Preparing Philips for the next 150 years

In his youth, CFO of the year 2019 Abhijit Bhattacharya was a national rifle shooting champion in India. Today, the many comparisons he draws between sport and business show that Philips' CFO is still a real sportsman. "Philips must go for gold," he says. "Silver or bronze is not good enough."

Bhattacharya has been with the company for more than 25 years, nearly his entire working life. He started his career as an accountant in a radio factory in Calcutta. Other financial roles followed at Philips in India, before he took on leadership roles in Asia, the US and Europe. In 2015 he was appointed CFO.

Abhijit Bhattacharya

CFO, Royal Philips

Year of birth: 1961

Country of birth: India

Place of residence: Eindhoven

Family: Married, two children

Studies: Finance and Accounting, the Sydenham College of Commerce & Economics, the University of Mumbai, India. Qualified Cost and Management accountant from the ICAI, India.

Hobby: Rifle shooting

Bhattacharya is being awarded the 'CFO Award 2019' by the CFO Community in an award ceremony that's the highlight of CFO Day. In an interview for CFO Magazine, the financial chief explains that right from his early career days he recognized that finance is key to running a business successfully. He shares some of the best experiences from his career and expresses the hope that the company to which he has devoted much of his life will remain at the top of business for 150 years to come.

Under CFO Bhattacharya, Philips' results have become more predictable in recent years. The company has clear targets for revenue growth and profit margin improvement and has been able to achieve them. The finance function is a key enabler for these results, says the CFO. Ultimately, the finance function is there to help the business run better. "My mantra has always been 'make finance as simple as possible for the people in the business'," he says. "If they know which levers they have to pull to improve their performance, my work becomes easy because the numbers will be good."

Early in his career, Bhattacharya recognized that finance could perform this role. "At the start of my career, when I worked in consumer electronics, my boss told me that if I wanted to learn about finance, I had to go outside, book orders, and understand how the company works. That encouraged me to go into the market, away from my desk. I met dealers and customers, and I booked orders. I did the same when I was in the Healthcare business, and it's is a habit I still continue. Because I started in a factory, I knew how the back-end works. When you are in sales, you also see how it works at the front-end. Then you see how finance can be the glue throughout the entire chain to make it run more efficiently and therefore more profitably."

A big transformation in finance

Philips has changed a lot in the last ten years. Its consumer electronics businesses were sold, as well as its lighting activities. Now it's a company that focuses purely on healthcare technology. According to Bhattacharya, the finance function also underwent a major change. “The finance function has gone through a long transformation, perhaps over more than ten years, and we have made great strides in standardization, simplification, and reaching benchmark cost levels. If I go to a management meeting now, all the reports are made by a center of excellence. People no longer waste time and money collecting information, but they now see what the data says about how we perform and where we need to make adjustments.”

Winning the CFO Award is primarily a recognition of this success. “I think it is an illusion to think that one person can do that. I see this award as a recognition for the finance function, but also for the progress that the entire company has made. I am happy for Philips."

Role clarity

Commenting about how the company is managed, Bhattacharya says the company works with business-market combinations, the purpose of this matrix approach being to ensure that local management has a clear understanding of what it should do. “We have a clear value creation model, which is understood across the company. For example, if you have a business-market combination that is not working well, the focus must be on turning the business to profit by managing costs and increasing margins. If, on the other hand, you have a fast-growing business, such as male grooming in Central and Eastern Europe, then the job is to continue on that growth trajectory because growth in a high margin business will boost value creation. If people have role clarity, it empowers them to perform without waiting for someone else's permission every time.”

He compares Philips to a well-performing football team in which every player knows what his role is. “If you have a machine of this size, just like in any other team, clarity about each person’s role is key. You can have a football team full of individual superstars, but it's better to have a very good team with each player knowing what they need to deliver to make the team successful. This is the biggest driver to boost performance. Managing a high-performance company is no different to professional sport. Both physically and mentally, it is exactly the same.”

Confidence that anything is possible

At different moments in his career – early in his career as head of finance for Philips Healthcare in India and in the early 2000’s when he came to the Netherlands at the Domestic Appliances division – Bhattacharya has experienced how quickly a weak-performing business can turn around. The first of these moments has a special place in his memory, says the CFO. “That was a loss-making business slated for sale. We were able to turn it around very quickly and make it very profitable. At that young age it was very exciting, because it gives you the confidence that anything is possible.”

What was the key to that success? “People worked very hard, but they worked disjointedly. So putting the team together and having them work together was very important," he explains. “But it was also important that everyone had the right information, and that was where finance came in. If you can make information available in time, and show the buttons you can push, you can very quickly make a business more profitable."

Continuing, Bhattacharya says the most important thing is to see where the biggest opportunities lie for the company. “For example, if you look at business-market combinations today, you might see that a product is doing very well in four of the seven markets. Then the question is, if the product is doing very well and performs great in these markets, what is happening in the other three? You often see that no promotion is being done or that there are problems in the supply chain. That is a pity, because we have made the investment to make a good product or a great solution and now is the time to get the value out across markets."

Listening is learning

Another important experience was his time at NXP, where Bhattacharya was CFO of a joint-venture between parts of NXP, STMicroelectronics and Ericsson. "It was about integrating three large diverse businesses. I was responsible for production, supply chain, quality, integration and procurement. So I actually stepped out of finance."

That was a learning experience because he learned to work outside his comfort zone. "I have done everything in finance, from accounting to M&A, so if there is a substantive problem I have enough content knowledge to solve it. The moment you step out of [finance] and start working in the highly technical semiconductor industry, where your knowledge is not at that level, you learn other skills. For example, you learn how to listen, how to evaluate options based on listening. If you listen, you gain knowledge and that was a major change I was going through at the time."

Listening is good for all managers says Bhattacharya. "Thinking that one person can solve all the problems is the biggest risk you can run. It is the greatest form of self-overestimation. You can give your opinion, but only after you have listened. I think if managers keep improving their listening skills during their career, they will become better managers."

Good communication

Bhattacharya attaches great importance to good communication, and especially to direct communication. Out of principle, he sends no more than ten e-mails a day. "I spend my days talking to people – face-to-face, over the phone, via Skype, whatever – but always having a dialogue."

He believes it's very important that this is part of the corporate culture. "I always tell people to talk to each other. So I have another simple principle. If someone comes to me because someone else is not doing something, they cannot bring that issue to me unless they have already spoken to each other. If they have done that and there is still a fundamental disagreement, I am happy to step in and give my opinion to resolve it. But I definitely do not encourage people to go behind someone's back. That fosters the wrong culture."

Fit for the next 150 years

One of the most important targets for Philips for the coming years is to achieve 4% to 6% sales growth per year. Growth ultimately makes a company 'great' says Bhattacharya. "What we have done throughout the transformation is we have taken out big chunks of cost to become more efficient, but we have invested part of those chunks back to drive growth. That will hopefully bring us to sustainable growth, because you will never shrink your way to greatness. We are not here for the short term, we want to make this company fit for the next 150 years."

To really achieve that, a cultural change is ultimately needed. The CFO pulls out another sports analogy to explain. "I always ask my children, and people within Philips, if they know who won the silver medal in the 100-meter sprint at the last Olympics. They often don't know that, but they can tell you right away who won the gold. So we can come up with a lot of excuses why something didn't work out, but people respect those who do make it. That is also a major cultural change that we are trying to implement here at Philips. This company has flourished for 128 years, and not many companies achieve that. That's a legacy like a gold medal. It would be a pity if it turned into a silver or bronze medal."