalled as they may contain a higher concentration of active ingredient than is specified; others may contain inactive ingredients that may not meet internal testing requirements; and others may contain tiny particles.”

Overage of active ingredient and inclusion of tiny particles is simply a failure of the people to do what they are supposed to do at any manufacturing operation. In any manufacturing operation people design, operate and maintain equipment to ensure that the process operates as designed. It is a good manufacturing practice to calibrate the equipment routinely to ensure that the equipment is operating as designed and filters get replaced on a routine basis. In addition, a mass balance is made by every chemical blending operation to make sure the process is being operated at standard or better. Mass balance and cost calculations, if done on a daily, weekly or as chosen basis, will tell you if your costs and material usage are on track.

Any overuse of materials will show up as the material cost being higher than the standard cost and will also show up as inventory shrinkage. Higher than standard cost will be a financial variance, i.e. the operation is losing money on the product. Inventory shrinkage also shows up as a financial variance. In the case of Johnson & Johnson, or any manufacturing company, the two safety nets that are supposed to catch overuse failed. In layman's terms, they lost money. Someone was sleeping at the financial desk.

Overuse of active ingredient and contamination of particles in the product suggests that on the operations side the manufacturing, maintenance and quality control functions also failed.

What happened at Johnson & Johnson is a gross malfunction at a Global Fortune 125 company. It seems that many at J&J forgot to apply FINANCIAL AND ENGINEERING fundamentals. Based on what I have read, it seems profits took precedence over quality. Their “Quality Czar” will have his hands full as he cleans house.

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