


**PHILIPS**

[www.philips.com](http://www.philips.com)

Driving excellence in a  
company on a mission!

**Victor Kas & Petra Zlota**

23 April 2021

innovation  you





# Introduction to Philips: A focused leader in health technology



Philips, a born innovator

For 130 years, we  
have been improving  
people's lives with  
ground-breaking  
innovations

The founding fathers of Philips



Frederik



Gerard



Anton



# Philips has reinvented itself many times

Founded on innovation  
and entrepreneurship



Expanding  
beyond lighting



Global expansion  
post-WWII



Diversified industrial  
conglomerate



Strategic portfolio  
choices sharpening focus



Our journey  
continues...



Products come and go...  
Technologies change...

But Philips is still about one thing:  
**Creating meaningful innovation  
that improves people's lives**







Our purpose – to improve people's health and well-being through meaningful innovation.

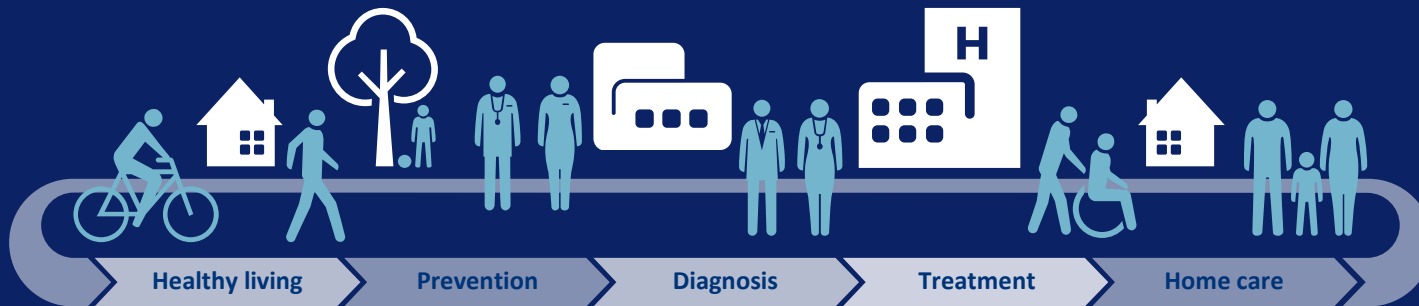
We aim to improve the lives of **2.5 billion people** per year by 2030\*

\* 2 billion by 2025; 1.64 billion in 2019



# Focused on customer needs

The health continuum is at the center of our strategy



# Philips in 2020



**EUR 19.5**  
billion sales

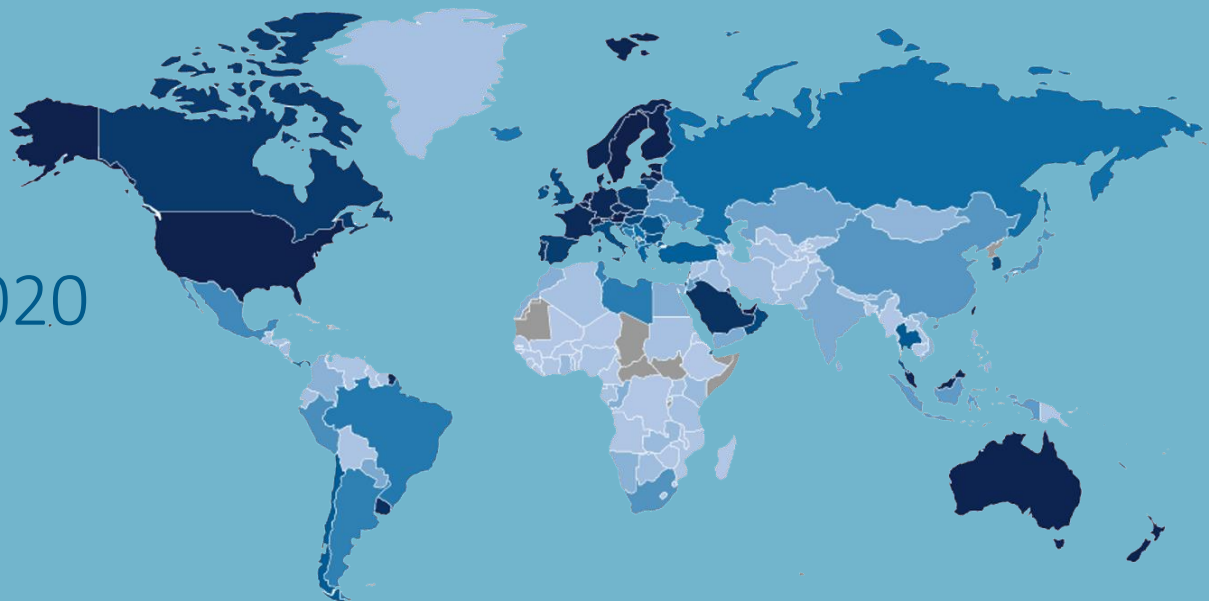
**More than 1/3**  
of sales from solutions

**3%**  
comparable  
sales growth

**~82,000**  
employees in over 100 countries



Lives improved  
around the world  
1.75 billion lives  
improved in Q4 2020





# Continuous Improvement at Philips



# Philips Excellence Practices

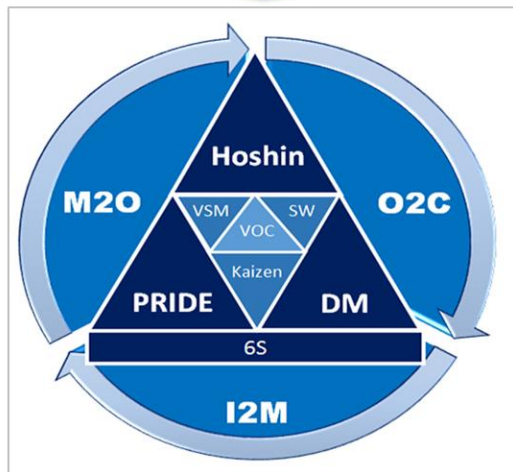
Process  
Management

Performance  
Management

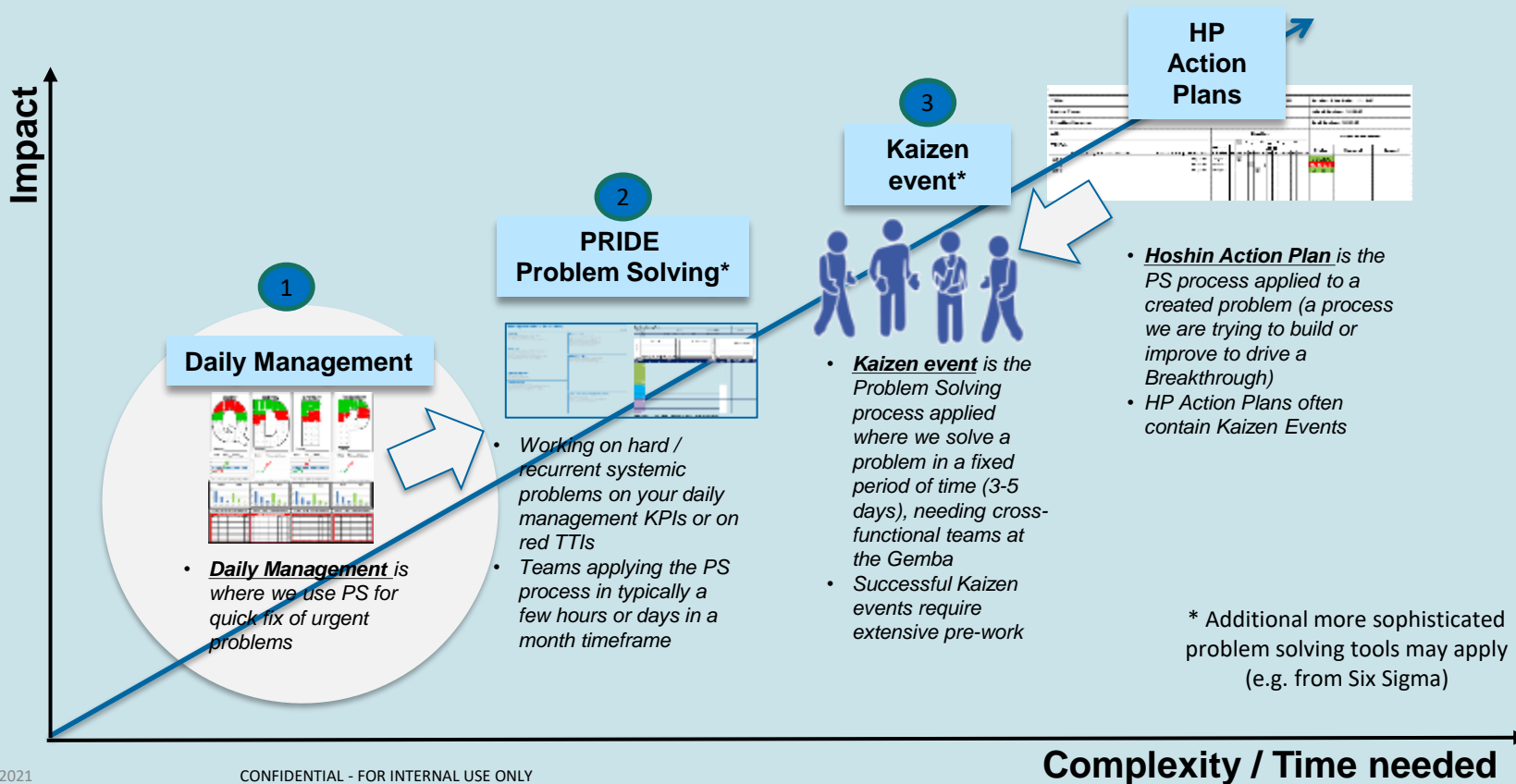
Project  
Management

Change  
Management

Continuous Improvement



# 3 lines of defense – Philips core tools





# PRIDE Problem Solving



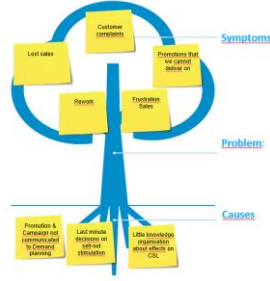
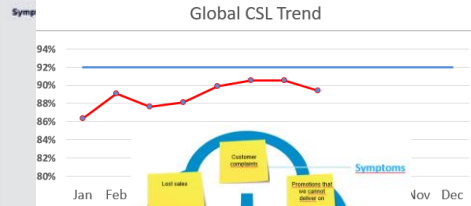
## P R

Problem definition Rational description

T: Trend  
A: Actual  
G: Gap  
S: Standard/Goal

Why THIS problem?  
- Problem matters?  
- What if you do nothing?  
- The most important?

Risk chart (trend)



## I

Investigate to root causes



Process oriented problems

- No Process
- Bad Process
- Process not followed

Go to GEMBA! Culture (2008) reliability

Safety Culture:

- 1. Logical flow
- 2. Check for consistency
- 3. Avoid ambiguity
- 4. Documented
- 5. Stop and fix 'why'



Why? Promotions were not included in Forecast (6000 CSL hits)

Why? Promotions were last minute and not communicated to Demand Planners (3 weeks in advance)

Why? Time-pressure, there was no meeting to align

Why? Sales & Marketing and Demand planners have no short term alignment cycle

Why? Process is only designed for mid- & long-term planning

## D

Develop, test and implement countermeasures



| Countermeasure |      |     |      |
|----------------|------|-----|------|
| Root cause     | What | Who | When |
|                |      |     |      |

## E

Ensure to sustain and reflect

Standardize

Take the time

Identify backside risks

Continuously measure

Keep discipline

Go to GEMBA!



| Sustain Action |      |     |      |
|----------------|------|-----|------|
| Risk           | What | Who | When |
|                |      |     |      |



# Continuous Improvement in 2021



**CI partners**

in all parts of organization

**~70% of all Leaders**

Trained in Lean Leadership

**1000**

Teams entering the  
Excellence competition  
(up 37% versus last year)

**Basics matured**

Daily Management, Problem  
Solving And Kaizen Events

# Our ExCo members lead the change

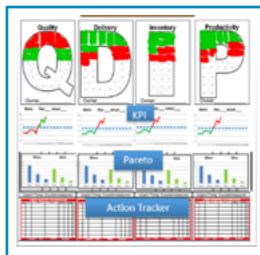
Example from recent global townhall

Disciplined performance management is needed to achieve



Remove

Performance of  
Perform &  
Transform goals  
must be visible  
to improve

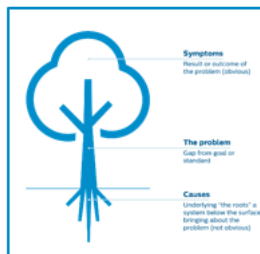


Be data driven  
& look out for  
watermelons

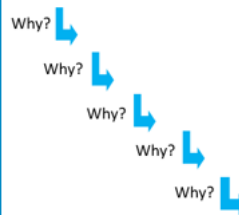


RED = opportunity  
to improve!

Close gaps  
by using  
Problem Solving



Ask 5-Why  
&  
Prioritize with  
pareto principle



Eager  
to improve  
and inspire



# Philips Excellence Competition





Philips  
**Excellence**  
competition



# Philips Excellence Competition



Philips  
**Excellence**  
competition



# Why do we have the Philips Excellence Competition?

## Program goals



### Why

Driving excellence will help us to achieve our strategic imperatives: (1) better serve customers and improve quality, (2) boost growth in core business and (3) win with solutions along the health continuum

### How

Sharing of best practices, enabling replication of excellence and strengthening our Philips culture

### What

Recognizing and rewarding employees for excellence by giving them a platform to share, opportunity to learn and network, to replicate best practices globally, exposure to (senior) leaders, motivating rewards and an amazing experience





# PEC criteria

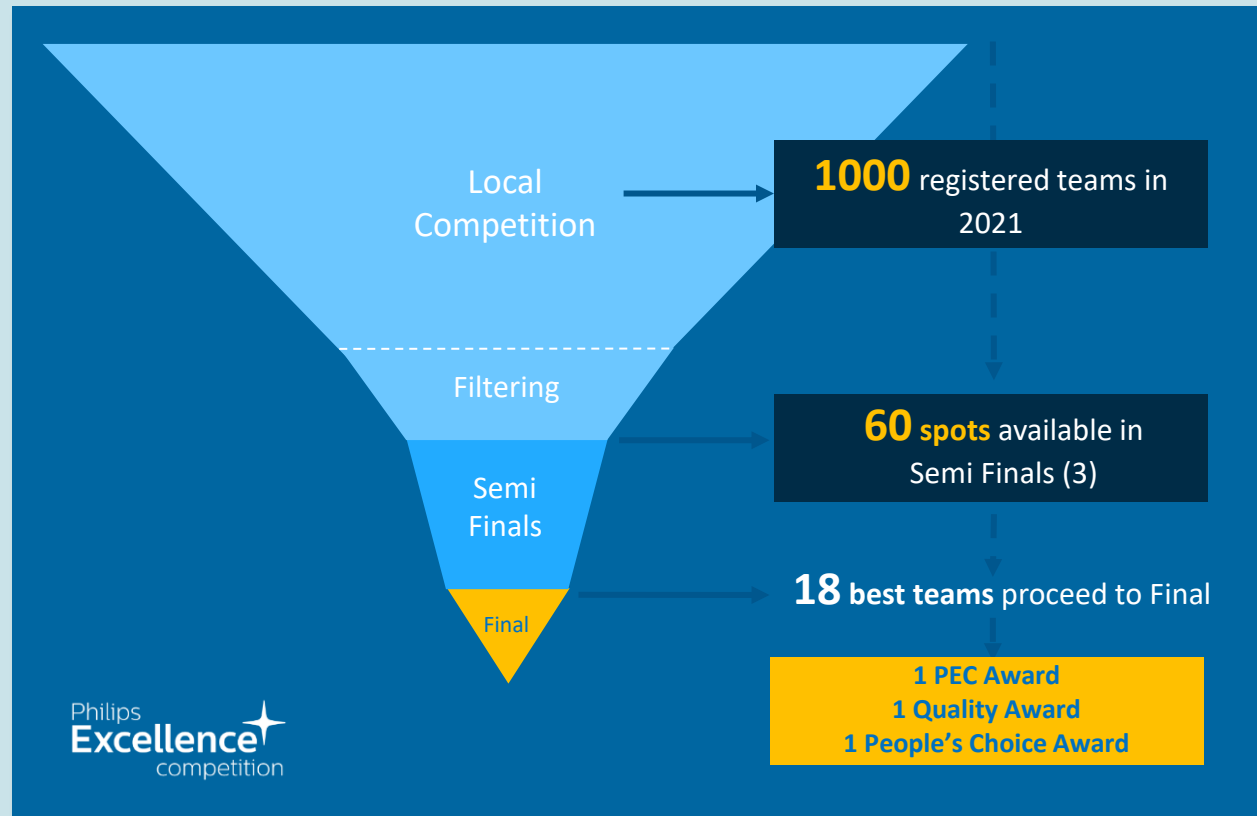


| # | Criteria  | Definition   | Observations/examples   | Rating |
|---|---|--|---|--------|
| 1 | <b>Living the Philips Behaviors</b>   | To what extent did the team showcase the Philips behaviors?  | <ul style="list-style-type: none"> <li>• Customer First (always😊)</li> <li>• Quality &amp; Integrity Always</li> <li>• Team Up to Win (cross-functional, multi-disciplinary collaboration- breaking silos)</li> <li>• Take Ownership to Deliver Fast</li> <li>• Eager to Improve &amp; Inspire</li> </ul> | 1-3    |
| 2 | <b>Rigor in execution:</b> <ul style="list-style-type: none"> <li>• <b>Daily Management (Perform)</b></li> <li>• <b>Hoshin Execution (Transform)</b></li> </ul> | The team used visual management strategy to make performance and progress visible and to spark action through PDCA cycles  | <ul style="list-style-type: none"> <li>• Examples Daily Mgt: Performance Board, Workflow board, Agile, Scrum/Sprint, Resource Board, Lean Scheduling</li> <li>• Examples Hoshin execution: Hoshin reviews, catchball, X-matrix</li> </ul>   | 1-3    |
| 3 | <b>Problem Solving method to close gaps</b>   | The team used a structured Problem Solving method that allowed a fact-based analysis, experimentation/simulation, learning at Gemba, focused countermeasures and sustainment- thus applying PDCA | <ul style="list-style-type: none"> <li>• There is a quantified problem definition (TAGS) and rationale</li> <li>• Examples: PRIDE, Shainin, Six Sigma, Design Thinking</li> </ul>   | 1-3    |
| 4 | <b>Setting a standard: process improvement</b>  | The team took a process view, a process standard was set/improved-capturing best practices into standards that were shared and can be replicated (PEPF)  | <ul style="list-style-type: none"> <li>• A standard was set / improved</li> <li>• The new standard is deployed</li> <li>• The new standard is sustained</li> </ul>  | 1-3    |
| 5 | <b>Impact relative to opportunity</b>   | The team achieved measurable impact on relevant metrics (business / financials / customer)   | <ul style="list-style-type: none"> <li>• KPI is clear &amp; measurable (TAGS)</li> <li>• A challenging target was set and met</li> <li>• The improvements are scalable</li> </ul>   | 1-3    |





# The PEC process summarized



<sup>1</sup> The Pre-filtering Committee is chaired by Hans Mijmans & Carolyn Lum

# Awards & prizes



**Philips Excellence Award**



**Philips Excellence Quality Award**



**People's Choice Award**



The 18 best teams of the PEC 2021 competition will receive:



**5000 Euro in recognition points per team**



**Written recognition from ExCo**





An World Finalist from last year:  
The eTeam

# Driving eCommerce automation & digitization in healthcare



We would like to purchase digitally from you in a more automated way. Please make it easy and seamless to do business with you, Philips!

University Hospital, Utrecht, The Netherlands



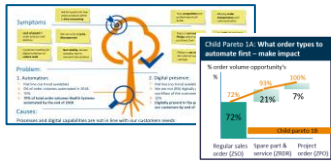
## Problem statement:

Customers required purchasing through eCommerce / digital channels to continue to do business with Philips. We lacked those capabilities, being significantly behind our competitors.

# Delivered through a strong team collaboration of 75+ people

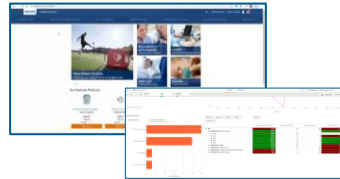


## Exploration & Learnings



- Gemba walk with **85% of customers**
- High need for digitization and automation
- Customers have different needs and capabilities
- Focus on right product portfolio
- Leaders and sales as ambassadors

## Deployment & Ensure to Sustain



- Delivered **4 solutions per customer need**
- Enabled standardization
- Changed and improved processes
- Real-time digital dashboard for daily management
- Established daily management with various teams

## Results in Benelux in 2020



- **OIT 264% above target** via eCommerce/eProcurement in 2020
- 70% of orders digitized
- Removed **70% of email order waste** and reducing order processing time from **~2-4 working days to 30 min.**

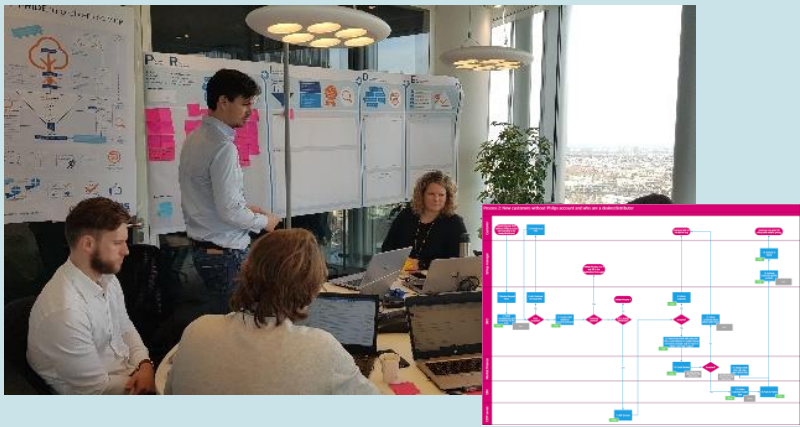
## Global Scaling since PEC in 2020



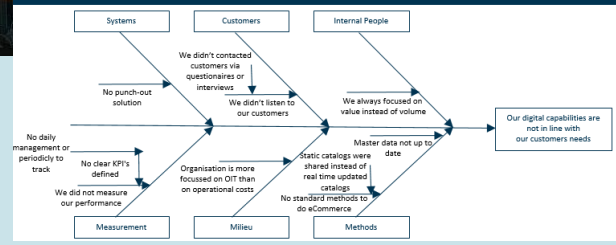
- 20 projects go-lives in 10 markets
- Customer onboarding **200% above target**
- Int. M. OIT: **+50%** vs target YTD
- Gained operational efficiencies by **+20%**
- Reduced order processing time by **+50%**



# Various LEAN tools used to drive project success in non-manufacturing environment



Fishbone Diagram: Investigate why we lack digital capabilities



**Current Value Streams** → **Future Desired Process**

**Pain Points**

- Order processing happens with an SLA of 2-4 days
- Order management departments
- No transparency in order tracking, order history, availability
- 75% of total orders are forwarded by mail across order management departments
- Outdated catalogue information leading to discrepant orders
- Philips is not in the workflow of a hospital
- Different Philips entities with different kernels; customers see us as multi-brand

**Impact / Effort Analyses to Prioritize**

**Symptoms**

- Ask for quotes for low value products which is time consuming
- Low speed in order process and delivery
- Customers looking for digital solutions to reduce order
- Not reliable, human mistakes due to manual transcription
- Our competitors are performing much better
- There is not one Philips where we can purchase from
- Philips is not visible in the external user
- Missing order processing or communication
- It's difficult and time consuming to update the catalog
- Catalogs are changed many times during the year

**Problem:**

1. Automation:

- Flat line (no trend available)
- We are not 100% digitally present in the procurement workflow of the customers in 2018
- 70% of total order volumes Health Systems automated by the end of 2020

2. Digital presence:

- Flat line (no trend available)
- We are not 100% digitally present in the procurement workflow of the customers in 2018
- 100%
- Digitally present in the procurement workflow of 10% of our customers by end of 2020

**Causes:**

Processes and digital capabilities are not in line with our customers needs

\* Extended root cause analysis in investigation phase

**Problem (TAGS) 1; Pareto shows that we need to focus on high-volume orders from hospitals and indirect partners**

**Main Pareto: Prioritize the voice of the external customer**

% of regular customer experience

| Order type        | 100% | 90% | 80% | 70% | 60% | 50% | 40% | 30% | 20%  | 10%  | 0%   |
|-------------------|------|-----|-----|-----|-----|-----|-----|-----|------|------|------|
| Orders            | 48%  | 82% | 91% | 95% | 96% | 97% | 98% | 99% | 100% | 100% | 100% |
| Digital presence  |      |     |     |     |     |     |     |     |      |      |      |
| Speed of delivery |      |     |     |     |     |     |     |     |      |      |      |

**Child Pareto 1A: What order types to automate first – make impact**

% of order volume opportunity

| Order type                  | 100% | 90% | 80% | 70% | 60% | 50% | 40% | 30% | 20% | 10% | 0%  |
|-----------------------------|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Regular sales order (RVS)   | 73%  | 82% | 88% | 91% | 93% | 94% | 95% | 96% | 97% | 98% | 99% |
| Spares part & service (SPS) | 21%  | 28% | 32% | 35% | 37% | 38% | 39% | 40% | 41% | 42% | 43% |
| Product break-down (PBC)    | 7%   | 10% | 12% | 14% | 15% | 16% | 17% | 18% | 19% | 20% | 21% |

**Child Pareto 1B: What customer segments to automate first**

OIT per customer segment

| Customer Segment  | 100% | 90% | 80% | 70% | 60% | 50% | 40%  | 30%  | 20%  | 10%  | 0%   |
|-------------------|------|-----|-----|-----|-----|-----|------|------|------|------|------|
| Hospitals         | 87%  | 92% | 95% | 97% | 98% | 99% | 100% | 100% | 100% | 100% | 100% |
| Indirect partners | 13%  | 18% | 22% | 25% | 27% | 28% | 29%  | 30%  | 31%  | 32%  | 33%  |
| Consumers         |      |     |     |     |     |     |      |      |      |      |      |

**Child Pareto 1C: Product break-down Hospitals**

% of order volume

| Product | 100% | 90% | 80% | 70% | 60% | 50% | 40% | 30% | 20%  | 10%  | 0%   |
|---------|------|-----|-----|-----|-----|-----|-----|-----|------|------|------|
| 100     | 48%  | 82% | 91% | 95% | 96% | 97% | 98% | 99% | 100% | 100% | 100% |
| 004     |      |     |     |     |     |     |     |     |      |      |      |
| W35     |      |     |     |     |     |     |     |     |      |      |      |
| U04     |      |     |     |     |     |     |     |     |      |      |      |
| W50     |      |     |     |     |     |     |     |     |      |      |      |
| T81     |      |     |     |     |     |     |     |     |      |      |      |
| W19     |      |     |     |     |     |     |     |     |      |      |      |

**Child Pareto 1D: Product break-down Indirect Partners**

% of order volume

| Product | 100% | 90% | 80% | 70% | 60% | 50% | 40% | 30% | 20% | 10% | 0%  |
|---------|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| AC4     | 73%  | 82% | 88% | 91% | 93% | 94% | 95% | 96% | 97% | 98% | 99% |
| 533     | 21%  | 28% | 32% | 35% | 37% | 38% | 39% | 40% | 41% | 42% | 43% |
| T89     | 7%   | 10% | 12% | 14% | 15% | 16% | 17% | 18% | 19% | 20% | 21% |
| 024     |      |     |     |     |     |     |     |     |     |     |     |
| 022     |      |     |     |     |     |     |     |     |     |     |     |
| T81     |      |     |     |     |     |     |     |     |     |     |     |

**Actionable Cause 1**

72% of the total Health Systems order volume comprises of 200 orders. These are purchased by both hospitals and indirect partners.

- Hospital: MCS products
- Indirect Partners: TC & SRC products



# PEC brought huge value and fun!



## Value of PEC

- Identified major improvement needs in other areas of the business
- Increased awareness of the project across the company
- High visibility and support from the executive leadership resulting in much faster scaling

## Culture of collaboration



## Customer visits



Turning fun ideas into reality



The eTeam - Running for Votes!  
Please vote now (team no 1.) #PEC2020

