

# Philips Octagon — A Partnership for Leadership Excellence and Innovation

## EFMD Excellence in Practice Award 2011

**Awarded to:** Royal Philips Electronics, Center for Creative Leadership, The Wharton School (University of Pennsylvania)

**Category:** Talent Development

**About the Award:** The European Foundation for Management Development (EFMD) presents Excellence in Practice Awards to recognize outstanding and impactful Learning and Development partnerships in the domains of leadership, professional, talent, and organization development. Based in Brussels, Belgium, EFMD is a global forum for research, networking, and debate on innovation in management development.

### The Challenge

How can a large global organization develop a strong and sustainable pool of top leadership talent and increase innovation to generate significant revenue growth?

That is the challenge that Royal Philips Electronics has faced since the early 1970s, when it launched the first Octagon leadership development program. As the pace of technology accelerated in the early 2000s, the innovation imperative was even greater, especially since many divisions now drew more than half of their profits from products developed in the past two years.

By 2005, Philips' learning organization knew it had to grow beyond its in-house training program to deliver the business strategy and behavioral leadership skills Philips leaders needed to compete.

### The Goals

Philips chose its external partners for Octagon carefully, selecting the Wharton School for its business acumen and innovation strategy, and the Center for Creative Leadership (CCL) for its behavioral leadership skills. Supported by CEO involvement, the program was deeply linked to Philips' strategy and supported the company's six guiding Leadership Competencies:

- Pursue market insight
- Create innovative strategies
- Inspire commitment
- Leverage capabilities
- Champion people's growth
- Drive for results

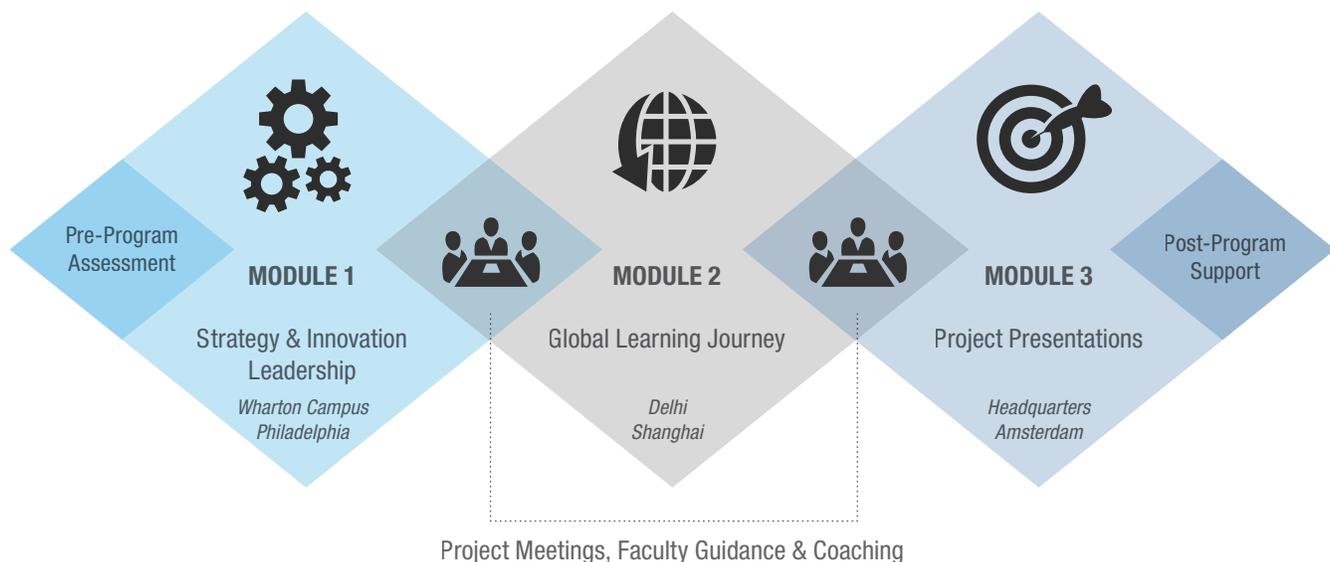
The action learning component went beyond equipping participants with an integrated set of frameworks and tools to enhance their business and personal leadership skills. It also gave the leaders active practice in applying these skills as they tackled a team-designed innovation project with the potential to generate significant financial value for Philips.

## The Solution

Octagon's design engaged 32 senior high-potential leaders in three globally-based learning modules, integrated with action learning teamwork:

- **Module 1** was a 7-day intensive session at Wharton to equip participants with the skills, knowledge, frameworks, and tools to launch their project work.
- **Module 2** was a 4-day learning journey in an emerging market four months later to give the cohort deeper insights into business growth strategies, feedback on their people-leadership skills, and additional guidance on their action learning projects.
- **Module 3** was a 3 ½-day session at Philips' Amsterdam headquarters to complete the learning journey and give the teams an opportunity to present their final projects to Philips' Board of Management and senior executive sponsors.

## Octagon Program Overview



## The Impact

Philips assesses Octagon's impact from both a business perspective and a leadership perspective. The number and quality of the team projects demonstrates the business impact. Of 13 projects undertaken by Octagon teams from 2009 to 2010, more than 50 percent have been incorporated into the business—adding to Philips' innovation pipeline. Others have helped Philips avoid costly forays into undesirable markets or risky product categories, ultimately saving the company money.

The 50-plus Octagon projects conducted over the last six years have substantially enhanced Philips' bottom line and market penetration. In addition, many projects extended across multiple business units, geographies and product lines, enhancing intra-company synergies.

One recent Octagon project involved a new business model for leasing lighting services, rather than selling lighting fixtures. Philips won a major contract in Malaysia worth over 25 million Euros, and recurring maintenance revenue of one million Euros annually for seven years. Philips is now looking to duplicate the business model in other Asia-Pacific countries. This success, as well as the potential rollout of the new business model to other countries, underscores Octagon as a strategic investment rather than a training expense—an investment that is providing a significant ROI for Philips.

From a leadership perspective, Octagon alumni account for a majority of internal promotions into Philips' global leadership roles. Octagon is building a strong cohort of like-minded leaders who share a common vocabulary and strategic frameworks, leading to a cohesive, global leadership team.

As for the partners, their collaborative spirit continues to deepen and evolve, with an unparalleled level of trust and support among them. These "trusted partner" relationships ensure that Octagon will evolve along with the company's strategy, and that it will continue to provide exceptional business and leadership value to Philips.

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*“A role model example not only for how to give our talents a great cross-sector learning opportunity, but it also shows real and tangible expected business impact.”*

– Egbert van Acht, Executive VP, Health & Wellness, Philips

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