

Technology | The Leader

The Health Tech Boss Putting AI in Every Single Product

Roy Jakobs on rebuilding trust, what geopolitical risk means for supply chains and where money can be made in AI.

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Royal Philips NV Chief Executive Officer Roy Jakobs took the reins of the century-old Dutch company in October 2022 as it was reeling from one of the biggest product recalls in the history of the medical-technology sector.

After cutting jobs and overhauling management, his turnaround program has started to regain customer and investor confidence, helping propel the company's stock more than 40% higher this year.

Alongside the cleanup, the 50-year-old executive is pushing ahead with Philips' long-running strategy shift, which saw the company ditch consumer electronics to focus entirely on health care. Jakobs spoke with Bloomberg about rebuilding trust, what geopolitical risk means for supply chains, where money will be made in AI and the lure of living forever. The transcript has been edited for brevity.

Bloomberg: Philips is now much more of a health-care focused business than it used to be. How do you make sure that the strategy is the right fit?

Jakobs: First of all, health care is a big societal priority that actually is in need of innovation to address a gap in how much more health care needs to be consumed – more patients, more chronic diseases and more demand on the amount of care that people get versus the supply.

Secondly, it's a sizable market. If you look at the addressable market that we're focusing on it's around \$90-100 billion. It will never go below a certain extent, because people will want to make sure to invest in good health. That makes it an attractive market.

So there is this gap between supply and demand, and we need to support closing that gap – actually make provisioning of health care easier and



Roy Jakobs in London on Sept. 25. Photographer: Hollie Adams/Bloomberg

and make it a better experience for the patient.

Q: China is moving up the value chain in lots of tech sectors, including health. How do you try to ensure Philips can stay ahead?

A: In the Chinese market, it's the same as in the other markets. You

need to be very close to the clinical practice and understand the problems you need to solve.

China has a massive capacity problem. They have so many patients and such big pressure on the system that there's a huge productivity need. So when we're looking at innovations for

Roy Jakobs' Career in Brief

Chief executive officer of Royal Philips

- 1998 Started at Shell after completing his MBA and worked for the oil giant in the Netherlands, Portugal and Belgium
- 2005 Moved to healthcare-analytics company Elsevier and held various managerial positions
- 2010 Joined Philips as a marketing leader of the lighting business and subsequently took on leadership roles across multiple units
- 2022 Promoted to CEO of Philips after overseeing issues around a costly recall of sleep apnea products
- 2024 Settled claims linked to faulty sleep apnea devices; two of Philips' biggest investors raised their stakes

Source: Company reports, Bloomberg research

China, you need to be laser-focused on increasing that productivity.

Chinese players are still very much product focused, and product is different than productivity, when you look at the total work flow. So that's a way you can distinguish yourself.

Q: As a global business, Philips has a big presence in China. But given tensions with the US and conflict around the world, how have your views on geopolitical risk changed?

A: Covid in combination with geopolitical pressures, severely changed the world and the view you need to have in the world for the next 10 years.

My view is that we need to be further preparing ourselves for a more regionalized approach, which means that you need to be able to play in certain markets and more regionally supply.

So for the Americas, you need to have an American supply chain, meaning that I have high value-add production in the United States of America, but I flank it with low-cost locations in Mexico, Panama and Puerto Rico. The same we need to do in China. In that way, you can protect yourself and make yourself more resilient.

Q: AI is clearly a very exciting part of health tech. How far through that journey toward AI-enabled care are we? How much further is there to go?

A: We are actually using AI in every single product that we have. I'm extremely excited about what more it can do.

We are using AI to improve. For example, we have smart speed AI that increases scan productivity by three times. Now that is immediate impact for the patient. He has less time in a scanner. The hospital system can scan many more patients.

Nurses are spending, on average, 20 minutes an hour on admin tasks that we now with generative AI can help reduce to five minutes. That's something that I'm extremely excited about.

Q: What are the limiting factors to implementing AI more broadly? What stops it moving faster?

A: Like with any technology, it's adoption at scale, and adoption at scale especially in health care is very local. Ultimately you need to embed AI in the local work flow. And that means you need to work through



Roy Jakobs during an interview in London. Photographer: Hollie Adams/Bloomberg

hospital by hospital.

Also, people need to see the benefits. They need to learn to work with the system. We need to be very careful that we apply AI in a responsible manner. We are talking about patients and people's lives. So we need to make sure that the AI does the right thing.

We are still early days in terms of mass adoption. We are seeing it finding its way into the practice pretty quickly. But still we have ways to go.

Q: In the battle for the AI space, your hardware also works with third-party software. How sure are you that you're in the right places in the supply chain to be where the money is being made?

A: Ultimately, the monetization happens where you truly add value and you show that value add.

When we look at the domain where we develop AI, it's in the clinical and operational work flow. That's a pretty unique space. You see many tech players not going there because they want to provide the cloud servers, they want to provide the backbone.

To have the in-depth clinical work flow knowledge to develop AI for that, you need to be very deep in the practice, which we are. So we have a unique position and collaboration with our customers there.

Q: The recalls in sleep and respiratory devices have been a significant challenge. In the course of the turnaround process, what have you learned about rebuilding trust?

A: You build trust by doing what you say you would do. For product, that means it needs to do what it promises, and for a leader, that means that you need to come forward with a plan that you actually start to deliver on. By doing that, you start to build confidence and trust.

So consistent delivery and being realistic about what you're facing – how you deal with it, and also how long will it take – is important as well. I came out with a three-year plan, which had very clear steps for each and every year, and I'm executing on that. It made it clear that this is a multi-year journey, but we will improve as we go every quarter.

Q: And finally...is there something that you've been reading, watching or listening to that has left an impression?

A: In the area of health, Outlive is an interesting book, kind of looking into overall lifespan and more precise medicine for individuals, and what you can do to ensure you maximize your health in a holistic way. That's of course physical, but also mental.

It's a very inspirational book, but also an approach to looking at health care in a way that is not only about sick care, but starts really whilst you're healthy, and how you can maintain health.

We all hope to live forever. We know it's ending at a certain point in time. I accept that, but I try to make it pleasant as long as possible.