

An innovation creative audit of an organisation essay sample

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An innovation/creative audit of an organisation Essay Sample

This report is an innovation audit of Royal Philips Electronics. This firm is one of the world's biggest electronics companies and Europe's largest, with sales of EUR 37.9 billion in 2000. It is a global leader in colour television sets, lighting, electric shavers, colour picture tubes for televisions and monitors, and one-chip TV products. Its 192,000 employees in more than 60 countries are active in the areas of lighting, consumer electronics, domestic appliances, components, semiconductors, and medical systems. Philips is quoted on the NYSE, London, Frankfurt, Amsterdam and other stock exchanges.

I have chosen Philips for this report because I am interested in electronics products, and in all new technologies. The electronic market is interesting, because it is in constant evolution: there are always new products launched on this market. Moreover, Philips is a multinational company, which allow me to find more easily some information about their creativity.

This report will first provide information about Philips, by presenting the firm history, its location and the kind of product that it manufacture. This will help us to understand the second part of this report, which is an assessment of the firm's creativeness. The company will be evaluated using 9 criteria, dealing with innovation and creativity. It will finish by giving Philips some recommendation to improve its market position and so its profits.

Part I: Background information about Philips

History:

Philips has been created in 1891 when Gerard Philips established a company in Netherlands. The company initially concentrated on making carbon-filament lamps and by the turn of the century was one of the largest producers in Europe.

Developments in new lighting technologies fuelled a steady program of expansion, and, in 1914, it established a research laboratory to study physical and chemical phenomena, so as to further stimulate product innovation.

Marketing companies had already been established in the US and France before the First World War, and in Belgium in 1919, and the 1920s saw an explosion in their number.

It was at this time that Philips began to protect its innovations with patents, for areas taking in X-ray radiation and radio reception. This marked the beginning of the diversification of its product range. Having introduced a medical X-ray tube in 1918, Philips then became involved in the first experiments in television in 1925. It began producing radios in 1927 and had sold one million by 1932. One year later, it produced its 100-millionth radio valve, and also started production of medical X-ray equipment in the United States.

Philips' first electric shaver was launched in 1939, at which time the Company employed 45, 000 people worldwide and had sales of 152 million guilders.

Science and technology underwent tremendous development in the 1940s and 1950s, with the development of the Philishave electric shaver.

Philips also made major contributions in the development of the recording, transmission and reproduction of television pictures, its research work leading to the development of the Plumbicon TV camera tube and improved phosphors for better picture quality.

It introduced the Compact Audio Cassette in 1963 and produced its first integrated circuits in 1965.

The flow of exciting new products and ideas continued throughout the 1970s, resulting in the inventions of the LaserVision optical disc, the Compact Disc and optical telecommunication systems.

Philips established PolyGram in 1972, and acquired Magnavox (1974) and Signetics (1975) in the United States. Acquisitions in the 1980s included the television business of GTE Sylvania (1981) and the lamps business of Westinghouse (1983).

The eighties were characterised by a period of high growth for the consumer electronics market. Innovative products such as VCRs and CDs were introduced into the market and many of these innovations were driven by Philips. The Compact Disc was launched in 1983, while other landmarks were

the production of Philips' 100-millionth TV set in 1984. However, a crucial change during this period was the growth of newer competitors and Philips underestimated their threat. Philips continued to innovate, but began to lose ground to competitors from Japan who could reduce prices because of their volume advantages leading to economies of scale.

The 1990s was a decade of significant change for Philips. The company carried out a major restructuring program to return it to a healthy footing. Today, Philips is at the leading edge of the digital revolution, introducing world-class products that are helping to improve people's lives as we continue into the new millennium.

Area of business:

Whether in homes, factories, offices, airports, or on the street, it's hard to imagine a place where Philips is absent. Some of its products are tucked away inside, like integrated circuits or CD drives. Some of them are undergoing dramatic changes in their dimensions – think of the flat screen TV, which can hang on the wall. Five of the world's top ten PC manufacturers sell monitors produced by Philips. The company operates in six different product sectors, these are:

* Consumer Electronic Products.

It is one of the world's top three consumer electronics companies. The broad Philips Consumer Electronics product portfolio includes television sets; video recorders and TV-Video Combis; audio systems, separates, portables and

Home Cinema solutions; recording media for audio/video; PC monitors, and PC peripherals such as DVD+RW data drives, CD-Rewriters, PC video cameras (for sending video mail), and LCD projectors.

* Lighting.

Philips is number one in the global lighting market. The division's products are not only at home, but also in a multitude of professional applications, for example 30 per cent of offices, 65 per cent of the world's top airports, and 55 per cent of football stadiums. Products include a full range of incandescent and halogen lamps, compact and normal fluorescent lamps, high-intensity gas-discharge and special lamps, fixtures, ballasts, lighting electronics and automotive lamps.

* Components.

Philips is a leading supplier of integrated digital solutions in the areas of displays, storage, wireless connectivity, speakers and remote control systems. Philips components division uses competitive creativity and superior technology as an enabling partner to global OEMs in the digital consumer electronics, mobile telecommunications, PC-related and automotive infotainment market segments, helping them create winning products through value-added solutions.

* Semiconductors.

It is one of the world's top semiconductor suppliers. Producing and supporting more than 62 million integrated circuits and discrete devices

daily, Philips Semiconductors has 18 manufacturing and assembly sites.

Based on clearly defined strategic areas - digital consumer, RF and connectivity, digital displays and mobile communications - Philips Semiconductors' technology solutions bring the digital world to life.

* Medical systems.

The company is now the world's second largest manufacturer of medical diagnostic equipment. The company's innovative portfolio includes x-ray, ultrasound, magnetic resonance, computed tomography, nuclear medicine and positron emission tomography, patient monitoring, information management and resuscitation products.

* Domestic Appliances and personal Care.

This division manufactures home comfort and kitchen appliances, shavers and other personal care products. It includes female depilatory products, skin care, oral care, hair-care, fitness and sun-care products. Among the division's kitchen appliances are mixers, blenders, food processors, toasters, coffee makers, deep fryers, and grills.

Location:

Initially Dutch, Royal Philips Electronics sells and services products in 150 countries. The firm employ people in more than 60 countries. It operates in all five continents, yet the Netherlands and Europe still account for over half of the company's turnover. Philips is well known throughout the world, but it had a few difficulties to penetrate the American's market. As former Philips

President Jan Timmer has said, “ In New-York, there were people who do not even know where Amsterdam is, never mind Philips.”

Part 2: Assessment of Philips in term of innovation

1- Building a culture of innovation. How?

Philips goal is to become a world-leading technology company, which means that the firm must constantly grow and innovate. The company provides a challenging and stimulating environment where its scientists generate options for new and improved products and processes by realizing concepts or making prototypes. There is an open atmosphere and an informal culture; they constantly share information and exchange results with one another, and often work in multidisciplinary teams.

It is this spirit of cooperation that enables Philips to be an “ Employer of Choice,” offering exciting work, a positive environment, and consistent recognition. They believe that honest, open two-way communication is essential to a productive work culture, and therefore encourage employees to talk things over with their managers.

Philips offers a wide range of human resource initiatives that encourage creativity and motivation. Whether its recruitment policies for fresh graduates, or developing competencies for people at all levels in the organisation, Philips’ human resources initiatives are designed to ensure employee satisfaction and high quality performance. Management

Development focuses on ensuring the timely availability of qualified and motivated employees for filling the key positions in the company.

Philips has established a structured approach to individual career development and succession planning both for the benefit of the company as well as the individual.

2- Stretching the staff to achieve:

As an innovative firm, Philips takes some risks in launching new products. The company has been recovering from a series of marketing failures. The digital compact disc and the compact disc interactive (CDI) have both largely failed. But this has not prevented Philips from being innovative. On the contrary, they have continued to develop technologies and they have been more and more creative in order to be the first one to put new product in the market. In doing that, they may be confident to have great market share that ensure them a good profitability. For example, the universal use of Compact Disc, CD-ROM and the rapid introduction of the DVD illustrate the level of the research organization's inventions.

Philips offers challenging work that is both scientifically interesting and practically relevant. Its scientists experience the joy and satisfaction of seeing their own ideas or inventions being used in real products. For many people this is the ultimate reward.

Employees are given challenging opportunities in other countries of Philips worldwide to widen their exposure and to help them gain knowledge and

expertise. Philips policy is to believe that the best training and education is achieved by learning on the job through appropriate coaching by peers and superiors.

3- People in the organisation:

To keep a leading position in industrial research, Philips is always looking for talented research scientists or engineers, with a flexible and open mind, willing to enter new areas of industrial research.

There is, naturally, a development and a creation of new advanced activities, for example in the domains of the numeric video or the telecommunications, Philips require integrating new competence by recruiting young graduates. Numerous tools exist to help each to develop the competence: specific programs of training, annual maintenances, internal newspaper...

Philips looks for with its candidates the capacity to work in team, the enthusiasm and the creativity, the spirit of method and organization, the opening for the international and the adaptability. They must be strongly motivated and show determination to achieve excellent results. For example, young people keen on high technology, on innovative spirits, which know how to communicate their ideas to convince, are searching by the firm. They should also have the capacity to question, to move in the same rhythm as the company without forgetting the urge to evolve in an international environment.

Philips is a dynamic organization and rewards its employees for teamwork and collaboration. Using thanks and rewards to celebrate its success is a mean to motivate the staff to produce good works.

4- Team works:

Philips continuously explores new ways to improve products and to offer innovative products to its consumers. That's why the firm has created a program through which it will reach higher and higher quality levels in all products and services. The BEST program (Business excellence through speed and teamwork) describes a set of methods and tools by which the company continuously improve its efforts.

This program incites employees to develop and use their full potential. Each and every individual within Philips knows that only by fully cooperating and working together they are able to perfect its business processes. Speed and Teamwork lie at the heart of the BEST initiative. That's why Philips focuses on:

- * Working smarter and reducing the cycle-time of processes.
- * Working in teams and learning from the best practices of others.

One example of the company strategy to work in team is Philips' High Tech Campus in Eindhoven, the Netherlands, which will be - when completed in 2005 - the epicentre of its global Research and Development activities. To strengthen this position, a large proportion of the research and development activities will be centralized. Over the past 100 years Philips has successfully

developed and launched many successful technologies; the spirit of co-operation has been crucial in these efforts. The Philips High Tech Campus will be a place that promotes interaction and teamwork - reflected in the architecture, for example, with buildings being no more than four storeys high. These low-rise buildings - in which there are lots of meeting areas - will encourage consultation and communication, while supporting synergies by creating opportunities for ideas to be exchanged and knowledge shared.

5- Hands ready top management:

Competent, passionate leadership is essential in achieving business excellence.

While “ getting things done through other people” maybe the traditional managerial style, “ making things better”, which is Philips’ slogan, requires a much more engaging approach. Excellent leaders instil shared values. They provide the inspiration to drive their people to strive for personal excellence while pursuing the common goals of the company. Indeed, if the management had monitored too much the staff, they will not be creative. But the leader has of course to assist them on their research to avoid confusion.

6- Making it happens:

Philips has been one of the most innovative company in electronics, with “ first” in CD technology and licensing agreement with many major companies.

Or instance, CD-ROMs and CD-ROM drives are currently licensed by Philips to computer manufacturers.

To safeguard an appropriate return on the investments made in Research and Development, Philips places great value in protecting its innovations through intellectual property rights (IPRs). These IPRs include patents, trademarks, designs, domain names and copyrights. The company currently holds about 75, 000 patent rights, 22, 000 trademark registrations, 6, 000 design registrations and some 900-domain name registrations. All these Philips IPRs are created and managed by the Philips Corporate Intellectual Property organization, which has some 175 IPR professionals located in ten offices around the world.

Philips is an innovating company, but we have seen that it could be perilous, and that is why the company manages the risk it takes. The consumer electronic products sector is seen to be staid and conservative, as it has operated in a depressed worldwide market over the last fifteen years. This has created a defensive culture, with individuals less willing to take risks. Philips has set up a Global Consumer Intelligence Unit in New York to test new products before ploughing millions of guilders into their marketing. This year there will be a global proprietary study to allow Philips to cluster consumers across product divisions.

7- Connect with markets:

Philips is closely connected to the market, as it must be aware of all innovations of its competitors, and as it has to launch new products before

them. For example, if a competitor develops a new technology, Philips will have to follow or to improve it. Moreover, all change or innovation in the market will have an effect on Philips' policy. If the tendency is to buy one kind of product, as for example the MP3 Walkman, Philips has to make some research on this technology and to create one with better functions or at a cheaper price.

But being connected to the market means also being connected to the customers, because the market follows their demand.

Philips is connected closely and effectively with its customers: Unlike the Coca-Colas and Nikes of this world, however, Philips does not have a precise definition of its business. To anchor the brand in the mind of the consumers Philips is setting up a database management and planning process, giving it a "virtually one-on-one relationship with millions of consumers" so that it can better focus its marketing capability. According to Dufour (a French marketing analyst for Philips), "Philips wants to capture consumers early on in their lives and retain them by giving them the "Philips habit"".

The company strives to realize cost-effective solutions by working in close relationship with its customers, using expertise clusters and years of know-how built up in their laboratories. By combining a strong technology base with a customer-focused organization PDSL has created a dynamic working environment in which innovation becomes reality.