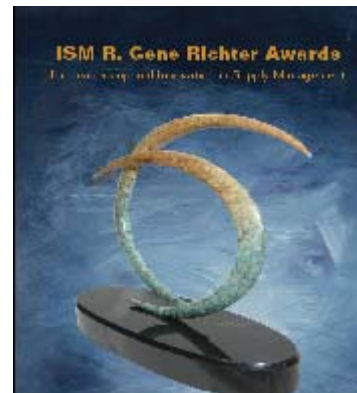


*Johnson & Johnson*  
**Consulting Category  
Management  
November 29 - 30, 2007**



# Speakers

**Andrea Grable**  
**WW Director, Category Lead**  
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**908-391-8828**



# Agenda

- Overview
- Rationale
- Transformation
- Scope
- How we did it
- What we did
- Results
- Learnings
- Summary & Next Steps



# Overview

**World's Most Comprehensive and Broadly Based Health Care Company**

**More than 200 Operating Companies  
In 57 Countries Around the World  
Selling Products in More Than 175 Countries**

**122,000 Employees  
Worldwide**

# 2006 Sales by Segment

Total Sales: \$53.3 Billion

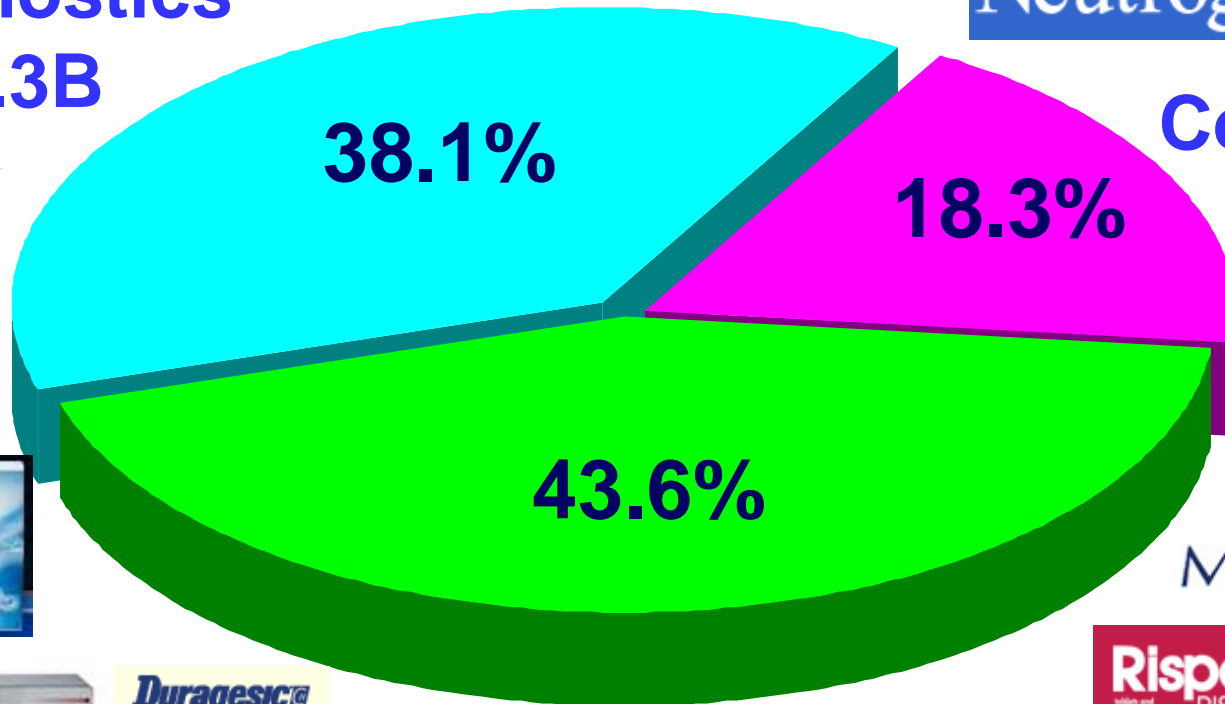
**Cordis®**



**ONE TOUCH**



**Medical Devices  
& Diagnostics**  
\$20.3B



**ETHICON**  
a Johnson & Johnson company

**DePuy**  
a Johnson & Johnson company



**Duragesic®**  
FENTANYL TRANSDERMAL SYSTEM

**Pharmaceuticals**

**TOPAMAX®** \$23.2B

**PROCRIT®**

**Remicade®**  
INFLIXIMAB



**MONISTAT®**

**Risperdal®**  
RISPERIDONE

# Rationale Behind Initiative

**Consulting spend is:**

- **Significant**
  - **Growing globally**
- 
- **Limited spend leverage or use of sourcing/procurement**
- 
- **Recognition that category management would enable internal clients to realize additional value from projects**



# Consulting Category Transformation

June 2005

Moving to:

- Limited spend and contract visibility
- Low spend data reliability
- Localized category expertise
- Limited OpCo collaboration and communication
- Procurement viewed as an impediment
- Limited metrics and system functionality
- Paying too much, don't understand rates
- Don't understand core competencies, chose the wrong consultant
- Projects not defined well, scope creep, often not managed
- Take all the knowledge away



- Global spend and contract visibility
- High spend data reliability
- Wide-spread knowledge/expertise
- Highly collaborative professional environment
- Procurement viewed as a key partner
- Robust set of metrics and system functionality
- Paying competitive rates, have spend transparency
- Full understanding of firm capabilities, recommend qualified suppliers
- Crisp Statements of Work, managed projects, change control
- Rigorous knowledge transfer

# Scope

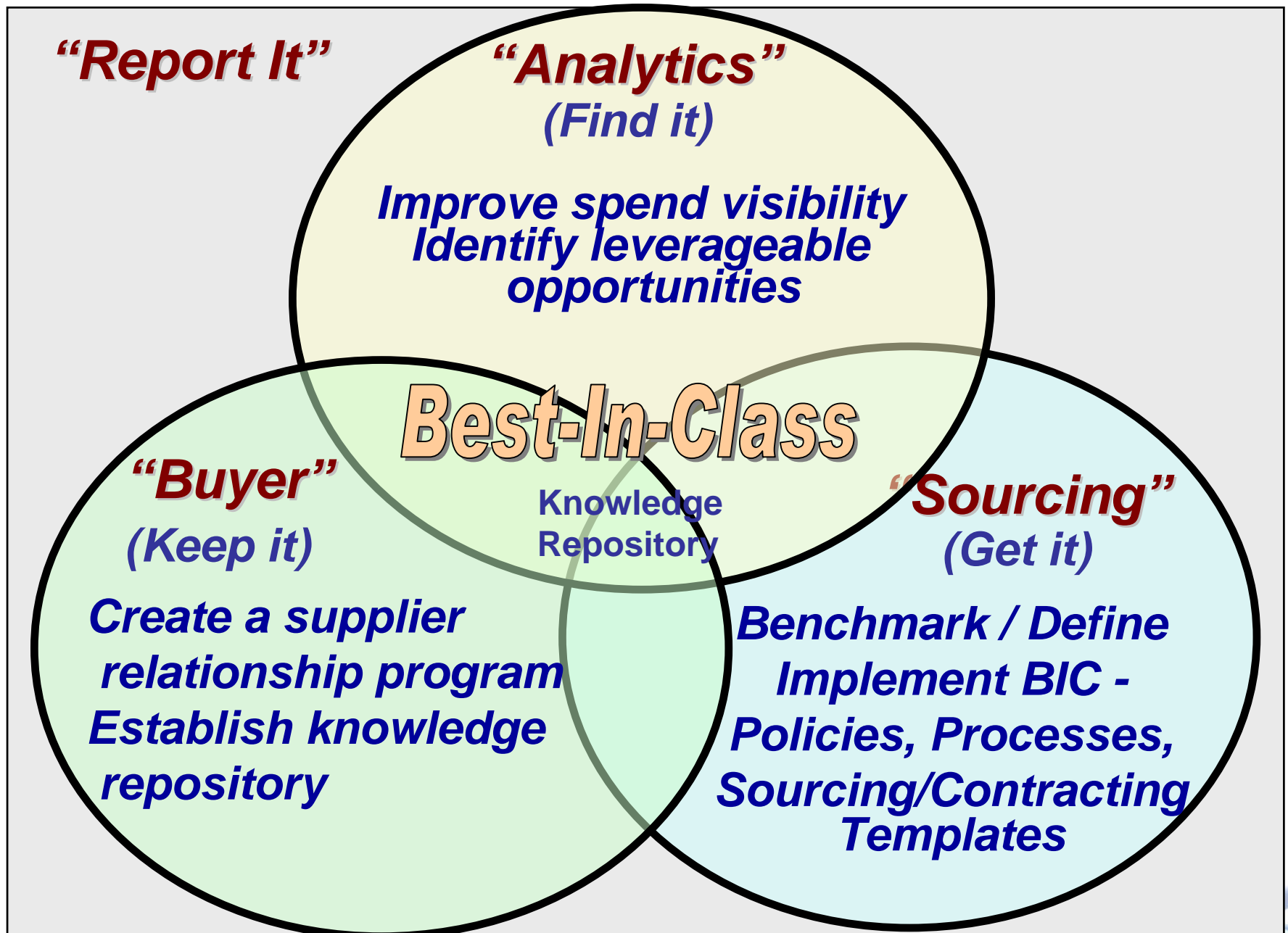
**Strategy, Management, Operations, HR and Process Excellence Consulting  
North America & EMEA**

## How we did it

1. **Conducted Voice-of-Customer survey**
2. **Obtained executive buy-in to value proposition**
3. **Formed enterprise-wide team**
4. **Identified best-in-class practices**
5. **Performed gap analysis**
6. **Set goals, objectives and metrics**
7. **Established sub-teams (*beneficiaries*)**
8. **Delivered results**



# Sub-teams and areas of focus



# “Find It Sub-Team”

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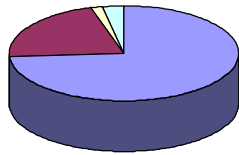
## What it did:

1. Evaluated past spending
2. Identified types of consulting services procured
3. Established set of commodity codes
4. Analyzed spending with top 1000 firms
  - assigned default commodity codes
5. Implemented software to cleanse codes
6. Designed Ariba code selection enhancements
7. Developed spend reports
8. Applied supplier segmentation methodology

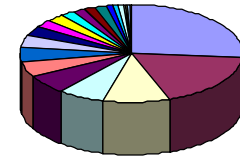


# Consulting Spend Categorization

June '05



June '07



Management  
& Business

Education &  
Training

Engineering,  
Research &  
Technology

Other

Advertising  
Benefits  
Communications  
Construction  
Environmental  
Facilities Eng.  
Financial  
Logistics  
Health Admin.  
HR  
Mkt/Pricing

M&A  
Operations  
Outsourcing  
Product Eng.  
Quality  
Real Estate  
Risk Mitigation  
Safety  
Strategy  
Training Dev.

Improved spend categorization and visibility by 50+%



# “Get It Sub-Team”

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## What it did:

1. Performed external/internal benchmarking
2. Created a Consulting Sourcing Strategy
  - Best-in-class processes
  - Total Cost/Price optimization
  - Supplier innovation
  - Risk reduction
  - Partnership creation
3. Designed/implemented standardized *Competitive bid* policy
4. Re-programmed Ariba to track policy compliance
5. Created and deployed *New Hire On-Boarding Guide*



# “Get It Sub-Team” (2)

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## What it did:

6. Developed standardized sourcing process and toolbox that contains templates, checklists, tools:

### Sourcing

- Request for proposal
- RFP discussion questionnaire
- Cover letters

### Contracting

- NDA Guidelines
- Master Service Agreement
- Statement of work
- Change orders

### Process

- Roles/Responsibilities - bidding guidelines
- Supplier qualification factors



# “Get It Sub-Team” (3)

---



## What it did:

### 7. Education & Training

### 8. Implemented NA/EMEA Time & Material provision for situations when competitive bidding is not an option

- Market based rate cards
- Project size discounts
- Annual rebates

**Operating companies reported a 100% increase in benefits realized.**

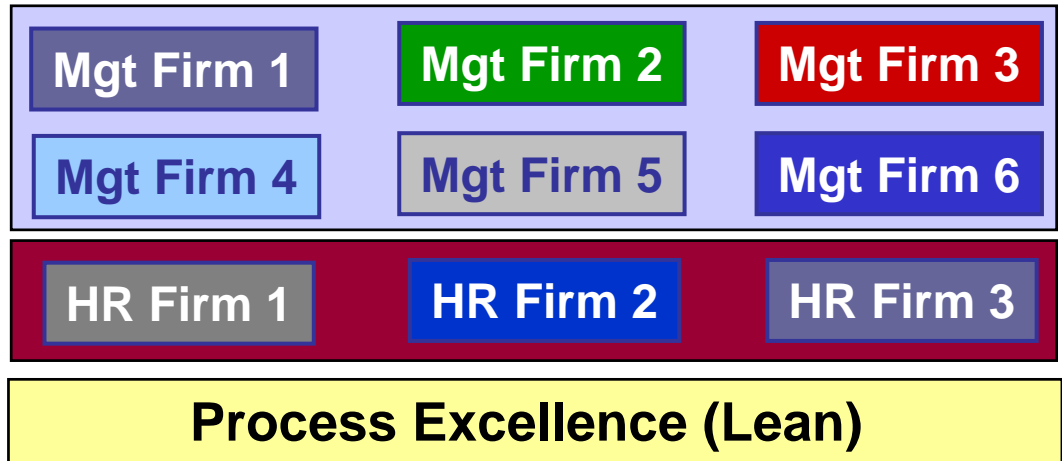
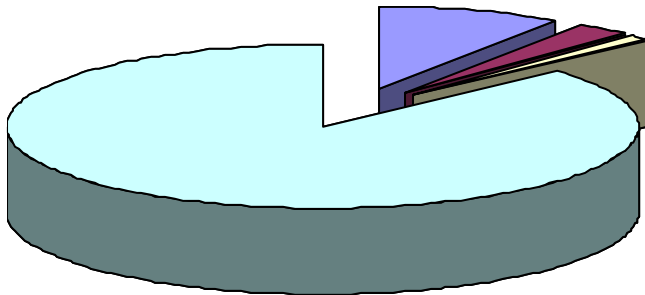


# Changing How J&J Engages Consultants

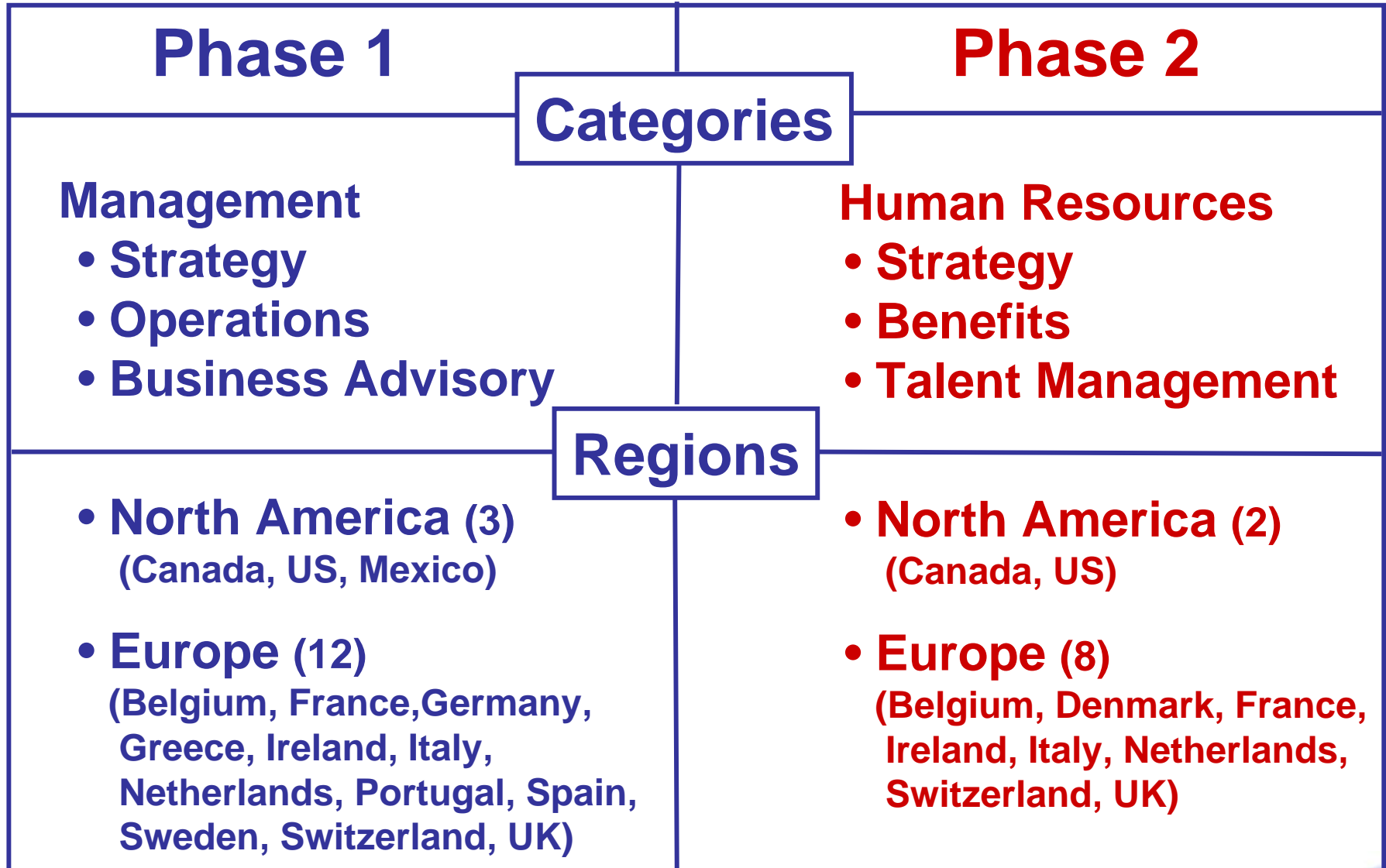


Procurement negotiated competitive rates and project and enterprise discounts with key management consulting suppliers and is currently in negotiations with a number of top HR consulting firms

*Consulting Spend*



# Consulting Rate Card RFP - Scope



# RFP Framework to gather rates from consultants

1. Common consultant level descriptions
2. Hourly Rates (Maximum amounts)
3. Rate by region/country (Local currency)
4. Tiered project discount structure and/or rebate

Foundation Rate Schedule for Strategy Projects					
Title/Role	US	Canada	Mexico	Belgium	France
	US\$	Can\$	Peso	Euro	Euro
	Max Hourly Fee	Max Hourly Fee	Max Hourly Fee	Max Hourly Fee	Max Hourly Fee
Analyst					
Senior Analyst					
Consultant/MBA					
Senior/Experienced Consultant					
Manager/Project Lead					
Senior Manager/Director					
Partner/Principal/VP					

Additional Discounts for Projects	Percent		
Project size >\$500K to < \$1MM			
Project size >\$1MM to < \$2MM			
Project size >\$2MM to < \$4MM			
Project size >\$4MM to < \$6MM			
Project size >\$6MM to < \$10MM			
Project size >\$10MM to < \$15MM			
Project size >\$15MM to < \$20MM			

# Consultant Level Description Summary

Level	College Education	Prior consulting or industry experience	Position Tenure	Client Interface	Governance/Role
Analyst	Undergraduate or equivalent	< 1 yr	1-2 yrs	Uncommon	Heavily supervised
Senior Analyst	Undergraduate or equivalent	1-3+ yrs	1-2 yrs	Periodic	Moderately supervised
Consultant/MBA	Recent MBA or other advanced graduate degree	2-3+ yrs	1.5-3 yrs	Weekly to daily	Limited supervision. Frequently operates independently
Senior/Experienced Consultant	MBA or other advanced graduate degree	3-5 yrs	2-4 yrs	Daily	Supervises small team
Manager/Project Lead	MBA or other advanced graduate degree	4-6+ yrs	1-2+ yrs	Manages daily client interactions	Project lead
Senior Manager/Director	MBA or other advanced graduate degree	5-10 yrs	2+ yrs	Interfaces with client leaders on specific issues	Project/Program Manager; Business Developer
Partner/Vice President	MBA or other advanced graduate degree	7-15+ yrs	2+ yrs	Interfaces with client management on strategic issues	Account Manager; Business Developer



# Consulting Rate Card RFP - Lessons Learned

- **Firms want insight into field (number, who, etc)**
- **Enforcement of standard definitions is critical**
- **Expect 3 – 4 pushback rounds**
- **General comments about rates are not effective**
- **Rate competitiveness guidance is required**
- **Daily vs. hourly rates may give us more value**
- **Yearly increase governed by CPI is a hard sell**

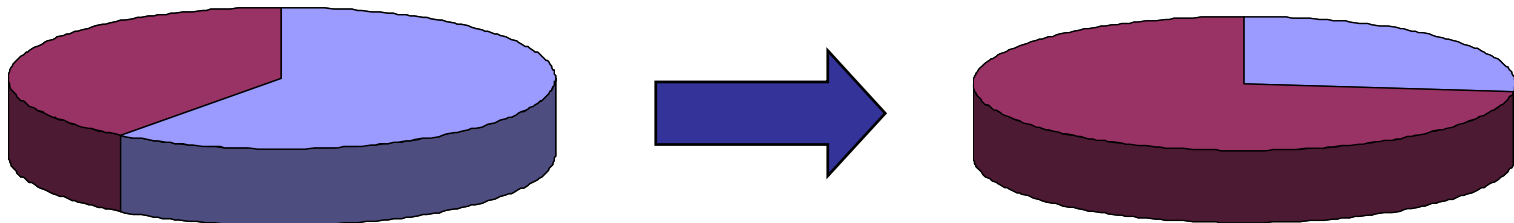


# “Keep It Sub-Team”



## What it did:

1. Performed spend analysis of > \$1MM
2. Developed Supplier Relationship Manager (SRM) assignment model and SRM roles
3. Identified SRM's for key consultancies
4. Developed/implemented Knowledge Repository
5. Designed and piloted scorecard



**Managed spend increased from 27% to > 60%.**



# Learnings:



- **Executive sponsorship is critical**
- **Collaboration is vital (OpCo's, Legal, Finance, Internal Audit, Systems Design, Suppliers...)**
- **Common definitions and reliable spend data is imperative (Maintenance requires ownership)**
- **Credibility is improved by delivering results**
- **Value delivery & metrics drive behavior**



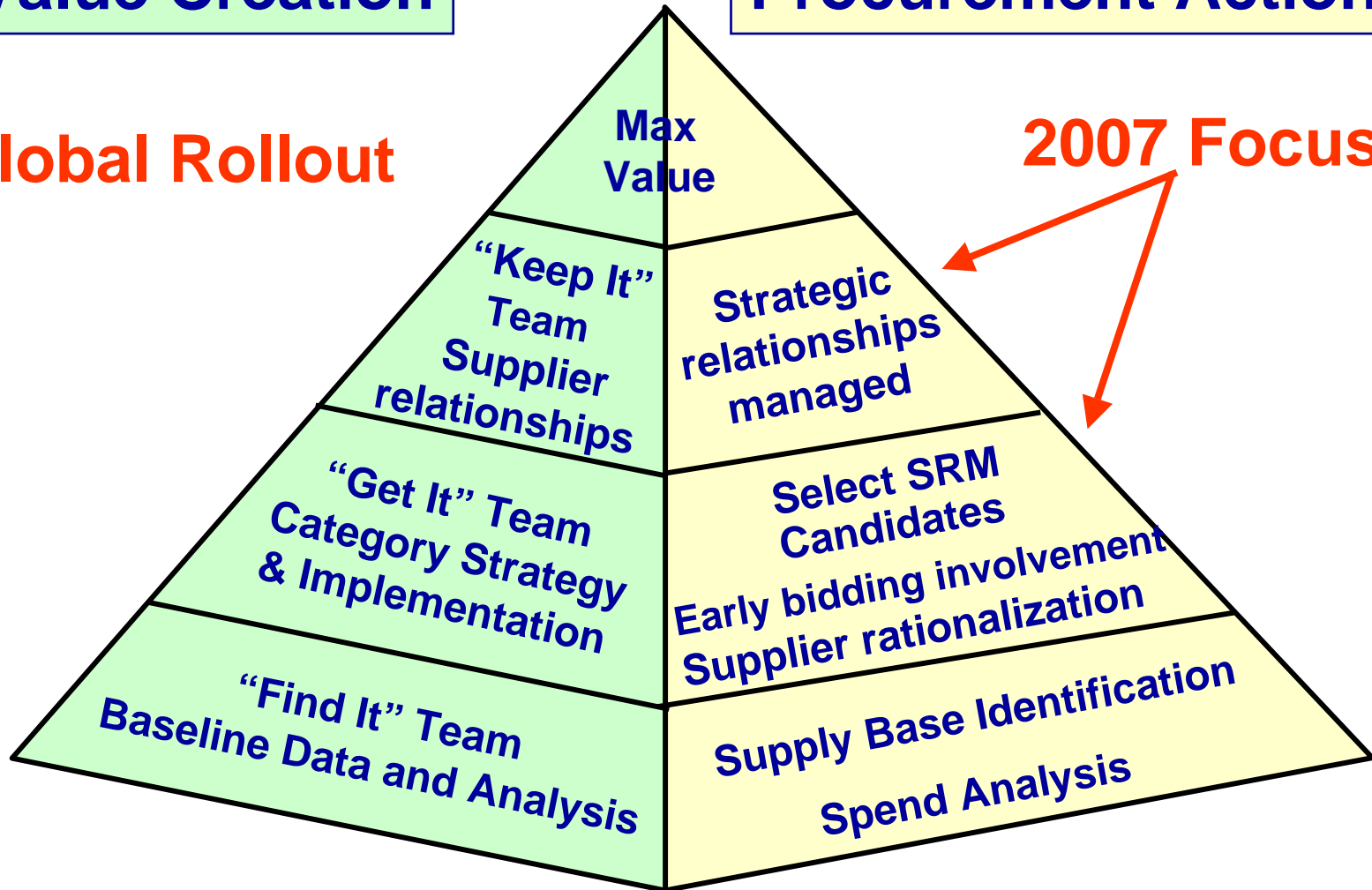
# Summary & Next Steps

Value Creation

Procurement Actions

Global Rollout

2007 Focus



Benchmarking

# Questions ?

