

Fundamentals of Organizational Structure

Structure of an Organization | Johnson & Johnson

About the Company

Johnson & Johnson (J&J) is an American multinational organization that develops consumer goods, pharmaceuticals, and medical devices. It operates around 250 subsidiary companies across 60 nations and sells products in 175 countries. In November 2021, it was announced that the company would split into two publicly-traded companies — one focused on consumer products and the other on pharmaceuticals.

In this report, I, Aditya Sridhar, have attempted to shed light on the **Organizational Structure of the company Johnson & Johnson** (alternately referred to as “J & J” in the report), in accordance with the topics taught in the class, especially the **Second Chapter**. The sub-points discussed will be the analysis of those sub-topics discussed in class.

Dimensions of the Organization

1. Administration

- J&J employs over 134,000 people.
- The Executive Committee is led by the CEO who is assisted by eight immediate subordinates who assume Executive Vice President roles.

2. Autonomy & Centralization

- J&J has moved to a decentralized organizational structure. This means that its managers and employees across its many operational and business units can operate with more freedom and autonomy.
- This structure allows for faster decision making and more employee empowerment.

3. Complexity

Johnson & Johnson's organizational structure practices a high degree of differentiation, both horizontally and vertically.

- **Horizontal Differentiation:** Around 250 subsidiary firms are operated by J&J in 60 different countries. Every subsidiary is handled as a distinct business unit with its own set of duties and goals. This enables each unit to adjust to its own market conditions and permits a high degree of specialization.
- **Vertical Differentiation:** The hierarchical structure of the business clearly shows its vertical differentiation. The CEO-led Executive Committee is in charge of

managing J&J's three primary business divisions—Consumer, Medical Devices, and Pharmaceuticals—as well as its core business segments, including HR and R&D. There are distinct lines of authority and duty thanks to this system.

4. Formalization Techniques:

- **Selection:** J&J employs a strict hiring procedure to guarantee that only the top candidates are chosen. They search for people who share company values and are qualified for the position based on their skills and experience.
- **Training:** The company prioritizes training heavily. They have taught more than 2000 people in their Six Sigma techniques and implemented its processes. This training supports initiatives that shorten work cycles, decrease waste, remove errors and defects, and drive out unnecessary costs.
- **Rituals:** The J&J Credo, a collection of firmly held principles that have guided generations of J&J leaders and employees in terms of strategy and morality, serves as the foundation for all of the company's rituals.

5. Span of Control & Vertical Span

- The Executive Committee is led by the CEO who is assisted by eight immediate subordinates who assume Executive Vice President roles.
- These people oversee J&J's key business units, including HR and R&D, and its three main arms: Consumer, Medical Devices, and Pharmaceuticals.

6. Organizational Configurations

- **Functional Structure:** In its early days, J&J established a functional type of structure. This structure grouped employees based on their functional area of expertise.
- **Divisional Structure:** As J&J grew, it moved to a divisional structure. Each subsidiary, as explained above, is now treated as a separate business unit with its own set of responsibilities and objectives.

Conclusion and Summary

The decentralized organizational structure used by Johnson & Johnson has proven successful in managing its extensive network of subsidiaries and business units. It empowers staff members at all levels and enables quicker decision-making.

In virtue of the company's emphasis on differentiation, J & J can efficiently serve a variety of markets. It can be difficult to oversee such a diverse range of skills, though. Though it may reduce flexibility, the company's trend toward formalization helps define responsibilities clearly.

References

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