

The Strategic Transformation of Royal Philips

1. Introduction

Staring at the portrait of Anton Philips in his office in Amsterdam, Frans van Houten was in a reflective mood. He had just completed a decade at the helm of the Dutch multinational Royal Philips; one of the most iconic companies in the country. His appointment as CEO in April 2011 had been a left-field choice by the board and had taken both company insiders and industry-watchers by surprise.

This was despite the fact that van Houten was a Philips “lifer” (his father had also been a board member). He had first joined the company in 1986 and had enjoyed a successful international career with Philips. In 2004, he was appointed CEO of the semiconductors division, which was spun off under the name NXP and subsequently sold to private equity investors in 2006, with van Houten as CEO. Five years later, the board approached him to become CEO of Philips and he eagerly agreed.

In the subsequent decade, van Houten transformed the company from a globally diversified conglomerate with sluggish performance into a nimble business focused on providing products and solutions along the health continuum. He had done so by spinning off and selling several of the company’s business lines, including consumer electronics, the company’s iconic Lighting division and, most recently (March 2021), its domestic appliances business. He had used some of the proceeds to carry out a series of acquisitions (20 acquisitions between 2015-2021) to build up Philips’ position in a number of healthcare domains, including image-guided therapy and connected care. With its clear focus on HealthTech, the company had been rekindled, with profitable growth increasing. Late in 2019, *Harvard Business Review* included Philips in its list of “Top 20 Business Transformations of the Last Decade”.

Much of van Houten’s time during that decade had been spent on trying to transform the company. Apart from changes to its portfolio of businesses, he had worked hard on altering the company’s operating model, accelerating growth and gaining competitive advantage, and changing its culture and leadership. But the process had been slow. Van Houten had come to realise that the transformation of the company was “a marathon, not a sprint”, as he put it. Looking at the portrait of his illustrious predecessor, he felt proud of what he had achieved over the past decade, but also wondered what he could – and perhaps should – have done differently.

Ronald de Jong is Distinguished Professor of Practice at Tilburg University and former member of the Executive Committee of Philips. Freek Vermeulen is Professor of Strategy and Entrepreneurship at London Business School. The authors would like to thank Frans van Houten, CEO of Philips, for his help in writing this case.

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