



Guiding Light

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*Health care organization
puts business activity
monitoring to work*

The growth of Johnson & Johnson as a health care giant is driven by the continuing innovation of its 230 operating companies around the world. This decentralized approach is fundamental to the organization's long-term success, but it can be confusing for customers seeking a single point of contact with the company.

Leaders at Johnson & Johnson Health Care Systems Inc. aim to fill this gap by directing a number of critical customer-facing activities through a shared-services model. Specific functions include contracting, e-business, and supply chain fulfillment for the company's pharmaceutical, medical devices, and diagnostics groups.

Led by the company's medical devices and diagnostics segment, Johnson & Johnson Health Care Systems is in the midst of a significant shift to a direct-to-customer distribution model. Products increasingly are being shipped promptly to major health care providers from the company's Memphis, Tennessee, logistics center. The need for flaw-

less fulfillment is underscored by the time-sensitive and high-value nature of each order. Any disruption in its order-to-cash process would have an immediate financial impact on the business and could jeopardize long-term customer relationships.

Recognizing this criticality, a project was initiated to look at all systematic and procedural vulnerabilities in the supply chain environment. Using a process excellence approach that combined elements of six sigma with internal best practices, this effort was designed to identify and address vulnerabilities within the firm's multi-billion-dollar supply chain.

Through this initiative, executives quickly determined that the organization's lack of end-to-end transactional visibility inhibited performance and drove down customer satisfaction. Defective transactions and corrupted orders often were discovered when it was too late to act. To overcome these limitations, better real-time visibility into individual transactions was required, as were automated alerting to failures, proactive diagnosis of issues,

and better operational tracking of long-term trends.

According to an analysis undertaken for the company by webMethods' consultants, timelier operational insight into order status would yield significant and measurable benefits. Specifically, they anticipated the following advantages:

- The organization would reduce the cost and time associated with resolving disruptions and discrepancies throughout its Just-in-Time supply chain.
- By getting to the root cause of any issues quickly, employees would be able to minimize negative customer experiences.
- The company would eliminate many of the additional costs associated with rectifying defective or mishandled orders, such as the need to expedite shipments or incur overtime.

Beyond these targeted objectives, the initiative also would support broader corporate goals, including fewer unresolved sales, improved perfect order scores, greater adop-

tion of electronic ordering, and more consistent adherence to defined data-quality models.

Improved performance

Due to the limitations of application-specific reporting—such as those associated with distinct enterprise resources planning or supply chain

integration. Compared to traditional business event monitoring and reporting tools, BAM also requires a higher degree of organizational and architectural planning and investment.

The recent Gartner report “Who’s Who in Business Activity Monitoring” adds that BAM is deployed to monitor key business objectives, anticipate operational risks, and reduce the time between a material event and taking effective action. It goes on to say, “A BAM system works by collecting business events across multiple applications, extracting relevant information from the events to update simple and derived metrics, and using rules to watch the metrics for changes that indicate a threat or opportunity.”

In addition, BAM can be employed to support broader corporate objectives. In the case of specific methodologies, such as lean manufacturing and six sigma, BAM helps users statistically measure cause-and-effect relationships.

Peak performance

By implementing the webMethods BAM solution, Johnson & Johnson Health Care Systems employees now are able to create an automated approach to monitoring real-time supply chain performance. BAM provides an intervention-focused tool for proactively shaping and improving business activities. It also helps managers achieve continuous compliance with stated performance guarantees.


“This was a mind shift,” says Bob Eder, Johnson & Johnson Health Care Systems director of customer service. “We’re no longer measuring just one component; but, rather, we’re now measuring end-to-end performance.”

Company leaders employ a variety of integrated tools, including event correlation and root cause analysis. They now can detect and manage abnormalities, routing them to a 24/7 operations support help desk where issues are tracked and escalated to proper support staff members for immediate resolution.

As a result, company managers are able to minimize much of the fire-fighting that previously had occupied their resources. BAM also has eliminated much of the time associated with problem resolution. The tool finds and alerts employees to problem areas before they turn into a full-blown outage. By one estimate, problem resolution times were reduced by 75 percent, with the company also exceeding goals for the uptime availability of the end-to-end system.

By rectifying these issues faster, executives are able to minimize the downstream impact on performance, as well as the overall cost of resolution. For example, dollars-at-risk, a measure of transactions specifically influenced by identified events, was slashed by several million dollars annually.

The detailed, real-time operational data secured by BAM also help business leaders identify and resolve more systemic issues. They have a forensic tool for reconstructing and resolving significant outages and help identify specific bottlenecks within order-to-cash processes. Plus, BAM is used to immediately highlight and isolate fast-emerging trends by time of day, channel, or other key performance indicators. Since the BAM implementation, perfect order scores have risen to more than 99 percent.

Some equally significant intangible benefits also have been achieved as a result of giving executives greater visibility into real-time supply chain performance. “That’s a different way to approach the business,” Eder says, “from the perspective that our customers see and experience, which is the only view that counts.” 

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management functions—measurable degradation in the overall process often goes unreported and uncorrected. As a result, orders can be delayed or fall through the gaps that exist between various systems, despite the fact that the process seems to be on target during each individual step.

For example, Johnson & Johnson Health Care Systems’ order-to-cash process consists of 14 distinct sub-processes. Even if each of these sub-processes were performing at 99.5 percent reliability, this would only equate to 93 percent reliability for the end-to-end system. In other words, 70 orders out of every 1,000 could experience some type of problem.

Meeting reliability levels of 99.5 percent across the entire process requires continuous observation and benchmarking. Recently, many experts have encouraged business leaders to consider business activity monitoring (BAM) to deliver this operationally focused performance monitoring. Analysts with Gartner Inc. coined the term BAM, which defines the concept of providing real-time access to critical business performance indicators in order to improve the speed and effectiveness of business operations.

According to Gartner, BAM is the convergence of operational business intelligence and real-time application