

Identify key hr
strategies of philips



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Introduction:

Koninklijke Philips Electronics, most commonly known as Philips, a Dutch electronics company. Philips is one of the largest electronics companies in the world employing 123, 000 people in more than 60 countries.

Philips main objectives are customer satisfaction by hiking its brand value. Observation on the financial market and the organisational workforce led us to examine Philips strategy and changes made in its culture after economic downturn and September 11th attacks at U. S in 2001. This report helps to analyse this using various cultural and performance measurement models which led to growth of Philips.

This report also analyses the leadership qualities of Philips CEO Gerard Kleisterlee who took charge in 2001 when company was making losses.

Executive Summary

This report contains study of major factors which affected Philips during the economic downturn as well as in its competitive environment. The report also analyses how Gerard Kleisterlee, CEO of Philips who took over Philips in 2001 during the time when the company was making losses.

This report also analyses how Philips regained its brand value and market share under Gerard Kleisterlee leadership. Kleisterlee who admitted loss were due to flaws in organisation and economic conditions. This report shows how Kleisterlee opted to restructure the organisational strategies and revived Philips. Report also indicates in detail of the new strategy which was to promote a more cooperative approach than working on single division, which led to 'one Philips'. This report also indicates the improvements in

Philips after implementing these new cultures and shows how these improvements were measured using performance measurement models.

Identify the key strategic HR choices and the changes to Philips' culture made by Gerard Kleisterlee between 2001 and 2007. To what extent were they necessary and how, specifically, did they contribute to the improvement in the company's performance?

' It would be too easy to attribute all our problems to the general economic situation. Despite the excellent year we had in 2000, several problems were already beginning to surface. Some of our processes are not up to benchmark standard, our fragmented organization makes us carry too high costs for infrastructure and overhead, and we've allowed too many low growth, low-margin businesses to develop. They account for an unacceptably high percentage of our total portfolio. Consumer Electronics, for instance, which accounts for around a third of Group sales, hasn't been performing well enough for several years.'- Gerard Kleisterlee.

Strategic HR choices.

Taking charge at a time when the company was making losses, Kleisterlee, who had worked for Philips all his professional life envisaged to make Philips a high tech pioneer. Working towards this goal, Kleisterlee started a strategic and cultural reform process. For that he had to embed some HR policies, not only to change the culture of the business but to reduce the cost base as well and he did that by asking centralization and decentralization.

The organization had grown rapidly over a short period of time caused by focus on core competencies. This growth combined with increasing diversity and emphasis on logistical performance required change.

Redesign of the organisation was necessary for the following reasons:

1. More flexibility
2. Enhanced quality control
3. Improved quality of work
4. Greater efficiency
5. Capitalising on the available capabilities

These reasons combined with bad company results let the management to decide to implement self managing teams. A pilot group consisting of employees of various departments was formed to ignite the change process.

DEPICTING BUSINESS STRATEGY

AMO being the heart of strategic HRM helps in identifying the ability, motivation and Opportunities of employees. Their ability was shown in a way they adapted the change of redesigning the business structure and motivated them by encouraging to participate in strategic conversations with comprehensive training and subsequently delivering the required standards. This gave an opportunity to have a cooperative approach with different divisions to achieve a common goal.

Rebranding was necessary for the company as most of its products in U. S. were not associated with Philips brand which was troublesome as they did not meet the expectations of the customers. Hence, they transformed into a

simpler and more market driven organization using ‘ Sense and Simplicity’ theme.

The advanced technology is in coherence with marketing strategies to design a product which was user friendly.

The implementation of these business strategies resulted in the company’s performance.

Hence it increased the market share, profitability and brand value of Philips.

As Philips is an electronic company innovation is a key to growth and success in the electronics industry. Its innovativeness has been rendered as the competitive advantage which it has a proud history of from its founders.

Product innovation is the result of new way to solve customer problems and involves introduction of effective product. This might include improvement in functional characteristics, ease of use. It develops customers support however at the risk of costly R&D can erode shareholder returns.

Working on these performance measures helped them reach their overall goal of being ‘ Hi-tech Pioneer’ through customer satisfaction and market growth.

Business Strategy – HR Policies

- Cost effectiveness. Suggestions from staff, telecom and consultants.
- Innovation. Merge SBU’s to come up with new ideas and rewarding them.

- Change in culture. Employees sticking with the firm due to faith and trust in the Chief Executive.

Philips culture change

Gerard Kleisterlee who lives Philips brand and its products made his thoughts and organizational philosophy of founders clear among his employees and guided them where they need to progress and reasoning for company's reputation. Philips divisions were broken apart without any communications with other divisions and Philips as a whole performance. Kleisterlee came up with an idea of implementing a change of culture in the company depending on the trends of the workforce and working habits for better results. Unifying the divisions of Philips was done using centralisation technique.

Selection criteria: Kleisterlee started the selection criteria by collaboration between semiconductor division and CE division which have similar workforce which would also benefit in grabbing market share. Philips management selected a pilot group consisting of employees of various departments to start the change of cultural process. From this pilot group other could help themselves to learn and implement themselves and participate.

Top management and Socialisation: Kleisterlee adopted a operational policy which is a mixture of centralisation and decentralisation which helps in motivating employees to have a clear objective of company's goal. By using decentralisation Philips generated €150 million of savings by having staff suggestions. He implemented ' Towards One Philips' initiative where employees were encouraged to participate in strategic conversations and brain storming sessions. He rebuked executives of the company towards the

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goal when there were failures in company results. The company's managers and higher authorities led the training sessions for the functional and divisional managers to display their skills towards growth. Employees were made to interact with different firms which helped them in improving their knowledge, technology and socialise themselves in a different environment.

Organisational culture: This culture change was adapted by the employees and the results were amazing, which helped Philips to boom itself in the market by grasping more market share. The cultural change was favourable to the company as it was made to lead to the goal of the company and it was measured by having an engagement survey where it measured brand promotion. Employees had faith in leadership of Kleisterlee who had kept the division of the company linked.

There was a pilot group which was formed of various departments before, who adapted this change and from them other employees had a great inspiration to learn and implement it by themselves. Employees were given full detail for the reasons of cultural change in Philips. This adoption of change and outcome resulted in showing the leadership qualities.

What extent was change in culture necessary

Philips had grown rapidly over a short period of time, caused by core competency and the growth with diversity combined with bad results led to have a change in the culture of Philips.

The cultural change was needed due to the political, social, technological factors affecting the organisation. As Philips was a Dutch company and globalising themselves into other parts of the world where these factors

affected the organisation, due to the regulatory changes in US such as Sarbanes-Oxley act these changes had to be made in order to flourish.

Moreover in the technological R&D department where huge amount of cash was spent which did not lead to products market under Philips brand.

The competition was increasing rapidly in the market. Sony, LG, Samsung, GE, Siemens being their top competitors in all the markets they had to have a change in their culture also in research and development to build their own brand value again. As Philips had differences in their divisions and none of them were interlinked and had similar work culture which made them difficult to approach and overcome issues occurred.

Philips having a competitive advantage of innovation, but they did not fulfil customer desires and received many complaints where they started to lose their brand value. This made Philips and Kleisterlee to think about changes need to be made and implemented in regards with company's growth and value.

Marketing campaigns and rebranding themselves with a different slogan was the best choice to win back their customers which latter helped them in regaining their brand value from \$4. 5 billion to \$6. 7 billion.

Cost played a vital role in Philips as they were making huge losses in different divisions and some of the diversified business had no connection with top level management. The goods which were bought by the divisions of the company accounted to be 66% of the total revenue which was the major setback. Also previous year annual report shows they have not been making profit considerably.

Redesigning was necessary for Philips as the employees lacked team work, flexibility, lack of internal information; quality of work was not up-to the mark. Standardisation and empowerment in Philips was lagging behind.

Kleisterlee had the objective of gaining the lost market share, brand value and end user satisfaction. These obstacles mentioned above couldn't help him in reaching the goal. Hence implementation of the new culture was necessary to boost the performance and to be a high-tech pioneer.

How culture contributed to improvement in Philips performance.

Marketing: The culture contributed much on marketing where the Philips brand value was low and helping them to recognise their strengths and rebuild their brand recognition. Rebranding Philips by using marketing slogan, Sense and Simplicity which promised the customers of advanced technology and easy to use in accordance with customer desires. Sense and Simplicity contribution: 20% increase in retail placements, 35%inflation in sales in 2005, rebranding was successful, raised value of Philips from \$4. 5billion to\$6. 7billion, double digit growth in 2004 and 2005.

Operations: Centralisation culture which was implemented included all the factors such as human resources, payroll and finance which enabled the top level management to observe and measure the techniques of operations. The reorganisation in the cost structure cut down the costs by 12% from the goods and services, which were bought whose total cost amounted to 66% of total revenue. Joint ventures with LG and collaborations were flourishing which gave Philips first mover advantage in the cathode ray tubes and flat screen panels for tvs.

HRM: In Kleisterlee leadership employees had faith an employee turnover saw a rapid change as he held all the divisions together with a single motive of one Philips initiative.

Decentralisation after being deployed employees worked towards the growth of the company and staff suggestions were taken into consideration, top level management gave out the internal information for the employees for know and how of the company. Empowerment by decentralisation motivated the employees to have strategic discussions and team work. Mixture of these attitudes and work culture showed enormous amount of growth in the company.

Finance: As a result of adoption the culture above revenue increased rapidly, with increasing in profits and EBIT. There were huge losses incurred in year 2000 when Kleisterlee took charge and as he started implementing the changes in Philips these losses changed to decent amount of profits and ROE. Synergies were introduced by combining divisions which saw a huge amount of profits.

These above improvements in Philips led to customer satisfaction, capturing, increasing market share and growth of the company which were mainly the business goals of Philips.

Critically appraise Philips' control and performance measurement systems. What other performance measures might you propose for the CE business?

QUESTION 3 (A)**BALANCE SCORE CARD:**

Using the balance scorecard, Philips aimed at communicating the company's vision and strategy to the employees and letting them know the role they were required to play in realising its mission.

As a part of balance scorecard, Philips had identified the factors that were crucial for running its business and creating value. These were called CSF's. The CSF's were grouped under 4 perspectives – competence, process, customer, financial.

Customer Perspective: The management of each business units analysed the data from customer surveys to arrive at the factors of perceived performance in relation to the price of competing products. These were used to decide on customer CSF's. Process CSF's were chosen by reviewing the improvements required in processes in order to deliver the requirements of customers. However technologies used in some Philips products were not up to the desires of the customer and were complicated as the top management received feedback from the media about the improper functioning of the product (Universal remote control).

Learning and Growth perspective: In people perspective, the objective was managing HR and management development in a way which would bring optimum benefit for the staff and Philips.

Internal perspective:

Critically appraise.

- Defining- goals, responsibilities, tasks.

- Planning- budgets, resources, staffing.
- Executing- changes, quality, forecasts.
- Delivering- training, release staff, lessons learned

PROPOSAL FOR CE:

TQM:

Total Quality Management is a management approach that aim for long term success by focussing on customer satisfaction. TQM is based on the participation of all members of an organization in improving process. TQM encourages and promotes innovation as it works on continuous improvement by customer focus, planning process, and action plan for improvement.

- Customer focus: CE keeping customer desires in mentality need to innovate and develop products which are fit for purpose.
- Process management: The top level management need to maintain the structure by driving out fear, barriers between staff and make adoption philosophy simpler by creating purpose of improvement of products and services.
- Process improvement: Process improvement can be done by self improvement training, product knowledge to all departments. Flexible work hours for employees.
- Total participation: Participation of the whole company is required in all aspects from staff to top level management.
- Planning process: Minimise cost by working with less suppliers. Adopt and institute leadership from top level management. Inspection to achieve quality and profits.

Value based performance measurement.

The main objective of CE for their growth and performance should be return on investment and increase shareholder value. This can be done by the implementing the following paths.

- Identify specific organisational objectives:
- The main objective of CE is look forward of being best appreciated brand serving customer needs and desires using quality service. This can be done by selecting appropriate strategies and design.
- Identify value drivers:
- The value drivers of CE are their stakeholders, customers and their innovation. Keeping these into consideration they need to perform by creating technological products and customer knowledge, market place and implementing it into products and services. Keeping abreast of trends and issues design needs to be executed. Empowering customers for suggestion to improve product development and expectations. Flexible work hours for employees.
- Develop action plans, select measures and set targets:
- Top level management and the line managers play a crucial role in this part where employees need to be motivated towards the company's goal and long term profits. Line managers should have a systematic approach of deploying action plans depending on the tasks and motivating to work and share ideas in the team for the benefit of the company. Installing workouts, social gathering and standardization motivates the employees to bring out the process within them.

Selective work measures need to be taken care by positioning targets for the team.

- Evaluate performance:
- Performance can be measured by relating the performance of company to a benchmark which was or should be set by the company before hand.

Performance can also be evaluated using these below shown factors.

- Customer feedback and complaints.
- Income from operations.
- Market share in value.
- Labour turnover.
- Value of product sold: sales.
- Brand value/index.
- End user satisfaction.
- Comparing the profit increase from previous years.