

Johnson & Johnson: Governing a Supply-Network Transition

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A transition without a site list

On September 1, 2026, Tom Cavanaugh became Johnson & Johnson's executive vice president and worldwide chairman of Innovative Medicine, succeeding Jennifer Taubert. His appointment came after J&J disclosed a new supply-chain restructuring in its second-quarter results. The company said it planned to exit certain manufacturing locations, primarily within Innovative Medicine, as part of an effort to streamline operations. Management estimated total program costs of \$650 million to \$750 million and expected substantial completion by the end of fiscal 2029. [P3, Note 12, pp.30, SEC lines 1672-1678; P6, Exhibit 99.1, lines 12-20]

The public filing did not name the locations, products, suppliers, or markets involved. It provided no transition phases, affected production volumes, expected savings, or annual cash schedule. The estimate was a total program cost, not an amount J&J said remained to be spent. In the quarter, the company recorded \$200 million in restructuring expense, primarily related to asset impairments. That accounting charge did not state how much cash had been paid or what costs remained. [P3, Note 12, pp.30, SEC lines 1672-1692]

For the new segment leader, the immediate question was how to govern execution while the detailed operating plan remained undisclosed. What evidence should be required before a transition wave moves forward? Which safeguards should be considered for different products and markets? How should the organization handle a proposed change when the public record does not show which actions are committed, reversible, or capable of being staged?

An expanding but uneven portfolio

Innovative Medicine reported second-quarter 2026 sales of \$16.384 billion, up 7.8% as reported and 6.8% operationally. Growth was attributed to several oncology, immunology, and neuroscience products, including DARZALEX, CARVYKTI, RYBREXANT/LAZCLUZE, TREMFYA, SPRAVATO, and CAPLYTA. STELARA and REMICADE partly offset that growth; management cited an approximately 760-basis-point impact from STELARA. Operational sales growth excludes currency effects. [P2, segment table, lines 128-138; commentary, lines 139-144]

J&J also expected continued U.S. biosimilar pressure on STELARA, with a potential U.S. SIMPONI entrant later in 2026. These were commercial developments; the company did not connect them to particular facilities or to the newly announced restructuring. [P3, printed p.35, SEC lines 1864-1875]

J&J's broader manufacturing agenda was moving at the same time. In March 2025, the company announced more than \$55 billion of U.S. investment over four years across manufacturing, research and development, and technology. Subsequent announcements included two additional U.S. manufacturing facilities within that commitment and a planned next-generation cell-therapy facility in Pennsylvania with an investment above \$1 billion. The announced program spans Innovative Medicine and MedTech; J&J did not disclose it as an offset to the supply-chain restructuring budget. [P4, lines 95-103; P5, Jan. 8 release lines 102-108 and Feb. 18 release lines 88-93, 99-102]

What the network disclosures show

J&J's 2025 Form 10-K reported 63 manufacturing facilities and thousands of suppliers across the company. Separately, it reported 19 facilities used by Innovative Medicine-three in the United States and 16 elsewhere-with 5.245 million square feet of manufacturing property assigned to the segment. These are aggregate counts and area figures. They do not identify products made at each site, production capacity, utilization, or any location selected for the new program. [P1, Item 1A, SEC lines 392-398; Item 2, Properties, pp.17-18, SEC lines 608-629]

The same 10-K warned that manufacturing interruptions can cause shortages, sales or reputational effects, and remediation costs. It also identified supply-chain disruption and failure or delay in realizing restructuring benefits as risks. These are company risk disclosures, not evidence that a shortage was occurring or that this program had disrupted supply. [P1, Item 1A, SEC lines 195-200, 392-398]

Regulatory reporting also depends on the product and the proposed change. Under 21 CFR 601.12, a biologics applicant assesses a change to an approved application before distribution; the reporting category depends on the change's potential effect. FDA's 2021 guidance gives examples for specified biological products and excludes others, including in-vivo monoclonal antibodies and therapeutic recombinant-DNA-derived products. J&J did not disclose affected products or change scopes, so its actual filing categories and approval paths were not public. [P7, 21 CFR 601.12 (eCFR version current Oct. 1, 2026), (a)(1)-(3), (b)-(d); 2021 guidance §III, pp.3-4 and Appendix, p.42]

Financial and operating exhibits

Exhibit 1. Program estimate and recorded Q2 expense

Disclosed item	Amount / timing	Classification and scope
Estimated total program cost	\$650-750 million	Management estimate for the new supply-chain restructuring, primarily Innovative Medicine; substantial completion expected by end-FY2029
Q2 2026 restructuring expense	\$200 million	New program; primarily asset impairments
Of which: Cost of products sold	\$18 million	Q2 expense classification
Of which: Other (Income)/Expense	\$182 million	Q2 expense classification

Source: Q2 2026 Form 10-Q, Note 12, printed p.30 / SEC lines 1672-1687. The filing reports expense, not cash paid or cash-to-complete. The same note separately reports restructuring programs for MedTech Surgery and Orthopaedics; their expenses are excluded from this exhibit.

Exhibit 2. Manufacturing footprint disclosed in the 2025 Form 10-K

Measure	Innovative Medicine	Companywide
Manufacturing facilities	19 (3 U.S.; 16 outside U.S.)	63
Manufacturing property	5.245 million square feet	Not shown
Supplier count	Not separately stated here	Thousands

Source: FY2025 Form 10-K, Item 2, Properties, printed pp.17-18 / SEC lines 608-629; Item 1A, lines 392-398. The filing does not identify the restructuring locations or connect individual sites to products.

Exhibit 3. Innovative Medicine sales and full-year outlook

Measure	Reported figure
Q2 2026 Innovative Medicine sales	\$16.384 billion
Q2 reported sales growth	7.8%
Q2 operational sales growth	6.8%
Six-month 2026 Innovative Medicine sales	\$31.810 billion
Six-month operational sales growth	7.1%
FY2026 consolidated reported sales guidance	\$100.8-101.4 billion
FY2026 consolidated adjusted EPS guidance	\$11.60-11.75

Source: Q2 results release, segment sales table, lines 128-138; FY2026 guidance table, lines 151-161; Q2 Form 10-Q, MD&A, printed pp.33-34 / SEC lines 1760-1851. Operational growth excludes currency effects. EPS guidance is adjusted and non-GAAP. The full-year outlook is consolidated, not an Innovative Medicine or restructuring forecast.

Exhibit 4. Concurrent commercial and investment context

Disclosure	Company-reported detail
Q2 Innovative Medicine growth drivers	DARZALEX, CARVYKTI, TECVAYLI, RYBREXANT/LAZCLUZ, TREMFYA, other Immunology, SPRAVATO, and CAPLYTA
Q2 offsets	STELARA (approximately 760 basis points of impact) and REMICADE
Broader U.S. investment	More than \$55 billion over four years in manufacturing, R&D, and technology; across Innovative Medicine and MedTech
Pennsylvania cell-therapy facility	Announced investment above \$1 billion; planned next-generation facility

Sources: Q2 results release, lines 143-144; March 21, 2025 investment release, lines 95-103; February 18, 2026 Pennsylvania announcement, lines 88-93 and 99-102. Announced investments are not completed capacity or disclosed offsets to the restructuring estimate.

The assignment

Assume you are advising the newly appointed Innovative Medicine leader on October 3, 2026. Recommend how the leader should govern the sequencing and safeguards for the announced supply-chain restructuring. Your answer should address:

1. What information should be assembled before sequencing decisions are made?
2. What decision gates should determine whether a transition is ready to proceed?
3. Which risks require product- and market-specific monitoring, and who should own the relevant checks?
4. What measurable indicators would prompt management to proceed, pause, or redirect a proposed wave?
5. What is the strongest argument against your recommended approach?

Consider the following **hypothetical execution approaches**, which are not disclosed J&J plans:

- **Schedule-led consolidation:** move on a faster timetable after confirming that receiving processes, markets, and release controls are ready.

- **Risk-tiered waves:** sequence proposed changes by product-market exposure and qualification needs, with temporary buffers or parallel supply considered only where their availability and value are verified.
- **Capability-first sequencing:** identify capabilities required for current products and future launches, then sequence changes around validated coverage.

The public record does not establish that any particular site is a sole source, that a product is at risk, or that parallel capacity is available. Do not infer those facts from the companywide or segment-level counts. Any proposed threshold, gate, sequence, service target, or management control is a **hypothetical recommendation**, not reported J&J policy. The evidence supports a governance recommendation; it does not support a site ranking, savings estimate, or decision to cancel the program.

Discussion questions

1. What is known-and what remains unknown-about the program's scope, costs, and operating choices?
2. How should leaders balance execution pace, possible transition duplication, patient supply continuity, and future portfolio capability?
3. Which measures should be reviewed for each product-market transition, and how should a proposed wave be released or paused?
4. How should the leader distinguish reported results, management estimates, derived implications, and assumptions in presenting the plan?

Sources and cutoff

This case uses public information available by **October 3, 2026, end of day Eastern Time**. No later results, site decisions, transition outcomes, savings, or supply events are included.

- **P1.** J&J FY2025 Form 10-K, filed Feb. 11, 2026, Item 1A and Item 2. [SEC filing](#)
- **P2.** J&J Q2 2026 results release, July 15, 2026. [Investor release](#)
- **P3.** J&J Q2 2026 Form 10-Q, filed July 23, 2026, quarter ended June 28, Note 12 and MD&A. [SEC filing](#)
- **P4.** J&J U.S. investment announcement, March 21, 2025. [Company release](#)
- **P5.** J&J Jan. 8, 2026 advanced-medicines capacity announcement and Feb. 18, 2026 Pennsylvania cell-therapy facility announcement. [Jan. 8 release](#); [Feb. 18 release](#)
- **P6.** J&J Form 8-K, filed Aug. 4, 2026, Exhibit 99.1, leadership appointment. [SEC filing index](#)
- **P7.** 21 CFR 601.12 (eCFR version current Oct. 1, 2026); FDA 2021 CMC changes guidance for certain biological products; FDA 1996 comparability guidance. [21 CFR 601.12](#); [2021 FDA guidance](#); [1996 FDA guidance](#).