Three strategic mistakes by kodak commerce essay

Like most large successful companies, once they achieve a significant market position, management retreats into a defensive mode. This includes how they make innovation investments. Kodak's investment model for innovation over the past 10 years would fall into the range of 95% to existing core products (e. g. film, chemicals, etc) and 5% into anything new. The investment model suggests that kodak was not investing on anything new or to any adjacencies(new products to existing customers, existing products to new customers and new products to new customers) and they were concentrating heavily on the core competencies which had dwindling future..

Believing they figured out the innovation formula

Once companies experience innovation success, they grab on to the process that got them there and believe that it contains the magic answer. In some extreme cases, companies treat their innovation process as a trade secret . The one constant in business is change and the innovation process is no different. Organizations that stick with any process because " it worked in the past" puts themselves at risk of future failure. If change is inevitable, then change to the processes, policies, rules, etc need to change. Innovation is no different. Large organizations that have generational success with their innovation strategy are ones that continuously innovation the way they innovate.

Betting on any innovation rather than going after a killer innovation

When large organizations fall behind, they mobilize the troops to play catch-up. In the case of Kodak, their new " innovation" was to compete in the already crowded market of printers. Instead they should have mobilized to move into a significant and highly profitable avenue moving away from the current offering which would be difficult for the competitors to duplicate. Killer innovations create new markets and industries. They disrupt rather than are disrupted. Don't settle for anything less.

What's next for Kodak?

The open question is will Kodak survive bankruptcy or will they disappear like Nortel and have the assets (mainly the patent portfolio) dispersed to the wind.

Some of the possible suggestions for kodak ahead:

1) Perform an honest assessment of the organization against the 7 Immutable Laws of Innovation and prioritize the areas that need focus.

2) Re-build the innovation portfolio and investment model. Go after true killer innovations.

3) Be transparent with the organization and Wall Street on the innovation strategy.

4) Focus, leverage and nurture an innovation culture.

Kodak's strength

Kodak's strength can take several forms as follows:

Valuable intangible assets: Kodak's strengths were its brand equity and distribution presence. After almost a century of global leadership in the photographic industry, Kodak possessed brand recognition and worldwide distribution. Kodak could bring new products to consumers' attention and to support these products with one of the world's best known and most widely respected brand names as a huge advantage in the market where technological change created uncertainty for consumers. Kodak's brand reputation was supported by its massive. , worldwide distribution presence – primarily through retail photography stores, film processors, and professional photographers.

Competitive Capabilities: Prior to 1990s Kodak had invested huge in R&D. Moreover, its century of innovation and development of photographic images gave Kodak tremendous depth of understanding of recording and processing images. Central to Kodak's imaging capability was its color management capability. In the digitizing color and transferring digital images to paper, Kodak possessed a powerful set of complementary technologies in sensing, color management and thermal printing.

Market advantage: Through its wider distribution network, it has been able to maintain a huge market coverage and accessibility. It had worldwide distribution presence – primarily through retail photography stores, film processors, and professional photographers.

Company's competence and Competitive capabilities

Competency: Eastman Kodak has been Leveraging competencies in film and paper media, color management. It has been known for the best quality films and cameras worldwide. Its journey of more than 100 years has helped to gain the experience and excel in its Endeavour. The organizational changes like decentralization and accountability that George Fisher made helped increase speed of manufacturing and product development . i. e short product development cycles. Secondly, a strength could be also considered Kodak's favorable corporate image (and implicitly a significant brand equity) that results from the values which are said to lead the staff's behaviors (" respect for the dignity of the individual, integrity, trust, credibility, continuous improvement and personal renewal, recognition and celebration"), a transparent management which allows shareholders to have a realistic and up-to-date image of the operations performed, strong Human Resources policies and commitment to the community.

Core Competency: Eastman Kodak was a highly integrated company that did its own R&D and manufactured its own parts. Changing global markets and cost pressures in the 1980s and 1990s threatened the way of doing business. So the knowledge, company's intellectual capital are also affected and repercussion is proficiency in its core competency started diminish. George Fisher, CEO in 1993, refocused the company on core competencies and joined the trend of outsourcing with close relationships to suppliers and announced a new explicit social contract as part of the restructuring effort. By 1997, the company could not grow out of its competitiveness problems like major price competition from its biggest international competitor, Fuji, which was engaged in a major price-cutting campaign aimed at increasing its market share internationally and particularly in U. S. markets. In response, Kodak made more significant changes designed to reduce its costs and to recapture market share in the company's core products. But all these attempts only lead to decrease market share and declining profit.

Distinctive Competency: Firstly, the brand image of the company that has been built since century is the distinctive competency for Kodak. Before the digital age, its distinctive competencies were film and Cameras and its sister concern for its chemical technology.

Investment strategies:

Kodak became one of America’s most successful companies by adopting the “ razor blade” business model i, e by selling inexpensive cameras, and there by generating enormous profits. These profit’s came not only from the cameras but also from the other consumables that went with cameras like film, chemicals and paper. For most of the 20th century, Kodak was one of the world’s largest producers of film for both still and motion picture cameras, and it stuck with that business model even after the advent of digital cameras made its films, chemicals and papers obsolete. The irony of Kodak’s decline, however, lies in the fact that the company’s own researchers had invented the first digital camera way back in 1976. That should have put Kodak in a position to dominate the industry with a stream of new products like cameras, printers, printer papers and inks. But this never happened because their leaders didn’t foresee this coming and didn’t invest suitably in digital cameras segment. Also the medical imagery business which is next big think was also sold off by kodak to concentrate on their core business which has led to their downfall. The unravelling Kodak came about not because the company didn’t have the technology to compete in the new era that was unfolding but because it lacked the vision and suitable investments to go along with it.