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Leadership style and entrepreneurial change

The Centurion operation at Philips Electronics

Leadership style

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Abstract

Purpose – This paper aims to look at the role of the top and middle management of the Philips organization during the transition from one type of organizational change to another in the 1990s and the role the history of the organisation played in this process.

Design/methodology/approach – The paper analysis is based on historical records, literature and interviews with former Philips top managers.

Findings – The paper shows that Philips' leaders used different styles of leadership to create a deliberate atmosphere and willingness to change. The final emergent transformation, however, could only sufficiently materialise while it rejuvenated existing management concepts like Quality Management. The success was partly based on the fact that these concepts played a historical role in the Philips organisation.

Originality/value – The paper adds the historical style approach to leadership research and pays attention to the important role of the organization's history during processes of organizational change.

Keywords Change management, Business history, Leadership styles, Organizational change

Paper type Case study

Introduction

On October 25th 1990 the president of Philips Jan Timmer announced a reorganisation operation, called Centurion, which included a lay-off of 45.000 jobs. The Netherlands was shocked. Philips ushered a reduction of personnel at an unheard scale in Europe. The FNV, the biggest Dutch trade union, remarked that strikes were pointless because Philips stood at "death's door". Despite the job cutting, the union was impressed by the style of the new leader who in an undisguised, brief and concise manner announced that "the bleeding" had to stop.

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Almost instantly Timmer became a public figure in The Netherlands. His style became famous and the Centurion operation soon served as an example for business and government agencies alike. Moreover, the (Dutch) media has paid ample attention to the impact of the Philips reorganisation (Metze, 1992; 1997). In spite of this renown, however, international management literature has, apart from a few exceptions, barely noticed the turn-around that took place at Philips. Nigel Freedman, deputy-director of Philips company-training, reported in *Long Range Planning* (1996) about the Centurion framework. Lewis Pinault (2000) provided a rather cynical autobiographical account on the role of consultants during Centurion. Harvard Business School used Philips' transformation as case material. However, these publications did not explore to what extent the turn-around could be attributed to the new leadership style and to what extent the new language that transferred the change had been embedded in existing company routines.

The issue of a new leadership style had been around since "In Search of Excellence" (1982) had appeared. In this book Peters and Waterman argued that America's most successful companies had gained success through respect for their company cultures, close linkages with customers, and new leadership. The concept of excellence provided both the state of the art of American entrepreneurship and served to reinforce and justify managerial authority. In 1985 the leading Dutch newspaper NRC Handelsblad had picked up this issue and had published "The style of the leader" (Dijk *et al.*, 1985) in which 26 Dutch top managers were interviewed. Most of these managers expressed their debt to the study of Peters and Waterman.

Wisse Dekker, president of Philips (1982-1986), stressed in his interview the positive challenges of Japanese management practices. During a six year stay he had gathered abundant experience about Japanese management styles. Dekker became a frequently invited guest speaker at international management conferences. According to his own estimate he spent almost sixty percent of his time on PR-activities to tell about his "Dekker perspective" [1]. In 1983 he announced that Philips would embark on a Company Wide Quality Improvement (CWQI), however, an integral implementation of the program failed. (Ham & Williams, 1986, p. 27, 28; Interview F).

Against this background Dekker's successor Cor van der Klugt (1986-1990) focused on improving the organisation and central coordination. Inspired by Coimbatore Krishnarao Prahalad, he introduced a new business model, following a technical-rational, transactional approach. In an effort to turn the organization from a country oriented into a product driven one, he tilted the matrix. After three years of concise restructuring, he promised the annual shareholders' meeting of April 1990 that his efforts would bear fruit. Only three weeks later, Philips was faced with a sudden drop in profit figures. Dekker, then chairman of the supervisory board, explained the inevitability of Van der Klugt's resignation in terms of a "crisis of confidence" (Verschuur, 1990). However, his departure threatened the restructuring.

Amidst this unexpected situation Timmer took over in May 1990 and launched the Centurion reorganisation. He deliberately used a shock therapy based on a transformative leadership style which was very emotional in character and based on mobilizing involvement and loyalty to the company. Though Timmer's transforming leadership style caught the attention of the media, they never noticed that the content of Timmer's Centurion still employed a substantial part of the reorganisation Van der Klugt had initiated.

The course of events of the reorganisation of Philips raises two important questions. The first addresses the issue how to deal with a large-scale transformation that is not

fully based on a blueprint but followed a planned as much as an emergent pattern? The change literature describes how transforming leaders induce a deliberate organizational redesign, build new management teams and accommodate the internal fit with the external environment to improve by way of rational adaptation the organizational performance (Beer *et al.*, 1990; Burns, 1978; Collins, 2001; Beugelsdijk and Slangen, 2001). According to these authors usually a rational cognitive approach prevails in these transformations. However, Timmer's success in realising an organisational change has predominantly been ascribed to his rhetorical abilities and the mistakes of Dekker and Van der Klugt were attributed to their personal style.

These facts raise the second question: to what extent does the success of a transformative leader rely on routines predating a transformation? Timmer could not rely on style only but somehow had to connect to the views and visions which were deeply embedded in Philips' practices. This was especially urgent, when the first planned shock wave faded out, and Timmer had to adopt an emergent "revitalising" approach.

To formulate an answer on both questions we chose a historical approach because history enables us to trace the differences and similarities of unique events and patterns in content and (leadership) style. Changes in style often are the first signs for a change in substance (Ankersmit, 1997). The complexity of the change process that took place at Philips is best shown by using a historical narrative form which reveals itself in a contextual setting over time (Pettigrew, 1987). The aim of this paper is to reconstruct the processes and events as some of the managers have perceived them (Booth, 2003). By comparing different stories constructed around the Centurion operation the paper provides a historical narrative told from different perspectives. More specifically, we intend to show how a specific Dionysian style of Timmer successfully enacted the initial stage of the transformation process of Philips and how his later interventions eventually were aligned with routines inherited from the past.

Consultants are often used in a change process and this happened in Philips too. During the 1982-1996 period the three presidents of Philips introduced several concepts to improve Philips' performance. In 1983 Dekker introduced CWQI which was based on the work of Ishikawa (1985). Ishikawa and Imai were commissioned as knowledge experts to transfer their experiences to the Philips staff. Van der Klugt and Timmer invited Prahalad who had obtained a guru authority with a new business model (Collins, 2004). Van der Klugt became charmed by this model of core/non core and stand alone/interlinked activities. Timmer commissioned Prahalad as change agent who brought a team of Gemini Consultants to assist the Centurion operation (Pinault, 2000). In this paper, are being explored explicitly explore the role of these consultants and the impact of their concepts in the turnaround of Philips.

The case history is based on interviews with some 15 executives and staff, who had actively been involved in the transformation process. The interviews lasted about 1.5 h, had been taped and transcribed, and were largely confined to the perception of the respondents concerning the management concepts CWQI, the prevalent business model and Centurion. Their perceptions have been influenced by a particular Philips legacy of belonging to a family and unquestionable company loyalty. This legacy, however, required a brutal organizational change to improve Philips' performance. An initial version of our analysis has been sent back to the interviewees. The final narrative in this paper has been enriched by a large amount of archival documents and other literature about Philips to supplement and substantiate the findings [2].

The style of leadership – a historical point of view

Grint (2000) has underscored that a clear understanding of leadership requires an historical approach. He stresses that a particular leadership style during a process of change is time based and that every period has room for a limited palette of leadership qualities (Velde, 2002). A style organises the pragmatic activity of a leader, indicates how his actions are coordinated and how things and people that matter are determined and changed (Spinosa *et al.*, 2001). Sometimes Greek gods are used as metaphors to indicate a prevalent leadership style, like an Apollonian or a Dionysian style of leadership (Handy, 1986). The Apollonian style prevails in the case of knowledge based behaviour operating in a slowly adjusting company order. A Dionysian style will dominate in a period of crisis when a leader is needed who has the ability of creative destruction with a prevalence of emotion to reshape an organisation (Locke & Schoene, 2004).

These Apollonian and Dionysian styles resemble what Burns (1978) has called the transactional and the transforming leadership style. Peters and Waterman referred to this distinction to stress that a transforming leader as a linguist and “true artist” articulates a new vocabulary to stir emotion. Language turns out to be a key feature to mark a corporate culture and a product of cooperation which employees identify with and find motivating. In *Search of Excellence*, which was translated in Dutch, found quite some response at Philips. One interviewee stated that all Philips managers had been “brought up with Peters and Waterman” and had become acquainted with the important issue of language.

To facilitate the transformation of a firm a particular competence of the leader is required. In order to suspend hegemonic power relations which might frustrate a turnaround, a transforming leader has to craft and disperse a language full of challenging organizational values and visions (Ooi, 2002). Language has the capacity to stimulate not only through appeals to logic but also through appeals to emotion. Eccles *et al.* (1992) pointed out that management is a practicing art and that mastering rhetoric is a key feature for a transformation. In their view, the essence of management is the effective use of language to get things done. The interactive nature of management means that most managerial work is therefore conversational and may facilitate “an agora for creating social knowledge” (Krogh *et al.*, 2000, p. 126).

In the situation of a planned reorganisation a *public discourse*, i.e. a range of communication processes, will take place about the way a top management team justifies the appropriateness of what was done in the past and how to deal with new but uncertain circumstances (Parker, 2002). Conversations between management and consultants may assess the relevance of a particular planned change. These conversations require openness, patience, the ability to listen, experimenting with words and concepts and the formation of persuasive arguments.

While the exact meaning of a chosen concept like quality may vary from company to company, and often even within one company, conversations are needed to explore its meaning. “Meanings are then created in the spontaneously coordinated interplay of people’s responsive relations to each other” (Shotter and Cunliffe, 2003, p. 17). Conversations rest on the foundation of the intersubjectivity of subjects interacting with each other in a symmetrical way (Arens, 1994; Hardy, 2004). The interaction is governed by binding consensual valid norms which define the reciprocal expectations managers may have. During an organizational change process the existing and shared language is challenged and the meaning of particular labels is reassessed in conversations to reach

an agreement on the transformation of particular company practices. This dialogical approach explicitly acknowledges that within an organisation plurivocality exists which may reflect an overt or covert struggle for discursive dominance and may provoke distorted communication. Within business organizations dominant coalitions can distort communication and use rhetoric to maintain important interests.

In case of a crisis there is hardly any time for a pattern of conversations as we described. The leader is forced to launch a breakthrough for the immediate survival of a company. In such a situation the transforming leader chooses the monologue instead of a dialogue. A monologue delivers a coherent narrative of the speaker which usually presents the perspective of the author self. The leader will transmit knowledge about the actual circumstances in an instrumental way to influence the listeners. He does not discuss his insights but tries to impose them onto others. His monologue contains some kind of exhortation, a warning for a disaster and feeds fear (Mueller and Carter, 2005). Moving from a dialogue to a monologue involves moving from dialectic to rhetoric, and from convincing to persuading. "Whilst dialogism takes actions and interactions, e.g. the discursive practices in their context as basic units, monologism assumes individuals to be analytical primes' (Linnell, 1998, p. 7).

The interest for the impact of monologism became quite popular in the late 1980s and 1990s. The management literature abounded in the description of leaders as charismatic persons and heroes with rhetorical skills and a sense for entrepreneurialism (Huczynski, 1993; Locke & Schoene, 2004). In this literature leaders were supposed to cast their visions and strategies in statements and catch phrases that constantly draw attention and persuade the staff of an organization to reach for goal accomplishment. Strategic visions of an organisation became aligned with the personal agenda of the leader (Grint, 2000). Jack Welch, CEO of General Electric (GE) is usually taken as an example of the leader who designed his own management concept "Work Out Process" (WOP) to change GE. However, this literature was composed "largely of rather idiosyncratic, personal reflections and *post hoc* justifications for decisions, failures and personal outbursts. They had little to tell us about the processes and problems of managing. What they offer us are little more than banalities and truisms" (Collins, 2004).

Nonetheless, this focus on the hero had one advantage. The hero literature did shift the attention to the importance of the Dionysian leader in transformation processes. Moreover, it stressed the relevance of the physical appearance of the leader in a most interesting way. In the literature the trust in personal figure heads had primarily focused on knowledge that is "abstracted from bodily leadership actors" (Ropo and Parviainen, 2001, p. 384). The Dionysian leader, however, *embodies* the transformation, is momentary in character, exceptional, and counter intuitive. The Dionysian leadership style focuses on emotions which are expressed as much by the tone of the voice as by bodily gestures, intonation and general demeanour in their speech-acts (Mokyr, 2002). The performance is entwined within embodied monologues and manifests who the leader is (Shotter & Cunliffe, 2003). Timmer is, as we will demonstrate, a good example of a Dionysian leader. He used his physical appearance to impress his audience, and it was the use of his voice that earned him the respect of the unions, and the nicknames as "Hurricane Gilbert" and "the Bison".

In the regular leadership literature an Apollonian leadership style is preferred, reflecting a cognitive approach with clearly delineated targets, constant formulation and reformulation of the forms of knowledge that order and improve everyday life in

the company in an incremental way. Optimism and rationality prevail and demonstrate a striving for clarity. As we will show, Van der Klugt was the example of this leadership. He emphasised sobriety and “had to cut through a few taboos to make sure we had war rigging on the ship” (Kapstein *et al.*, 1990). He emphasised circumspection with his restructuring effort stating that “this process has to be done very carefully. We’re dealing with people, not machines” (Greenhouse, 1989).

Dekker’s style was more akin to that of a statesman who intentionally used communication as a “tool of management” to communicate about the company. The impact of his style was shown by his election as “Manager of the Year” in 1985 and “PR-Man of the Year” in 1987 (Dekker & Lonkhuijzen, 1996, p. 242-246).

Dekker’s focus on the PR of quality

Lacking a common market in Europe, and faced with mercantilist policies, Philips started before the Second World War with a framework of rather autonomous country organisations, which often produced “local for local”. The company developed a complacent corporate culture with a common understanding of joint corporate practices. As a cash-rich firm it had a strong investment policy in new research & development and production facilities. With the international expansion Philips began to establish international production centres to rationalise manufacturing capacity. In 1972 it introduced a matrix structure to make production divisions cooperate with the national organizations (NOs) more intensively. In the globalising market of the 1980s a haphazard diversification and management deficiencies required a new business model but a transformation was hampered due to lack of cooperativeness between technical staff and commercial managers. A senior staff manager pointed at the problem by saying: “There is a widely shared perception that the quality of managers in the (NOs) is higher than in the product divisions (PDs). What this means of course, is that NOs will not simply defer to the PDs. Product divisions management must win the right to direct strategy on a worldwide basis” (quoted in Bartlett & Ghoshal, 1989).

The internal tension the corporation struggled with was the result of a combination of both external and internal changes and pressures (Fairclough, 2005). The sudden rise of the Japanese economy as world player was felt as a challenge but the board hesitated to respond adequately. When Dekker became the president in 1982, he deliberately choose to no longer shield the corporation from the international economic and political arena. He presented himself as a virtuous statesman of a world wide operating multinational. His charming and self-conscious public exposure promoted a pragmatic legitimacy of the corporation amidst a public with a critical attitude towards multinationals (Palazzo & Scherer, 2006). He was intensively lobbying for the creation of the European Union and together with the president of Volvo he launched the European Roundtable of Industrialists.

While he chose to be the “voice of the company” and spend more than half of his time on PR and communication, he left the operational activities to the division managers who themselves had become quite familiar with Peters’ & Waterman’s study. “We Philips managers were all trained with ‘In Search of Excellence’ containing these examples of good performing American companies that operated in an excellent way” (Interview E). This shaped an entrepreneurial spirit at divisional level, and with a president, unwilling to “pull the strings” “it was common practice to ignore corporate

wherever possible; corporate was only hindering. This could be done without any consequences" (Interview E).

This became apparent when Dekker used his Japanese experience to start a campaign to deal with the Japanese challenges. Ishikawa, Japanese professor of the University of Tokyo, had gained popularity with his views on Japanese practices of quality circles which empowered the shop floor to solve production problems (Locke, 1996). CWQI organised training programs, coordinated joint projects and promoted enthusiasm. Dekker invited the Japanese engineer M. Imai to introduce Kaizen as a translation of Total Quality Management (TQM). Imai's Kaizen (1986) hailed CWQI as one of the best implementations. But due to a poor mastering of English Imai's performances lacked a convincing edge and hampered the enabling of knowledge transfer at Philips. Dekker initiated several company visits to Japan, ordered the distribution of posters in the factories which indicated performance levels and profit targets, issued video tapes and wrote presidential letters to stimulate the transfer of knowledge about quality.

The matrix structure and Dekker's statesman's style did not stimulate a common dialogue about quality nor a genuine and generic implementation. Country organisations and PDs applied the concept in a variety of different ways. *Kaizen* was primarily practiced in Dutch and Taiwanese Philips companies[3]. The Components Division embraced the approach of another quality author J.M. Juran (Butman, 1997). The Belgian components plant applied Centred Innovation Management (CIM). The light bulb plant in Barcelona adhered to 14 steps of quality guru Ph. Crosby. Philips Canada and the North America Philips Corporation (NAPC) implemented an adapted version of Crosby's approach (Williams and Ham, 1985). Several different experience-grounded quality routines were established without an overarching corporation-wide CWQI (Empel, 1996).

An internal evaluation report warned that the board should promote central coordination: "there must be a consistency between what management says and what management does." The results so far were not very convincing while "market performance evidence seems to be the only argument which convinces managers to spend time and energy on a total quality programme" (Ham and Williams, 1986)[4]. Despite the fact that Philips still was a confederation of independent (NOs) that cut across product lines there was a vivid interest in the quality issue and particular routines on quality ingrained, but never acquired a general institutional status while the matrix structure prevented corporate headquarters to impose a common policy (Interview B, Aquilar and Yoshino, 1987, p. 2).

Meanwhile H. Bodt, head of Philips' Strategic Planning department (1981-1983), had designed a new business model, inspired by Prahalad's publications on core/non core and interlinked/stand alone activities (Prahalad and Doz, 1984). Dekker, however, left the corporate structure and the Philips culture as it was. The annual international corporate meetings in the Swiss town Ouchy reflected a genuine "management by consensus" in which every division and country organisation tried to operate as independently as possible without interference in some one else's business (Dekker and Lonkhuijzen, 1996). Dekker's statesman's style inhibited a powerful interference in actual corporate practices and did not stimulate a candid general dialogue about improving the coordination of the firm.

Van der Klugt tilts the matrix

When Cor van der Klugt took over in 1986, one of his main aims was to tilt the matrix. As a successful Philips manager in Brazil he had noticed that the size of the board was too big, the bureaucracy had ossified dynamism and too much money was spent on non-core activities. Sobriety was his new metronomic sound bite for the company. His style became one of a president who was driving decisions to their required end. "Systems matter, not speeches" reflected his Apollonian technical – rational approach of change. In his addresses to the annual shareholder meetings, statistics, figures and stock exchanges dominated the presentations. Van der Klugt used video messages to explain the relevance of the transition. "If you want to convince everybody that change is needed, you are bankrupt before you are finished. Someone has to say: 'the army marches that way and nobody goes anywhere else.' And I did that quite gently" (Interview K). He identified four driving forces: Philips had to become globally oriented, quality driven, a customer oriented organisation, and innovation minded. Product divisions should become leading and obtain the ultimate responsibility for products and profits. Staff departments were trimmed by approximately 10.000 jobs, the large board of twelve men was reduced to a four-member board and a group management committee (GMC) put in place.

Based on Bodt's framework Van der Klugt proclaimed in 1987 some businesses [5] as stand alone/non-core activities and sold them in 1988 and 1989 to build a more globally competitive company [6]. While focussing on four core businesses (consumer electronics, lighting, computers, and chips) he began to shake up the complacent corporate atmosphere: "categorizing businesses was a cultural shock. Everyone had always felt that they were part of the family. There was a strong sense that we had betrayed a number of our managers" (quoted in Aquilar & Yoshino, 1987, p. 9). The old boy's network began to unravel. Van der Klugt invited Prahalad to set up training sessions to win the hearts and minds for his new approach. Within Philips Prahalad was at that time already a well-known figure [7]. A senior staff member of the "organisation development" department, however, was hesitant about the applicability of the new framework:

I was sceptical about his concept. The light company was our most successful division and was fully vertically integrated. While it was proclaimed as stand-alone, we had to separate it completely from the components factories (Interview F).

Prahalad himself had been rather vague in how his business model should be applied. He left it "in half-finished form to tantalize clients" (Pinault, 2000, p. 123).

In 1990, the financial situation of Philips deteriorated. Investors were disenchanted by low yields. At the annual shareholders meeting of 1990 Van der Klugt announced that Philips was still on the right track and he promised a "record high profit". The media cheered him in their commentaries:

Rigorously overhauled by Van der Klugt, the Dutch high-tech giant is poised for global success [...] Now, Van der Klugt's years of struggling finally seem to be paying off [...] For the first time in years, Philips is moving onto the buy list of most stock analysts (Kapstein *et al.*, 1990).

Only months after this good news, quite unexpectedly, company profits plunged 2.4 billion dollars in the red. As a division director recalled:

I knew that what Van der Klugt said at the share holders meeting was very strange, but I thought it was business as usual. I thought that the reality later would show that the future did not look that bright, and that was it. I did not give it further thoughts (Interview L).

The Apollonian, technical – rational style of Van der Klugt had turned him into a solitary fighter, a man who went too fast and hardly gave the organisation time to digest his transactional change approach. On the other hand, Van der Klugt had been esteemed as an influential president, a “witty, philosophical Dutch native” (Greenhouse, 1990). He did tilt the matrix and made the PDs leading. His style, however, did not favour a company-wide dialogue about the necessary steps towards the full transformation of Philips:

I have pleaded to Van der Klugt to get up the soap box and address the Philips community. He was a good performer. I wanted him to get out of his office and get angry about his direct environment (Interview F).

But it was too late and he had to resign.

The style of Timmer

Earlier than scheduled Jan Timmer became the new president in May 1990. In the past, he had been involved in the set-up of Philips management development programs and on the request of Van der Klugt he had effectively restructured the music division Polygram. As new director he had shocked the Polygram staff by issuing a press release stating that his looks did resemble Mussolini’s (Gruijthuijzen and Junge, 1992). He was subsequently asked to improve the performance of the Consumer Electronics Division. After a thorough bench mark analysis he restructured the division which earned him nick names like “Hurricane Gilbert”, “the Butcher” and “the Hangman”, portraits he carefully cultivated. It was for this aura of not communicating that the board at first did not accepted his candidacy as future president. Only after Dekker, then president of the supervisory board, and Van der Klugt threatened to quit, the board of management gave in (Interview K; Dekker and Van Lonkhijzen, 1996, p. 286, 287). They both underscored that Timmer was necessary to continue the change operation Van der Klugt had initiated.

Philips press releases stated that the new president would continue the necessary restructuring, and would, as a team player, operate in a subtle manner to motivate people. The company, however, was in danger. During an extraordinary shareholder meeting in July Timmer announced a cutback of 10.000 jobs, but the financial world was not impressed. *The Economist* (7 July 1990) called it “a typical Philips half-measure . . . little more than a band-aid.”

Forced by the urgency of the financial problems and bankers constantly knocking on his door, Timmer had to start a radical change. The frequent meetings with bankers to obtain provisions for restructuring and a dinner conversation with Prahalad, convinced him that for the survival of the firm a crisis manager was needed who changed from “getting things done *with* other people” into one who is “getting things done *through* other people” (Vos, 2006). Although he was still inclined to listen to others, he developed a policy of Dionysian ruthlessness which was inspired by the turn-around of British Airways (BA) and GE. Sir Colin Marshall had managed the privatisation and transformation of the loss-ridden, state owned BA over the years 1983-1988 (Philips Koerier, 1990; Street, 1994; Prokesch, 1995).

The style Welch had developed for the turn around at GE during the booming 1980s to get rid of bureaucracy also drew his attention (Interview D; Wilbert *et al.*, 1996). Till 1986 Welch had restructured by massive divestitures, downsizing and acquisitions of a number of businesses. He pushed more than a 100.000 workers off the GE payroll. He regrouped the business portfolio and plants that did not meet the criteria were sold to other operators (Slater, 1993; Lakshman, 2005). After the “hardware” transformation which provided him the title “Neutron Jack”, Welch focused on candour during the “software” transformation (1987-1990). Participants got a mental work out based on management concepts like simplicity, speed, self confidence. During town meetings managers and workforce sat together and discussed company practices in a candid atmosphere while being coached by professional consultants, which gave them a safe way to taste empowerment by openly sharing all information without regard of any boundaries (Slater, 1993).

Centurion: planned restructuring

In 1990, most of the management of Philips still did not recognise the desperate situation. Why should a corporation with over 250.000 employees and sales of 25 billion dollars be re-organised? Prahalad who had agreed to join Timmer in the turn-around gave an interview to a Dutch newspaper (Wittenberg, 1990) to increase pressure and provoke anxiety. He said that a previous change attempt had failed due to the long standing Philips tradition to localise problems outside the company. “Managers are extremely inventive to rationalize dismay. This means that you never have to discuss your own achievements.” Philips needed “one clear and consistent mass mobilisation.” He estimated that such an operation would take at least two to five years, and would only succeed if top management would support it (Wittenberg, 1990).

On the 9th of August 1990, a small team of board and staff members gathered at the Philips Conference Centre De Ruwenberg to conduct a bench mark. Guido Hayen, head of corporate external relations and speechwriter for the president (Metze, 1997) introduced the code name Centurion. In 1991 Philips would celebrate its centenary. He skilfully linked the centenary to a forceful restructuring of the firm in terms of a Centurion being a virtuous Roman commander of 100 men as well as a solid British tank. The participants embraced the label, but kept it secret to increase the tension and create a sense of urgency (Freedman, 1996).

On Friday the 5th of October 1990, 60 top managers were invited to gather at De Ruwenberg. Prahalad started with a fake press release from the Financial Times stating that the company was going bankrupt within a month. Only drastic measures could prevent this (Interview D; Pinault, 2000). The message took them by surprise. Wall Street being closed over the weekend no one was in a position to check the validity of the message. Timmer held a highly rhetorical speech with strong emotional overtones. He conceptualised the problem in terms of a lack of entrepreneurial spirit, boldness and vigour. A change of mentality was needed for ending a lack of interest for quality, customer and costs:

You are shocked and cannot run away. We were locked up in De Ruwenberg and when Timmer spoke you could not walk out to make a phone call. We were seated for hours in an arena-shaped room, while that man explained, with words hurting as whiplashes, what was wrong with the organisation. I left with the tail between my legs; the atmosphere was that of a funeral. (Interview C).

The participants were mesmerized and quite intentionally confronted with a harsh reality and pulled into a “Valley of Death”. Timmer stressed that he expected full commitment. He imposed meaning onto the participants without taking their own experiences, perceptions and practices much into account. “As soon as we start, we all start. And there will be no place for dissidents” (interview D). Commitment and urgency became key issues. The emotional part of the change process was meant to prepare them for a personal commitment to “stretch targets” (Freedman, 1996, p. 608). Prahalad structured the session as an “emotional rollercoaster,” similar to K. Lewin’s (1951) three stage Unfreezing – Moving – Refreezing model.

The agenda on the first day confronted the participants with the state of the business as benchmarked against the best in class. None of the eight Philips divisions, not even the much praised Lighting division, were leading. Timmer invited the participants to draw their own bench mark followed by group work to formulate the key issues Philips is facing challenges and threats. The next day Prahalad used the outcomes as an emotional tool of persuasion, to arouse the emotions of the participants and achieve a commitment to change.

By presenting new bench marks he showed that Philips was losing the battle with the Japanese. He said that he knew all this, because he had been hired by other multinationals in the same business and had studied Japanese firms like Sony, Matsushita and Canon extensively. His authority gave him the opportunity to play the role of a *catalyst for change*. Individual managers were invited to meet the president who made it clear that if they did not finish their targets, they would be fired. “We had never been so harshly, clearly and so specifically pinpointed to figures. Nobody had experienced this before at Philips” (Interview E). The sessions were highly emotional and the confronting bench marks were meant to create a “competitor’s focus”.

Timmer subsequently asked the participants what to do “to convince the outside world that we are committed to change and mean it this time?” After an emotional discussion in the sealed-off conference centre, the managers promised to actively contribute to the survival of the company by laying-off 15 percent of Philips personnel, or 45.000 employees (Interview D, E, H). To ensure this promise the managers were forced to sign an agreement, which they later received in their mailbox at home. For some De Ruwenberg had turned into a “hill of terror” (“gruwelberg” in Dutch).

Two weeks later the same procedure was repeated with another 60 top managers. Amazingly, none of them had heard about what had happened. “Nobody of the first group had told us. I did not realise that two weeks before another crew had done exactly the same thing and that this meeting was carefully orchestrated by Timmer and Prahalad” (Interview H). The interviewees acknowledged that the Dionysian style of ruthlessness and “emotion” management of Timmer made the message come across. Timmer deliberately used the persuasive force of his figure, his sound of voice and gestures to create a new spirit. His dramaturgical skills and bass voice turned him into the embodiment of change. The interviewees experienced him as jagged, menacing, curt, unbending and relentlessly focused on one goal: “stop the bleeding”. At the same time, they also appreciated him as a man who was open-minded, visible and demonstrated “management by walking around”. He required total commitment to Philips as a whole and this was new for the Philips managers who were used to work in great autonomy and freedom.

Timmer and his change team monitored the process closely. Decisions were binding and the steps of the individual business units and divisions were discussed in special Centurion sessions, where naming, blaming and humiliation became a common practice (Interview C). On October 25th Timmer gave the first long awaited press conference and announced the dismissal of 45.000 persons. The Philips community was shocked. The unions were flabbergasted. European politicians were stupefied. The dismissal had taken a scale unheard of in Europe. Had the American policy of downsizing been transferred to Europe? Anxiety lasted for weeks. Most Philips employees had to wait till Christmas to know whether they had been fired or not [8]. The restructuring program, however, was not just a cost-cutting exercise. A substantial rethink of production policy was required.

Centurion: emergent revitalisation and quality in a new jacket

After the shock therapy at De Ruwenberg, a second phase was needed to focus on revitalisation. Despite the fact that a policy for the follow up was lacking, the advisory council for Centurion was convinced that it had to continue to trigger the emotions in an emergent way. "The action programme became scheduled as we went along, with the help of external advisors. Everything could be put forward for debate" (Mulder, 1995, p. 42). As one of the interviewees said: "Centurion was not a 'ready to hand' operation. Change operations are primarily an emotional process, which you cannot design in your office." (Interview D).

The participants of the initial top down sessions had established 21 corporate task forces to review major issues like customer orientation, purchasing and accounting systems, management skills, R&D effectiveness, values and behaviour to reshape the prevailing mentality and improve efficiency. During five-day sessions at De Ruwenberg some 120 groups of 30-50 managers each were subsequently familiarised with Centurion. Prahalad delivered pep talks to ingrain the five values of "the Philips Way" [9].

From 1991 onwards these managers had to train their own staff in bottom-up town meetings based on candid conversations. The council was convinced that these "town meetings" as an emergent change approach would facilitate the dialogue between management and workforce and improve quality and the focus on the customer (Interview C). Participation and dialogue between management and workforce meant discursive and detached participation as well as power neutrality. The town meetings were held all over the world, and involved large groups of up to 400 people ranging from the operator level to senior management. They were meant as platforms for collective action learning and were repeated every half year. Employees who by now started to operate in self-managing teams were invited to raise questions to the managers of 28 business units who were obliged to answer them directly or immediately after the session (Interview C) [10]. After the questions the co-workers made assignments on run-times, and discussed ways to improve quality. These assignments were heavily *Kaizen* inspired and belonged to the legacy of Dekker's CWQI. Employees were still familiar with the techniques, but had missed company-wide cohesion (Interview A).

In his last year in office Timmer explained his choice for the revitalisation. He said that no one remembered where the abbreviation CWQI stood for:

Technically it was a good plan, but it never touched the hearts of the people, it stayed a paper drill. It was too mechanical. The spirit of quality never went through the company ... Managers had thought that with one or two meetings and some thundering speeches we would be there (Empel, 1996).

Timmer also privately acknowledged that if Van der Klugt had not tilted the matrix "Centurion would have been impossible" (Dekker & Van Lonkhijzen, 1996, p. 248).

The town meetings initiated a process toward cohesion, the "Customer Days" finalised it. These days, proposed by Jan Post, the director of Philips Spain and chairman of the taskforce "Customer Orientation" also originated from the CWQI programme. Although the package had changed, the chosen techniques clearly revived more traditional routines within Philips' quality focus. Show and emotion influenced the beliefs, feelings and involvement of the employees while they fitted with previous routines. After the enthusiasm about the first Customer Day, the business units revived their own TQM programmes, but this time they were *united* under one Philips umbrella and became an integral part of Centurion as "a new approach for the future" (Interview E). A common discourse about quality within Philips finally had come about.

The Customer Day was repeated two years later for 250.000 employees worldwide and became known as "Big Brother Broadcasting". Philips managers throughout the world listened carefully to Timmer. The employees who had won the "customer champions celebration" were invited to present their achievements during an exhibition in the futuristic park "Evoluo" at Eindhoven. Shop-floor girls from a Philippines factory demonstrated the quality improvements they had realised at their assembly line (Interview C; Van Ree, 1995). Timmer used his rhetorical abilities to persuade the audience that there now was a common discourse about the quality issue at Philips. Management had to further facilitate this development, stimulate the talents of the employees and "not get in the way" (quoted in Hartog and Verburg, 1997, p. 382). The Customer Days became part of the Philips policy and lasted till 2000.

The focus on the customer and quality improved self-respect amongst the workforce and the candid dialogues Philips allowed, stimulated common sense making (Weick, 2001). As a follow-up from Centurion the company introduced in 1995 a new slogan "Let's make things better" which reflected the focus on continuous improvement and captured the new spirit. The managers were provided texts of Timmer and Prahalad to diffuse the same approach and some had the feeling that they "all were trained like tiny *Timmer's* (interview C). The operation began to look like the creation of communities of people within the organization who view themselves as the 'carriers' of corporate competencies" (Hamel and Prahalad, 1994, p. 235). During a press conference Timmer admitted that there initially had been some hesitation to take this step: "Initially we did not dare. When you invite people to say everything what's on their mind, you must ask yourself: can management take this?" (Gruijthuijsen and Junge, 1992, p. 186). The feedback, however, was very positive[11].

Timmer's Christmas speech of 1995 underscored once more the five key values of "the Philips Way". In his speech Timmer, who was by that time quite exhausted, stressed that continuous improvement will no longer be realised just by brute force like the initial planned change had done, but by upgrading managerial skills, training opportunities, empowerment and candid communication. These were seen as the necessary competencies for further developments of the company and justified that "Centurion will never be over" (quoted in Wammes, 1995). He may have been less

clairvoyant about the future strategy of Philips but as a robust actor he was “a thoughtful historian of the past and a creative participant in the present” (Eccles *et al.*, 1992, p. 58).

Conclusion

During the presidency of Van der Klugt the awareness dawned in Philips that change was needed but his Apollonian style hampered a company-wide dialogue about the necessary steps to be taken. Philips' situation in 1990 called for a Dionysian leadership approach which would facilitate an urgent transformation. Centurion architecture was designed to finally create and implement a turn-around. The planned change sessions with top management, the emergent town meetings with the shop floor as well as the Customer Days as a joint interaction with everyone were the foremost important parts of the Centurion operation.

The initial, planned, turn-around had been a top-down approach. Timmer's dictum that “change is emotion, and emotion is show: without that, you do not establish change” manifested his Dionysian, transformative leadership style. The shock therapy was accepted because the participants felt that Timmer was one of them. It enabled them to identify with the new goals of Philips. Timmer's rhetorical spellbinding and style of verbal and physical communication unravelled Philips' complacent family culture. In this sense his approach which initially was less induced by logic than by emotion, was decisive for the initial breakthrough. His emphasis on pathos and his incessant presence during the whole operation established a shared leadership amongst the top managers. Timmer's particular traits and performance were unique triggers which awakened a process of awareness in top management's thinking. These triggers eventually provided opportunities for face-to-face communication, listening and telling, for conversation and interest in mutual goal attaining and shared commitment. Presence and distance were exerted simultaneously and provided challenges for individual and collective responsibility. Timmer kept an unflagging confidence in the managers with whom the Centurion operation had to be implemented. The brute force for a breakthrough deemed necessary but it certainly was not sufficient for a successful transformation.

The transformation may not have succeeded if it had not fitted with a quality approach Philips had put in place much earlier and which had been internalised into a range of well established but dormant communicative CWQI routines. The bottom-up approach with the town meetings rejuvenated practices which were vested on a frugal seedbed of Kaizen, the routines with which Philips' employees had become familiar during the Dekker era. Philips introduced a sweeping revitalising and training programme to accompany the emergent part of the transformation. After the first shock Timmer expanded his repertoire of behaviour by combining a Dionysian (creative destruction) with a more Apollonian style reviving existing routines. Learning by monitoring and continuous re-evaluation of existing practices became pragmatic mechanisms to question Philips' routines. This approach assured that the new conversations about customers and quality stayed embedded in Philips practices. Reactivating CWQI did need a heroic leader but many Apollonian coaches were required to stimulate personal commitment at shop floor level and use it as a template for everyday activities.

So, during the emergent part of the Centurion operation, Timmer's leadership became a product of group processes rather than the result of one particular actor.

The combination of Dionysian and Apollonian elements in leadership style constructed a social order that fostered new values and interests, which led to a common frame of reference. The centrally broadcasted monologues as well as the embedded conversations about quality and customer-focus at shop floor level sparked the mass mobilisation for the turnaround. The emergent change was not a process of gradually fine tuning new practices (Beugelsdijk & Slangen, 2001) but was based on reactivating CWQI. Timmer showed himself to be ingrained in the Philips culture and in 1996 left an almost cohesive organisation behind.

The company had commissioned several outside consultants to act as enablers, not because they knew something internal management did not know, but because internal management did cling to their preferred viewpoint whereas outsiders made Philips aware of challenges. Timmer required the assistance of Prahalad as a change agent while he knew the company's history and culture and understood how to support the necessary change of Philips. However, the company did not follow a fully elaborated order of change.

The interviews with Philips' people who had participated in the turn-around have clarified that the Centurion operation was a mix of planned and emergent change processes. Peters & Waterman have stressed that any transformative leader introduces a new language in search for excellence. With his team Timmer launched Centurion to confront top management with the inevitability of brute change. The existing experiences and practices grounded in CWQI, however, enabled the implementation of subsequent steps concerning the focus on customers and quality. That focus eventually turned into a company-wide strategy and is nowadays visible in Philips' mission of "sense and simplicity".

Notes

1. D. Overkleeft & L. Groosman, former employees of Philips" External Relations, put more than hundred speeches and interviews of Dekker together in "The Dekker perspective" (1988).
2. It was promised to keep all interviews anonymous.
3. Philips Taiwan obtained the Deming award in 1992.
4. Despite these critical comments on the internal processes to implement quality as a central topic, fourteen European multinationals including Philips initiated the establishment the European Foundation for Quality Management (EFQM) which issued an annual quality award like the Japanese Deming award and the American Baldwin award. The first chairman of EFQM was C. Van der Klugt.
5. The divisions Medical systems, Defence, Large domestic appliances, Small domestic appliances and Industrial Electro acoustic Systems were proclaimed stand alone/non core activities. Those activities could be put up for sale, when they did not generate enough profits. The light division was stand alone/core. It was turned into a separate firm, to prevent that its profits would be used to cover losses for divisions who were in red figures.
6. Medical systems was withdrawn at the last moment from a merger with Picker, a daughter of British General Electric Company. Later on chairman C. Boonstra decided not to sell medical systems after reassessing its future market opportunities. Instead he bought between 1998 en 2001 several companies in this branch like Marconi, ATL, ADAC and Agilent.

7. During a stay at Harvard the vice president of Philips, A.E. Pannenburg, had met Prahalad and had invited him as moderator for the international training programme for Philips managers. Some Philips interviewees saw Prahalad as a gifted orator with well-performing monologues, but others perceived him as a rhetor who was looking for the dialogue.
8. An invented crisis with a false press release and the use of benchmarks were also used in the change operation of Unilever Netherlands during 1995-2000. Timmer and Unilever Netherlands president Tex Gunning shared a similar Dionysian style. Prahalad was consultant of Unilever too (Mirvis *et al.*, 2003).
9. (1) delight customers, (2) value people, (3) deliver quality, (4) achieve premium return on equity and (5) encourage entrepreneurial behaviour at all levels (Freedman, 1996).
10. Weeks before the town meeting were scheduled questions were posted in a special mailbox which were overlooked by an external assessor, preventing the questions to be made public or prematurely delivered to the BU-managers. The assessor gave the meeting an atmosphere of importance and convinced the participants that it was not a theatrical play. It put managers under pressure because they could not prepare themselves in advance to answer the questions.
11. Timmer felt so confident about the process of change that he accepted an invitation to talk for the second time about his experiences during a conference about "the management of change". At this gathering in The Hague in December 1991 the Persian Gulf War general N. Schwarzkopf also gave a public lecture (Kerres, 1991). They both emphasized that they were not managers but "leaders" who had to take decisions based on far from complete information. The Dutch press pointed at similarities between the American general and the Dutch president who also became depicted as a general.

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