

---

The

---

CEO

---

SERIES

*Business Leaders: Thought and Action*

*Frameworks*

**An Innovative Process for Turning the Challenges  
of Change into Opportunities for Growth**

by Ralph S. Larsen  
Chairman and CEO  
Johnson & Johnson

CEO Series Issue No. 21  
March 1998



Center for the Study of American Business  
Washington University in St. Louis

## *Frameworks*

# **An Innovative Process for Turning the Challenges of Change into Opportunities for Growth**

*by Ralph S. Larsen*



*Ralph S. Larsen*

Predictions about the next millennium are boundless. But from where we sit at Johnson & Johnson, the 21<sup>st</sup> Century holds only one certainty: the prospect of an ever more dizzying pace of change. Competition will be tougher. Cost pressures heavier. Innovation even more essential. Technology breathtakingly powerful. Global markets more volatile. The list goes on.

Relentless change poses what seems to be a paradox for multinational corporations like Johnson & Johnson. On the one hand, to keep our financial strength and market leadership in increasingly global industries, we will have to continue sustaining and expanding large organizations that can seize the very best opportunities wherever they are found. On the other hand, despite our massive size, we will have to be more competent than ever at adapting our companies swiftly to all kinds of change — or risk becoming irrelevant.

How to balance this need for critical mass on a global scale on the one hand — with imperatives to be as nimble and flexible as much smaller organizations on the other, became an increasingly central issue for us as we entered the 1990s and looked toward the next century. Conventional thinking says that as you get bigger you have to slow down. This is understandable logic if you look at a company like Johnson & Johnson as a \$23 billion corporation — which cannot possibly grow at the same speed as billion-dollar companies. Yet, maybe we could have been

---

*Ralph S. Larsen is Chairman of the Board of Directors and Chief Executive Officer of Johnson & Johnson.*

pardoned for thinking that we had a proven formula for sustaining growth and profits in a changing world. After all, our company had done very well over many tumultuous decades since its founding in 1887.

### **The Sum of Our Parts**

The formula, if indeed we have had one, in large measure reflects our decentralized management structure. While we are a vast, global organization of some 90,000 people working under a corporate name with terrific public recognition, in reality, we are 170 distinct operating companies. The unconventional way to look at the growth issue — the Johnson & Johnson decentralized way — is to say that we are the sum of our parts: that we are many companies of different sizes, many of which are growing at excellent rates.

And yet, we did not have to be reminded that only the stars, with nuclear fusion, come near to having an infinite glow. As vital as our decentralized approach is, we saw very serious challenges. We felt that we could become victims of our own success by embracing the false assumption that the traditional ways of doing things would continue to power our growth. We feared that complacency could replace the entrepreneurial vigor that had made Johnson & Johnson one of the truly great industrial enterprises in this century. We recognized that in a world where the pace of change accelerates constantly, past accomplishments were no guarantee of continuing success. We were acutely aware that complacency had sapped the strength and vitality of other organizations that once were leaders in their markets.

It was apparent that we needed to do something that would further align idea creation and decision making at the senior levels of our company with the realities of our extraordinarily dynamic marketplace. We wanted to ensure that the people of Johnson & Johnson were prepared to be even more responsive and adaptive to change: that they looked at change as a source of new opportunities to compete and grow. We wanted to galvanize them into taking more of the kinds of vigorous, creative actions that

would keep us in the forefront of the evolution of the health care products industry worldwide.

## An Agent of Change

We realized we needed to create a powerful agent of change within Johnson & Johnson. This was not a simple proposition. Inherent in our decentralized approach is discomfort with well-intentioned, corporate-wide programs that can end up placing a layer of distracting top-down governance and bureaucracy on line operations. How, then, were we to go about informing our operating management worldwide about the increasingly serious, company-wide challenges we are faced? How could we inspire our leaders to embrace a more unified perspective? How could we

---

*Our answer is a management process called FrameworkS — a dramatic innovation in our approach to managing a global organization.*

---

share the very best thinking and ideas as well as the vast experience and resources in our company? How could we establish an environment in which we could break down or-

ganizational, functional and geographic barriers and act in concert on challenges best met through a cooperative approach? And, how could we accomplish all of this while preserving — better yet, strengthening — our decentralized management?

Our answer is a management process called FrameworkS — a dramatic innovation in our approach to managing a global organization. So much has been accomplished through this process since its introduction in 1993, that it is hard to conceive of Johnson & Johnson moving forward without it.

FrameworkS started as an initiative of our nine-member Executive Committee, which had typically focused on major issues involving individual operating businesses and franchises. FrameworkS called for us to identify and explore a broad range of important issues with potentially long-term ramifications that cut across key segments of

our company irrespective of organizational, franchise and geographic boundaries. We felt we were too inward looking. We wanted to achieve a kind of “framework” through which to better understand where we stood in our markets, what people expected of us, how we could be more responsive, how we could identify completely new opportunities for growth and development. Hence, the name FrameworkS was chosen. In keeping with our commitment to decentralized management, the capital “S” served as a reminder of the multiple “frames” through which we must view our diverse businesses.

### **Broad-Based Participation**

As the process unfolded, it became essential that FrameworkS involve our most knowledgeable market, science and technology experts, our clearest thinkers and our sharpest business managers. The Executive Committee soon brought a wide spectrum of people into the process, principally by tapping into the management boards of our operating companies worldwide and our senior corporate staff.

Never before had such a broad-based group of people been invited to be central, active participants in matters of very substantial corporate significance outside the direct responsibilities of their operating companies. Why were we so bold to think this unconventional approach would work in a company as large, diverse and complicated as Johnson & Johnson? Because it is a natural extension of our Credo — a unifying system of beliefs that imbues every aspect of our work throughout the world.

- Our Credo specifies that our first responsibility is to our customers. FrameworkS helps to ensure that we understand the marketplace and how it is best served by our company.
- Our Credo underscores our responsibility to treat each person in our company with respect and dignity and to recognize individual merit. Inherent in FrameworkS is the assumption that the people of our company have a great amount to contribute, have extraordinary pride in Johnson & Johnson and want

to be involved in keeping our company great.

- Our Credo calls for us to “experiment with new ideas,” which is at the core of FrameworkS.
- Our final Credo responsibility is to maintain our profitability. Through FrameworkS, we are seeking to maintain the high level of growth that has historically fueled our returns.

FrameworkS is simple in concept yet requires a very big commitment of time, energy, skill and enthusiasm. Here’s how it works. A FrameworkS team is appointed by the Executive Committee to address a company-wide issue that has been identified to be of great importance to the future of the Corporation. The team represents senior operating company management as well as the Executive Committee

---

*FrameworkS is simple in concept yet requires a very big commitment of time, energy, skill and enthusiasm.*

---

and senior corporate staff. The team is organized into task forces that engage in very intensive, thorough research on a broad array of topics related to the issue.

This research can involve an analysis of relevant operations, policies, practices and plans in Johnson & Johnson franchises, visits to other companies and meetings with academic and business experts. Much of this work, which can take upwards of six months, requires a significant additional commitment of time and energy from people who already hold some of the most demanding positions in our company. To give just one example among hundreds of what this work can entail, a FrameworkS team in Japan recently came up with over 1,000 preliminary ideas for strengthening our company in that country.

### **Everything is Challenged**

The research findings are evaluated and synthesized and are presented and discussed at a multi-day meeting attended by all members of the FrameworkS team as well as the Executive Committee. We are not seeking concrete

answers at these sessions, although some do emerge. The aim is to interact in a spirit of openness. Assumptions are cast aside. Everything can be challenged. We are literally starting from scratch, and the exercise can be invigorating, startling, painful — extraordinarily rewarding. In the end, having shared information we did not have before, as well as the experience, perspectives and ideas of people who might have had little or no previous contact with one another, we are able to identify the very best opportunities. After the meeting, management teams proceed with creating and rolling action plans to capitalize on those opportunities.

Bringing a broad base of talent and enthusiasm into the process of changing our corporation has had a remarkable impact on our company. The 10 FrameworkS held thus far have spawned numerous initiatives, many of which continue to be implemented. We have started new businesses, entered new markets and set up broad-based programs that are already harvesting great returns for us in critical areas such as technology, leadership development, innovation, and recruitment.

---

*Bringing a broad base of talent and enthusiasm into the process of changing our corporation has had a remarkable impact on our company.*

---

FrameworkS has also produced less tangible but equally important results. The Executive Committee is better able to see Johnson & Johnson as other people inside and outside the company see it. Operating management is gaining a keener understanding of the Executive Committee's role — and is empowered to pursue market opportunities more aggressively, without waiting for other options to come “down from the top of the organization.” We are finding that our Company is more responsive and adaptive than ever before. There is a receptiveness, almost an eagerness to deal with change that did not exist five years ago. We are demonstrating that a very large, decentralized organization can deal effectively with ambiguity, complexity and change.

## A Proven Mechanism

Is FrameworkS a single, simple approach to equipping an organization to deal with change? Absolutely not.

But within the decentralized management structure of Johnson & Johnson, FrameworkS has become a proven mechanism for ensuring a productive collaboration among our Executive Committee and operating leadership worldwide. Most importantly, it has become a proven means of releasing energy throughout the Corporation and focusing the eyes of the organization and its leadership on the two most important issues central to our future — innovation and growth. 🌀

The Center for the Study of American Business is a nonprofit, nonpartisan organization, funded entirely by grants from foundations, business firms, and private citizens. It is an integral unit of Washington University. The opinions expressed herein are those of the author and do not necessarily reflect the position of the Center or Washington University. Address inquiries to: Center for the Study of American Business, Washington University, Campus Box 1027, One Brookings Dr., St. Louis, MO 63130-4899, (314) 935-5630.