

J&J CEO: After Two Dozen Recalls, We're Getting Better

Linda A. Johnson, AP Business Writer

TRENTON, N.J. (AP) — Johnson & Johnson's CEO said Wednesday he hopes most of the company's product recalls are behind it, but he can't promise that.

William Weldon, who has run the health care giant since 2002, said J&J has learned some lessons, invested heavily in improving quality and will work to regain consumer confidence.

"We're going to make sure ... people have confidence in the quality of the products" as recalled nonprescription drugs come back on the market, Weldon told The Associated Press in an interview. "We have very high standards now."

Since September 2009, the company has had about two dozen recalls of prescription and nonprescription medicines, replacement hips, contact lenses and diabetes test strips. Among the recalls were tens of millions of bottles of children's and adult Tylenol and Motrin, plus Benadryl and Zyrtec for allergies, Roloids for heartburn and Simply Sleep pills.

One of the consumer health products factories involved is still being upgraded a year after it was closed, and two others are under close scrutiny by federal regulators. Even Congress has been investigating J&J's handling of recalls.

Weldon will face shareholders at J&J's annual meeting Thursday in New Brunswick, N.J., where the 125-year old company is headquartered.

He'll be hoping to assuage any anger over the recalls and the damage to Johnson & Johnson's finances and once-stellar reputation with news of the biggest deal the company has ever made.

Earlier Wednesday, J&J announced an agreement to buy U.S.-Swiss medical device maker Synthes Inc. for \$21.3 billion. The deal, which should close next year, would give J&J a much bigger share of the market for surgical trauma equipment and orthopedic implants.

That's a lucrative, fast-growing area, given the aging worldwide population, the wear and tear that obesity puts on bones and increasing health spending by governments and the rising middle class in emerging markets.

It's unclear whether that will satisfy stockholders who have seen J&J shares rise and fall over Weldon's tenure. Shares are now just below their level of about \$65 when he took over. In midday trading Wednesday, J&J shares fell 54 cents to \$64.41.

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In the interview, Weldon said J&J has gutted its shuttered consumer health products factory in Fort Washington, Pa., and is investing \$100 million in upgrades there. The company has made many leadership changes at its McNeil consumer health division and has trained more than 30,00 people there on quality, he said.

Weldon said the product recalls were "not an endemic problem across J&J. It was limited to a few specific sites."

However, the recalls involve not just J&J's consumer healthcare division but its prescription drug and medical devices divisions. Those recalls included two different prescription drugs, one for schizophrenia and one for epilepsy, plus replacement hips, Acuvue contact lenses sold in Japan and Europe, and blood sugar test strips. Those products were manufactured at four or more factories other than the three involved in the consumer product recalls.

Weldon himself noted, "50 percent of our recalls last year came from McNeil."

But he plans to make sure all the problems are fixed and said he has no plans to retire early. He's now 62 and has spent his entire career at J&J, starting in sales and working his way up.

And despite all of the problems and bad press over the recalls, many analysts still have "Buy" recommendations on Johnson & Johnson's stock.

That's because the company has such a diverse product line as the world's biggest maker of health products, generates strong cash flow, has leading market positions for the majority of its products and has some innovative drugs and other products likely to come to market soon.

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