

Merging and Acquisitions: company transformation and impact on employee identity

Author: Rodolfo Veltri Gomes, PII-87

Abstract: Engineers are often witnessing company reorganizations: spin-offs emerge from former corporate giants in the past; sometimes two competitors decide to merge in one more synergic reality. On the other hand, suppose we move away one from Cartesian reference axis of finance health to the individual point of view: can we still find a healthy situation? Group-identity, self-adaptation and personal resilience are crucial shaping factors of modern engineer professional behavior. “Survival of the fittest” or “survival of most financially convenient”, this is the question.

Contents

1.	Historical background.....	2
1.	From corporation-company to finance-driven spin-off	2
2.	The 80’s and first crisis of corporate company processes:.....	3
2.	Divorces	4
1.	Philips Semiconductors becomes a spin-off of Royal Philips Electronics Corporation, named NXP – the Next EXPerience	4
2.	New identity, new way of working.....	5
3.	Consequences of new way of working in a spin-off.....	5
3.	New Marriage	6
1.	NXP, disentangled from Philips in 2006, and Freescale, disentangled from Motorola in 2004, join together under new NXP brand in 2015.....	6
2.	New NXP outlook.....	6
4.	Conclusions.....	7
1.	Professional identity:.....	7
2.	Personal identity:.....	7
5.	Disclaimer	7

1. Historical background

1. *From corporation-company to finance-driven spin-off*

It happened to me to celebrate the fortieth career anniversary of a Philips colleague while I was working for Philips Medical Systems in The Netherlands. During celebration, which included traditional Nederlandse vlaaj (koffie en gebak!!), I discovered he had just been hired by Philips on the day I was born, forty years before!

This engineer has lived a career lifetime in the same company, although there have been several role changes and several migrations from one product division to another one. This was a remarkable advantage of old Philips times: the opportunity of growing and diversifying personal knowhow and competence, which was offered by more than 13 product divisions [1] inside the same Philips umbrella. Such company processes survived for more than 80 years not only inside Philips¹ but also inside other famous corporate multinationals: Ericsson, Motorola, Siemens, etc.

As mentioned by John Kenneth Galbraith in his masterpiece [1] “The Age of Uncertainty” in late 70’s: “Philips ... is a creature of its techno structure. In this respect, too, all corporations are alike. Whether in Eindhoven, New York or Houston, the quality of the corporate performance depends not on individual brilliance but on organizational competence on the success in choosing and combining the efforts of the men, and the rare woman, who fill he rings.” By the way, I confirm that most Philips divisions hired majority of male engineers, except Philips Medical Systems, which hired roughly 50% of both genders.

The time scale and relationship between workers, their jobs and company looked more like a marriage rather than contract. About the way of working in Philips in former times, Galbraith also mentions: “(Philips) likes to think of itself not as a corporation but as a federation. The heads of its over sixty national organizations are appointed by Eindhoven: major capital outlays are approved there. Then each of the national companies – some that manufacture and sell, some that only sell – are left to do their best. They are encouraged to become part of local scene. In every country the Philips sign in neon light is, indeed, an inescapable feature of the landscape. Once every twelve months the heads of the national companies come together to report on operations of the past year and on plans for the next five. (Philips managers) not only do corporations plan: they have five-year plans”. Five year plan sounds really strange if I consider that my present company pushes all employees to achieve team goals per each quarter in the same year!! How times have changed in past 30 years!

Looking to the impact on engineer’s identity, Galbraith writes, such multinational employee belongs to “a race of men who, no less than the corporations they serve, are the same. National identity has been excised. They are not Dutch, not French, not English, not Belgian but all slightly American. Their first loyalty is to Philips, IBM, Exxon, BP, Nestlè; not to the Netherlands, the United States, Britain or Switzerland”. I can’t deny that such transversal identity is exactly what i observe also on our PEIAA community: - we are engineers from different countries, who had a similar opportunity to get international technical education. We were students in the same institution sponsored by “mother” Philips; some of us also worked for Philips. So the corporate feeling still remains a

¹ Galbraith writes “Since 1891, Eindhoven has been the headquarters of Philips Goeilampenfabrieken, which in 1974 was ranked third in size among the industrial corporations outside United States by Fortune and thirteenth in the world. ...(present) in some sixty countries, of 412.000 people”, from [1], page 270.

common denominator today: using Cho Lun's excellent expression, "The United Nations of PII" demonstrate such strong shared feeling.

So through the decades, Philips delivered not only a Brand but also a group identity and a bonding feeling, exactly mirroring the social processes which took place in Europe along its historical period: World War I, socialist revolutions on early 20's, 1929's financial crisis, World War II, Cold War, Vietnam War, etc, until 90's, with German re-unification and later globalization. All above transformations pushed occidental society and families to struggle to get together, against all odds (external or internal enemies) enforcing internal bonding forces. Such cohesion feeling led, for instance, to long lasting marriages, both at social level (it was rare to divorce in easy way) and to long lasting engineer careers under the same company. Professional career in the same company mirrored the family status: Euclid's parallel lines touch each other in the social limit [2].

2. The 80's and first crisis of corporate company processes:

I recall my feeling when I heard Philips would not sponsor PII any longer and Technical University Eindhoven would rule the institute trainings, upon external sponsorship. It was beginning of the end. The corporate multinational concept started to decline for a set of reasons: the era of green field opportunities was ceasing to exist. Philips was not only a "collective well-organized orchestra" of product divisions, but also reached the "critical mass" of science, technical expertise and, through the years, has hired the best brains of the quantum mechanics revolution until solid state revolution of 60's, 70's.

Let us not forget that our Key Note speech 1997 PEIAA Conference, Doctor Hendrik Casimir, was one of the founders of Philips Natuurkunde Laboratorium (known as Nat. Lab). Dr. Casimir worked in Copenhagen with Niels Bohr as well as in Switzerland with Wolfgang Pauli, both Nobel Prizes very known to all of us as the fathers of Atomic Physics and Quantum mechanics [3]. This was the Golden Age for Philips to write the technological revolution of tubes and semiconductor IC's².

This Golden Age of being number "One" has finished with Globalization: - the growth of welfare in Europe has increased a lot internal costs of traditional corporate companies. After the end of Cold war, a brand new Green field has arisen: all former Iron curtain countries approached occident for new investments, given they had very low workmanship cost and local de-taxation incentives. It happened the same with Great China and India: new young players to recent globalized ecosystem presenting all credentials to win: low cost of workmanship, governmental incentives and strong willingness to grow local economies. In other words, more competitors in the same ecosystem, new brains, equally qualified, technically educated and willing to compete to get same welfare.

By beginning of 90's, there have been drastic internal changes in Philips (known as Centurion project³) and from that moment onwards, not only Philips but also other multinationals started to close, sell or handover factories in Western Europe, to re-implant new factories in Eastern Countries and in developing countries. I recall on early 2000, Philips has started massively the "divestment" process⁴ by selling some of their Business Lines to other

² Dr. Casimir is also involved in semiconductor physics discoveries, one of them known as "Casimir effect" https://en.wikipedia.org/wiki/Casimir_effect

³ Centurion project is explained in this pdf document:

http://www.emeraldgrouppublishing.com/learning/management_thinking/articles/pdf/philips.pdf?PHPSESSID=318bodn74un4su3dsdae9afva2 in a few words on 25/10/1990, Philips president announced a reorganization operation, called Centurion, which included a lay-off of 45,000 jobs, a personnel reduction of an unprecedented scale in Europe.

⁴ Divestment is the opposite of investment and mainly focus on selling of internal Philips product divisions or business lines to external investors; such dismantling process sometimes led to complete ceasing of activities, like Philips Components which ceased to exist in 2003.

investors. The power of investment was moving from industrial competence boards to financial boards, invisible power based on stock market indexes, based on probability of growth value of shares, rather independently but not completely unlinked to real technical competences.

Today, 95% of electronic small-scale devices are manufactured in Asia, where technical competences are for sure very high, and production costs are low, for the time being. So, known multinationals, once the unique owners of scientific patents and secret know-how, are no longer the “Number 1’s in the classroom” pushing profit margins very low in main market segment, like consumer electronics, standard products and domestic appliances, white goods, etc. I was proud to have a TV & HiFi sets from Philips, but in past five years, there is only Philips brand stamped on such devices: such devices are designed, manufactured and tested by other companies elsewhere. Philips today faces strong competition with modern brands outside Western countries.

If you are not the number 1 in stock market, you have two choices: or you surrender and will be defeated by your investors; or you make changes to become number 1 again. And there comes the new company concept, the so-called spin-off company.

2. Divorces

1. *Philips Semiconductors becomes a spin-off of Royal Philips Electronics Corporation, named NXP – the Next EXPerience*

In 2005, the last descendent of Philips founders, Mr. Frits Philips died at admirable age of 105⁵. He was son of Anton Philips⁶, the person [whose sculpture](#) is known to all of us, PII’ers, placed in front of Eindhoven train station. One year a half after his death, it was decided to disentangle Philips technology product division by excellence – Philips Semiconductors. The whole semiconductor product division was sold by Philips to a consortium of private equity investors in 2006. The new name, NXP, stood for the consumer’s “next experience”, according to former CEO, Frans van Houten. On August 6, 2010, NXP completed its IPO, with shares trading on NASDAQ under the ticker symbol NXPI. On December 23, 2013, NXP Semiconductors was added to the NASDAQ 100⁷.

How this next experience took place was a continuous transformation of internal processes to adapt to new high-competitive landscape: first I was part of Philips “family”, then I turned out to be a warrior on the new company. Objective: becoming number 1 again by maximizing efforts to reach quarterly selling and design-in goals. By working according to financial expectations and using a predictor-corrector short-term selling goal, there is a strong alignment effort, which decentralizes push from center to peripheral selling team, communicating shared commitment to our main official distributors. I can personally describe the feeling-message I try continuously to broadcast to star-community of NXP distributors: “if you (distributor) collaborate with me to be number 1, we both win; otherwise you will also loose”. Our threshold of “convenience to support a customer to adopt our IC technologies” becomes lower a lower through the years: I expect my customers to have a run-rate⁸ of at least US\$ 150,000, before scheduling a meeting at their premises, otherwise I will not even spend time in a phone call.

⁵ See Wikipedia link: https://en.wikipedia.org/wiki/Frits_Philips. Frits Philips was born in the city of Eindhoven in the south of the Netherlands. The second child, he was the only son of Anton Philips and his wife Anne Henriëtte Elisabeth Maria de Jongh. His father was co-founder when in 1912 they incorporated the family business. Frits had an older sister named Annetje and a younger sister named Jettie. Their grandfather Frederik Philips was a first cousin of Karl Marx.

⁶ Wikipedia link: https://en.wikipedia.org/wiki/Anton_Philips

⁷ Wikipedia link: https://en.wikipedia.org/wiki/NXP_Semiconductors

⁸ Run-rate stands for approximate purchasing customer will do in first three-years, after he/she has chosen one integrated circuit manufactured by NXP Semiconductors.

2. New identity, new way of working

This new way of working replaced the bonding feeling with a constant “self-evaluation” state: “am I high-level ranked in the new company?” In other words, “am I fulfilling the (quarterly) expectations of my present employer?” something unconceivable at the Philips old times, when I felt most of the time “protected” by just being a Philips employee. Now, I am “a marine”, who “is fighting in a war”, an endless war, and I fulfill expectations only if I fight to reach personal, team, overall goals in my region.

This change of identity goes in parallel with changes in Western society: married couples generally do not last all lifetime: generally couples stay together for one decade or less, in average; from family tree, society articulates the so-called family network, in which children get more and more in contact with natural parents and respective companions after separation or divorce. The transversal common denominator is not anymore the family tree main ancestor who started the “dynasty”. The common denominator is the individual in a family network.

Looking from the point of view of engineer’s career, my current job is at NXP, a continuous transformation company, but since trend is to get adapted to environment changes, I have a clear feeling that being bonded to NXP is out of the scope: downsizing is always likely to happen in the up-and-downs of stock market. So, common denominator is individual competence and added value, not anymore “feeling part of Philips-like orchestra” for a lifetime. It is clear modern engineer is likely to become a free-lance consultant, someone who should take care of developing a network of contacts to survive in high competitive ecosystem. This acceptance of “fragile company laces” is a necessary psychological condition (but not sufficient) to tolerate and metabolize possible downsizing unemployment. Exactly in the same way, married individuals should learn and prepare themselves for possible separations or divorces in their lives.

3. Consequences of new way of working in a spin-off

Knowledge is power in order to survive inside new companies. If an engineer feel less bonded to the young company (not anymore considered as a “mother”, rather closer to a “stepmother”), it is very likely that know-how will be distributed on middle management brains, fulfilling expectation to demonstrate every time individual added-value: I should demonstrate every day to be “the best of the best”. Immediate consequence is continuous learning, which is good for individual progress, and at the same time, growing fear to share ideas and technical results. Technical competence becomes a must, although group spirit may lead to individual expertise “islands” afraid to share knowledge. This deserves extra group-leader efforts to maintain a good relationship mood in the team. In the new company stile, it is still necessary to have a “finetuned orchestra” to reach design goals. In spite of the fact email technology has speeded up collaboration, there is an endemical need to “maintain healthy communication channels” inside a big organization. So, the main consequence is a new way to feel own competence, detached from company identity and placed in a personal value, kept with care and partially shared, just enough to demonstrate to top management to be a high-ranked employee, entitled to be kept fighting in the technological war. The first quality of a consultant: bonded to anyone, except to own expertize, competence and intelligence. Able to share it upon rewarding.

Second consequence: considerable effort dedicated to networking, commercial relationship building, which was not essential in former corporate times, where relationships between business lines and product divisions happened under umbrella of “mother company” (more like peers who are part of same soccer team). As an individual, when married individuals happen to be abandoned by partner, are obliged to re-learn how to be a single: it is not unusual to re-fresh personal network, to re-contact friends after some years of “shadow”,

consequence of marriage dedication to partner and small children, since family members demand considerable personal time.

In other words, again labor processes on new spin-offs are not far away from social modern behavior. Latest decades have depicted a world of divorced partners who possibly get married a second time, who invest big portion of time in building social relations, who keep themselves up to date, as young as possible (sometimes “forever young”), as attractive as possible, maximizing probability to find “a new love” around the angle. Going some decades back in time, it was not necessary to spend much time in refreshing social relationship with possible new partners, because marriages lasted much longer; after all, the only social layer was the family tree, and it was enough to develop and maintain the bonding feeling.

Looking to the way of working, bonding feeling to “mother company” was replaced by LinkedIn, Facebook, Tweeter, and dozens of different social network platforms which support personal ability to feel up-to-date as a professional, to maintain own employability, to feel attractive to a potential new company, in case of downsizing. It is not a coincidence that we find Meetic, Twoo, Tinder, Badoo and dozens of other Flirting platforms which fulfill individual need to “keep on top of hit parade” as a valid potential partner.

3. New Marriage

1. NXP, disentangled from Philips in 2006, and Freescale, disentangled from Motorola in 2004, join together under new NXP brand in 2015

I can witness not only the spin-off of NXP Semiconductors, literally a divorce from former Royal Philips Electronics. I am also living the “marriage” of two spin-offs. On March 2nd 2015⁹, Freescale company was purchased by NXP, adding a strong bunch of new product divisions to pre-existent technological commonwealth; merging was officially completed on December 7th 2015. Such operation brought the two spin-off companies, ranked respectively at 15th position and 18th position in semiconductor market, to new step as 8th position rank after merging.

New NXP, as has been depicted since last December, contains the synergy of “N° 1’s technology sectors” in the world from both sides, after blessing of worldwide antitrust positive reports. Immediate feeling is that “this marriage” increases the chances to survive as a whole. On the other hand, previous experience with new born NXP in 2006 demonstrated that a new identity should emerge and quickly, which shall be completely different from former Philips Semiconductors and inherited behaviors.

2. New NXP outlook

New NXP colleagues all over the world have shown up via email, and new names/emails are appearing everyday in our today’s cross selling activities, that is, a strong effort to learn best products from two Semiconductor companies and offer best synergic system solutions. New identity is for sure an NXP engineer with wide helicopter view. When two individuals marry for a second time, both bring own values, intelligence, feelings and best outcome is combination and sharing of positive qualities, along with humble spirit to listen to each other constructive criticism and improvement contribution. Not every individual is keen to share, to comment and to listen to criticism, mainly when “marriage” was “top down” action. This process is currently taking place in new NXP location in my country as well as in other countries (where there were two different sales offices of previous entities) and only time will tell if new “amalgamate” corporation will perform to exceed results and fulfills expectation of investors. Nevertheless, abstract entities like NXP 1.0 and former Freescale are composed of individual human beings with values and imperfections. Like in two different tissues, which are merged together in one living being after a surgery, there is always risk of rejection, infection in one hand. On the other hand, it is expected that two tissues merge and achieve a healthy condition.

⁹ <http://investors.nxp.com/phoenix.zhtml?c=209114&p=irol-EventDetails&EventId=5186629>

4. Conclusions

Modern company merging and acquisitions are consequent expression of “survival of the fittest” in terms of professional modern corporative processes, mainly after globalization and declining of corporations well described in Galbraith’s masterpiece [1]. Such trend reserve consequences both on professional as on personal identity, which should not be underestimated. The resulting behavior, both considering groups or individuals, can be summarized in a few statements for each of these two instances - professional and personal.

1. Professional identity:

- It is narcissistic enough to keep own values, preserving intimacy of key individual expertize; there is less teaching/learning internal processes from senior colleagues to new ones since technology changes rapidly and every individual learns a portion of technology which was not present one decade before.
- It is social enough to be always “professionally visible” to constellation of companies (potential future employers), while holding a good job in present company¹⁰. The discussion is that one tends not to provide 100% passion and dedication to build internal knowledge since there is a constant fear – downsizing can happen at any time. So, it is better keeping an eye outside present company, which is not felt anymore as “my company, with which I identify myself”, but rather like “a foreign legion of professionals” who have to demonstrate everyday own added value, keep high employability and maintain a fresh networking outside company.

2. Personal identity:

- Individual emotions are kept private and intimate, sharing just enough to create new relationships but with some fear to abandon oneself completely to a new love. Person tends to become more superficial when dealing and expressing deep feelings, giving preference to hedonism - feeling good, individually speaking, maximizing own happiness at that very moment, rather than a shared-vision love relationship, which is considered more an adult attitude.
- Being social enough to be “visible” to community of singles (potential new partners), even when living a good stable love relationship. Energy and time spent for own family is considerably limited since it is necessary also to stay “visible” to your beer mates and friends outside home. The discussion is exactly on the amount of feeling and dedication¹¹: it tends to be reduced with respect to other couple relationships decades ago, since you apparently look to the person you love today as your potential future ex-partner. It can be discussed who came first, “chicken” or “egg”, individual-free-lance engineer or forever-single individual (forever young, Peter-Pan like); it doesn’t matter who mirrors who, but both trends appear along the same time-space curve; I can observe they both exist and develop side by side, one mirroring the other and both proceed further, as two parallel lines...

5. Disclaimer

This short paper reflects only personal opinion of the author, who observes company transformations and expresses own feelings while is living such processes since his career beginning.

¹⁰ Paranoia on employability networking was not strictly necessary at former Philips times, when employees were almost sure to hold contract for decades and develop themselves inside constellation of different Philips product divisions.

¹¹ Recalling “The little Prince” [4]: “What is essential is invisible to the eye,” the little prince repeated, so that he would be sure to remember. “It is the time you have wasted for your rose that makes your rose so important.”

Dedicated to my grandson, Leonardo, born on 26/09/15
It is amazing he is discovering a new world, rather different from
the one of his grannies!

Bibliography:

[1] – Galbraith, J.K – “The Age of Uncertainty”, 1977 – See online version:

<http://www.scribd.com/doc/186173371/Kenneth-Galbraith-The-Age-of-Uncertainty#scribd>

[2]- Veltri Gomes, R. – “Talent versus Networking power on the New Globalization Era” – page 5 “Euclid’s parallel lines” – see online version:

http://www.peiaa.com/docs/Talent_versus_Networking_power_on_New_Globalization_Era_integral_paper.pdf

[3] – Wikipedia webpage about Dr. Casimir: https://en.wikipedia.org/wiki/Hendrik_Casimir

[4] – Saint-Exupéry, Antoine de – “The Little Prince”, page 48:

http://download.bioon.com.cn/upload/201111/21084046_8501.pdf