



Partners in growth

Philips R&D in China enhances sustainable development and Open Innovation

Years ago, Mao Zedong rallied his fellow communists with the cry, “Serve the people!” Now, private enterprises, led by Philips, are serving the Chinese people in ways Mao could not have imagined. Philips Research plays a big role in the company’s plans in the world’s most populous country. Here’s how:

By Craig Brelsford

Healthcare

With healthcare unevenly distributed throughout China, the need is great for mid- and low-end medical applications, especially for the poorer areas in the hinterlands and northeast. Philips Research has identified the development of such applications as a priority. To that end, Philips is actively pursuing healthcare partnerships in China. In June, the company created a joint venture with the Chinese company Neusoft to develop and manufacture Computed Tomography (CT), MR, and X-ray and Ultrasound equipment in the northeastern city of Shenyang.

“We are here to be inspired by the environment.”

“With China’s underserved rural areas firmly in mind, Philips Research is also developing telemedical applications,” said Wouter Leibbrandt, head of the optical-

storage and digital-television department at Philips Research East Asia in Shanghai. “The idea is that through the Internet and mobile-phone technology, doctors in rural areas can get access to remote service centres,” he says. In a related activity Philips is contributing to Chinese distance education and training. A low-cost, easy to use and easy to maintain open architecture for distance learning, developed and funded in collaboration with several Chinese partners, is the latest result of this commitment. In serving such areas, the policies of the Chinese government and of Philips are in harmony. The Chinese government wants to smooth out the country’s regional imbalances, seeing them as a threat to economic growth. Philips, meanwhile, continues its century-old tradition of improving people’s lives while taking part in the broadening and deepening of the Chinese market.

Telecommunications

With more than 300 million mobile phones in China, the Chinese are the No. 1 mobile-phone users in the world. Small wonder, then, that Philips bases so much of its research into the technology in China. As Leibbrandt says, “We are here to be inspired by the environment.” Cooperation on setting standards for Chinese mobile-phone networks is a top priority for Philips Research, says Yonggang Du, department head at Philips Research East Asia in Shanghai and a specialist in telecommunications standards. “In 2003, Philips set up a joint venture with Samsung and Datang Mobile for delivering cellular TD-SCDMA chipset and reference design,” Du said. “Together, we’re working on new features for the new Chinese 3G standard.”


Optical storage


With around 80 percent of such products made in China, optical storage is another area where China is a world leader. Here, Philips benefits from its front-row research seat in China, supplying sub-producers with world-class optical-storage components. Philips’ research team in Shanghai is currently trying to improve robustness (the ability of disc players to handle a variety of discs). As with telecommunications networks, optical storage also poses the challenge of standardization, Leibbrandt says. “We are active, along with a large conglomerate of other players, in setting the next standard for video publishing. A lot of the driving force behind that is coming from Shanghai.” The activities of Philips Research in China accord with the broad plans for Philips in the world’s most populous country. Philips, for example, is committed to a strategy of Open Innovation, partnering with universities and research institutes in an effort to create new knowledge and markets. This spirit made a delegation led by

Philips Research CEO Rick Harwig and Eindhoven University of Technology President Amandus Lundqvist travel to China recently for visits to four top universities in an effort to establish cooperative links. And it is this same spirit that has led Philips to establish 20 joint ventures so far in the country.

“We work on telemedical applications for the rural areas.”

Philips is also showing its confidence in intellectual-property-rights (IPR) protection in China by sponsoring intellectual-property academies at the Tsinghua, Renmin and Fudan Universities. Under the arrangement, professors from these universities will visit universities in the Netherlands and other countries, while Philips sends IPR experts to give lectures at Tsinghua, Renmin and Fudan. Through it all, the hope is that by serving the Chinese market closely, with solutions geared to the particularities of the giant, developing nation, Philips can grow along with China. The long-term commitment to China was never intended to bear quick fruit, but to allow Philips to set deep roots in the country. Even so, the relationship is starting to blossom. Not quite two decades after launching its first joint venture in China, the Middle Kingdom is now the fastest-growing market Philips serves and its second-largest, with revenues of \$7.5 billion in 2003. Philips operates 16 R&D centres in China.

It has been said that in all of history, no country has improved itself economically as quickly as China has done in the last 20 years, a two-decade span that has seen 400 million people escape severe poverty. Philips and its Research team have both shaped and been shaped by this positive upheaval. 

 Extra info www.research.philips.com/password • TD-SCDMA • Distance learning project • Philips Research East Asia

Philips' involvement in China stretches back eight decades. A look at some of the highlights:	
1920s	Philips opens first offices in China
1985	Philips sets up first joint venture in China
1996	Philips opens optical-storage factory in China
2000	Philips establishes Philips Research East Asia, R&D centre for Philips in the Asia Pacific Region
2002	Philips becomes largest foreign multinational in China
2002	Philips opens LCD plant in Shanghai
2002	Philips China awarded 'Extraordinary Contribution Award of 2002' by China Foreign Invested Enterprises Association
2003	Philips total annual revenue in China surpasses \$7.5 billion
2003	Chinese Premier Wen Jiabao meets with Philips President and CEO Gerard Kleisterlee in Beijing
2004	Philips opens Consumer Business Innovation Center in Shanghai, its third innovation centre in Asia and its 16 th R&D centre in China. Philips China now has about 900 R&D staff
2004	Philips agrees to provide MIFARE contactless chip technology for new e-ticketing system at Great Wall of China
2004	Philips sponsors intellectual-property-rights education at Tsinghua, Renmin and Fudan universities
2004	Philips has generated and patented 200 inventions in China. The total number of patents in China increased from 1,100 in 1997 to 6,500 in 2003.
2004	Philips and Shanghai authorities sign Letter of Intent to establish Philips Innovation Campus in Shanghai
2004	Premier Wen Jia Bao visits Philips headquarters in Amsterdam, the Netherlands, and gets demonstration on range of advanced technologies that can contribute to China's sustainable development goals
2007	Philips' annual revenue in China expected to reach \$12 billion, making China the company's largest market