

# A Healthier Future For Philips

Vice President **Hans van 't Riet's** holistic approach aims to transform Philips into a unified, digitally driven force in global healthcare technology.

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Hans van 't Riet, Vice President Business Transformation, Philips

IN THE 124 YEARS SINCE THE ROYAL PHILIPS GROUP WAS FOUNDED by the Philips family in Eindhoven, The Netherlands, the Dutch electronics giant has built an enviable reputation for leading-edge innovation—from pioneering lighting systems, to shortwave radios, electric razors, audio and video cassettes, TVs, CDs and DVDs, and even semiconductors. Now a \$24 billion global corporation operating in over 100 countries, Philips' latest restructuring announced late last year created two core business areas—healthcare and lighting. But it's still focused on developing groundbreaking new ideas. Last year alone, Philips filed 1,680 new patents and invested more than \$1.8 billion in research and development.

Delivering meaningful innovation in today's world, however, demands more than just bright ideas. It also requires an organization that is able to execute on the latest innovations and respond to rapid market and competitive changes in completely new ways. So Philips has also embarked on an end-to-end transformation strategy that will impact almost every aspect of the company—from creating new business models, to unifying its working culture, to developing new approaches to advanced manufacturing.

Hans van 't Riet is the executive responsible for transforming the operational backbone of the newly-formed Philips HealthTech company, a \$15 billion organization with more than 60,000 people and around 50 manufacturing sites around the world.

In our latest Dialogue interview with an industry thought leader, Hans van 't Riet talks to Executive Editor Paul Tate about creating a new collaborative, digital platform for the healthcare sector, using Big Data analytics to drive market insights and internal efficiency, creating centers of manufacturing excellence to harness the latest new technologies, and identifying some of the challenges ahead on the journey to Manufacturing 4.0.

**Q: What excites you most about your role at Philips?**

**A:** It's a really unique opportunity to drive efficiency across the whole company. What's

especially exciting is that we've taken a holistic approach that addresses all the aspects of the business—the people, the processes they work with, how we work with all the data and manage information, how we manufacture products, what kind of IT is required, how the whole organization is set up, and how we manage performance. It's a totally integrated approach to how we're going to transform the company.

**Q: What are the major challenges that keep you awake at night?**

**A:** I think the biggest challenge is to change the way the 35,000 people in HealthTech's operational functions work. How can the whole change management be done in a way that helps those people move from their current way of working to the new ways of working. That's what I'm thinking about most of the time.

Of course, the other part is the impact of the business transformation itself. We are setting new standards for how we want to operate HealthTech in the future, but we have to make sure that people can keep on performing while we're transforming the business. We have to create the right balance so that we don't overstretch the people or the organization. We have to deliver in the current quarters while we prepare them for the future. It's a dilemma between how fast

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**Executive Profile:**

**Hans van 't Riet**

**Title:** Vice President, Business Transformation, Philips; Order-to-Cash Transformation Leader, Philips HealthTech

**Nationality:** Dutch

**Education:** M.S. degree in Business Engineering and Marketing, Eindhoven University of Technology, The Netherlands

**Languages:** Dutch, English, German

**Previous roles include:**

- Business Transformation Manager, End-to-End Transformation, Philips, Amsterdam
- Business Category Leader, Connected Products, Philips, Hong Kong
- Senior Director Strategy and Marketing, Philips Audio-Video-Multimedia, Hong Kong
- Line of Business Manager Consumer, Philips Sound Solutions, Belgium
- Line of Business Manager Multimedia, Philips Sound Solutions, Austria
- Product Strategy and Business Planning Manager, Philips Audio, Malaysia
- OEM Manager, Philips Audio, Singapore
- Business Unit Global Logistics Manager, Philips Tuners, Germany

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we can introduce new programs, and what the organization can handle.

**Q: So culture change is an essential part of this transformation process?**

**A:** Absolutely. One of the things that we have to break through is a lot of the legacy that we’ve inherited from the history of Philips. Over the years we’ve acquired quite a few companies with their own cultures. So many people have their own ways of working. We’re now trying to bring these approaches into one culture and standardize the ways of working. It’s a holistic approach to deploying a single working culture for Philips HealthTech.

**Q: Why is this transformation strategy so important for the future?**

**A:** We want to be the leader across what we call the “continuum of health.” That means addressing everywhere people have health concerns—at home, in their lifestyles, then from diagnosis, through treatment, to recovery and returning home, and then keeping them as healthy as we can afterwards. To do that, we’ll need to support many different offerings, and many new services, across different areas of the health sector. If we do not have the right foundation in place, then we couldn’t manage that whole business cycle and all the new business models we’ll need, so we would be hampering our growth as a company.

We’ve already got a lot of pockets of excellence where good ideas are being developed within Philips, but we don’t have the platform to tie everything together seamlessly. We have to create that platform so we can get good end-to-end flows in the way we address all the customer’s needs during the various phases a patient is in, or a medical provider is in, or in the services the healthcare sector needs.

**Q: How are you going to create that seamless new business platform?**

**A:** We are bringing it all together in what we call our “HealthSuite Digital Platform.” We want to get much more connected to our customers, our partners, and the products that we sell.

For example, we already manage the data of 600,000 people in the U.S. with our Lifeline services. We have millions of consumers registered with our consumer products around the world. We’re also managing patient records in regions like Latin America. The new platform will bring all of this information together to help us offer consumers better control of their own health, which in turn will allow them to work better with their healthcare providers.

We are also enabling the Digital Health Suite as an open, collaborative platform so

we can connect to our own units, and to our partners and other companies across the health sector. We’re now designing APIs where people can easily write their own applications, store their data on the platform, and be sure it’s secure. A big pharmaceutical company has already signed up to get much quicker feedback on their markets and how their medicines are working. There are also a number of areas in the health continuum where other parties are already stronger than we are, like tracking people’s fitness and those kinds of things. So there will be a lot of collaboration on this platform.

Finally, it will also provide us with a lot of data analytics to help improve the services and products that we develop. In medical devices and support services, for example, there’s a lot of opportunity to increase efficiency with more remote servicing, more remote upgrading, and more preventative maintenance. Overall, the platform will improve our internal operations, and even more so, what we offer to our customers and partners as part of the service.

**Q: What are your top priorities as you move along the journey towards a future state of Manufacturing 4.0?**

**A:** First, we have to get everything connected and bring all the data together. We need to make our products more connected and make our manufacturing more connected too. For me, this is the top priority. Getting a real-time view of what’s happening across the whole value chain is crucial. We need a completely transparent view so that people

don’t have to go through the chain of information to know what the status of their orders is, for example, or when sites are ready to do a shipment.

Second, we need to make sure we are much more flexible. In today’s world you need that flexibility. Customer requirements are changing rapidly and delivery times are getting shorter. As life gets faster, we need to respond more quickly.

At the moment, almost every business unit in Philips basically manages its own manufacturing infrastructure. What we see now is an opportunity to reorganize this so that we can manufacture for multiple businesses at different sites around the world and offer them much more flexibility and agile lead times for their customers.

Being more flexible across the world also helps us to be able to be more competitive in local markets. If we’re producing closer to each market, we can get closer to the customer and be more relevant. It also means we can adapt quickly when there are microeconomic changes, such as sudden currency changes. The more agile you can be in reacting to all that, the better it is for the business.

**Q: How are you embracing new Manufacturing 4.0 technologies to achieve this flexibility?**

**A:** I think that in the coming years we’ll have a completely new view of what automation looks like in our factories. In the area of virtualization, for instance, we’re now exploring how we optimize

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things in the digital domain before we physically build them on the production line. We're looking at how we deal with Big Data and analytics in manufacturing, how we deal with cybersecurity, and how new nanotechnologies can help. Those are the kinds of things you need to be doing centrally so that you can leverage ideas later on in all the roadmaps of the products and manufacturing systems that you're building.

So we're creating Centers of Excellence in the manufacturing environment that we call "Hubs." These will be the knowledge leaders in certain key areas, such as 3D printing, or factory automation for large-scale systems, or in process control and high-volume manufacturing. They will be distributed around the world—we're now creating a blueprint for where each center should be located. We're also creating a network between all these centers so we make sure that the best knowledge is spread rapidly between them and everyone in the company can benefit.

**Q: Will this end-to-end transformation also impact your IT strategy?**

**A:** Our whole IT infrastructure will also move to what we call the "Philips Integrated Landscape." Currently, we have more than 6,000 IT applications in the company and we're



**Fact File:**

**Koninklijke Philips N.V.**

- Location:** Amsterdam, The Netherlands
- Business Sector:** Electronics and Healthcare
- Revenues:** \$24.1 billion (€21.39 billion, 2014)
- Profits:** \$463 million (€411 million, 2014)
- People:** 106,000 Employees
- Presence:** More than 100 Countries
- Production:** 93 Manufacturing Facilities

supporting 17 to 18 ERP systems. That's too much; we can be much more efficient. We aim to get down to one ERP system and maybe 500-1,000 key applications that will form the basis of an integrated landscape to enable end-to-end processes to run seamlessly. Big Data analytics and cloud computing will become an important part of this. We want to build a strong information management infrastructure so that we can really steer the business on real-time data.

**Q: What other new technologies excite you for the future?**

**A:** There are a lot of exciting technologies available right now. In our medical products, for example, the fact that sensors are getting so much cheaper will allow us to get feedback from people who are in a cycle of care, much cheaper, much faster, and much more easily. They will allow us to monitor people who need medical support more or less constantly—not only in hospitals, but also when they're at home. We can help people spend a minimum amount of time with doctors at hospitals by using these kinds of technologies in our products for remote monitoring. Or, with a short video call, they can receive medical attention or advice. That will really help us give them a better quality of life.

On the production side, I think 3D printing will revolutionize our value chain. We're already 3D printing low-volume structures, at the micro level, for some of our products. But also, look at how much stuff we now have to keep in inventory in order to provide service for our old systems. With 3D printing we will only need to keep the digital files and then we can just print service parts at the place where they're needed, when they are needed. I'm passionate about innovation and technology. I believe we have a very interesting decade ahead of us. Ten years from now, we won't recognize how we how we manufacture products and deliver services around the world.

**Q: So what do you see as the biggest challenges on this journey to Manufacturing 4.0?**

**A:** The concept of Industry 4.0 or Manufacturing 4.0 is very wide and very broad. What we need to make clear to people is which elements of 4.0 they should put on the radar screen, and when. What are things that they can work on in the short term? What are the things that they should do as the next step in the medium and long term? Creating that path to making full use of Industry 4.0 is, I believe, one of the major challenges we all need to address.

**Q: What do you see as the biggest challenges and opportunities for the manufacturing industry overall in the next few years?**

**A:** I think the biggest challenge for manufacturing in the future will be to understand how to develop and add value through new services. Ultimately, the future is not just about the products we manufacture. They are only part of the solution that customers need. We have to think about the bigger picture that these products are part of. Look at mobile phones; nobody knows what the actual mobile phone costs anymore because you get it as part of a subscription. I see that happening in other areas as well. And that will change the role of manufacturing. In the future, we will need to ensure manufacturing plays an active and valuable part in supporting this new service-centric environment.

**Q: So what do you see as the most important leadership skills for the future of manufacturing?**

**A:** The most important future skill will be for leaders to understand how their decisions and strategies impact the customer. How do they look at quality? How do they decide what they manufacture, and how they manufacture so they bring the right kind of value to the customer? They will need to be very agile and open to new kinds of working environments. It's not about developing a specification and getting something out of the door anymore. It's about being open and connected and even visionary about what happens with the stuff they produce after they ship it beyond the four walls of the factory.

Second, manufacturing leaders need to recognize that the key to success in the future will be to effectively manage networks beyond individual factories—networks of suppliers, other factories in the company, and with customers. We need much more connected and open-minded leadership that connects to all the stakeholders in the system and makes sure that they are state-of-the-art in how they address their manufacturing strategies.

**Q: Finally, if you had to choose a catchphrase for the future of manufacturing, what would that be?**

**A:** It would be end-to-end and connected. Manufacturing is only one piece of that, but it's the centerpiece of the whole value chain that we create for customers. In the future, a manufacturing enterprise will be a much more connected, end-to-end value chain than it has ever been before. **M**

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