On October 25th 1990 the president of Philips Jan Timmer announced a reorganization operation, called Centurion, which included a lay-off of 45,000 jobs. This was a personnel reduction of an unprecedented 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.

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.

Philips’ Presidents

Wisse Dekker, president of Philips (1982-1986), stressed 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. In 1983 he announced that Philips would embark on a Company Wide Quality Improvement (CWQI), however, an integral implementation of the programme failed.

Against this background Dekker’s successor Cor van der Klugt (1986-1990) focused on improving the organization and central coordination. Inspired by C. K. 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 bare 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". However, his departure threatened the restructuring.

Amidst this unexpected situation Timmer took over and launched the Centurion reorganization. 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 reorganization Van der Klugt had initiated.

Planned restructuring

In 1990, most of the management of Philips still did not recognize the desperate situation. Why should a corporation with over 250,000 employees and sales of 25 billion dollars be re-organized? Prahalad who had agreed to join Timmer in the turn-around gave an interview to a Dutch newspaper to increase pressure and provoke anxiety. He said that a previous change attempt had failed due to the long standing Philips tradition to localize
problems outside the company. Philips needed "one clear and consistent mass mobilization." He estimated that such an operation would take at least two to five years, and would only succeed if top management would support it.

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 benchmark. Guido Hayen, head of corporate external relations and speechwriter for the president 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.

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. The message took them by surprise. With 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 conceptualized 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.

Timmer imposed meaning onto the managers without taking their own experiences, perceptions and practices much into account. 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".

The agenda on the first day confronted the managers 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 benchmark followed by group work to formulate the key issues, challenges and threats that Philips is facing. 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 benchmarks 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. The sessions were highly emotional and the confronting benchmarks were meant to create a "competitor's focus".

Timmer subsequently asked the participants what to do to convince the outside world that they were committed to change. 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 per cent of Philips personnel, or 45,000 employees. To ensure this promise the managers were forced to sign an agreement, which they later received in their mailbox at home. Two weeks later the same procedure was repeated with another 60 top managers. Amazingly, none of them had heard about what had happened.

On October 25th Timmer gave the first long awaited press conference and announced the dismissal of 45,000 personnel. 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.

**Emergent revitalization and quality in a new jacket**

After the shock therapy at De Ruwenberg, a second phase was needed to focus on revitalization. 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 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 familiarized with Centurion.

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. 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. After the questions the co-workers made assignments on run-times, and discussed ways to improve quality. These assignments belonged to the legacy of Dekker's CWQI.

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. Timmer also privately acknowledged that if Van der Klugt had not tilted the matrix "Centurion would have been impossible".

The town meetings initiated a process toward cohesion, the "Customer Days" finalized it. These days also originated from the CWQI programme. Although the package had changed, the chosen techniques clearly revived more traditional routines within Philips' quality focus. 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."

**Centurion: inevitable change**

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 managers 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.
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".

November 2009.

This is a shortened version of 'Leadership style and entrepreneurial change: The Centurion operation at Philips Electronics', which originally appeared in Journal of Organizational Change Management, Volume 22 Number 1, 2009.

The authors are Luchien Karsten, Sjoerd Keulen, Ronald Kroeze, Rik Peters.