

# Good eastman kodak and fujifilm research paper example

[Business](#), [Company](#)



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## Introduction

Present document aims to enact the research of academic and business literature, related to the history, evolution and current organizational profiles of two organizations – Eastman Kodak and Fujifilm. Both companies are well-recognized and considered pioneers in image innovation and continue improvement practices. The analysis will look at the leadership and management approaches to innovation and draw parallels between two organizations under review. Additional research will touch upon other critical success factors that brought the companies to the current situation and the impact of corporate Social Responsibility (CS) practices on the profitability and productive capacity of the organizations. The culmination of this research is the evaluation of the organizational capacity to change, meeting

the increasingly complex market needs and customer expectations. Based on the findings of the research, the document will summarize three recommendations that should assist the companies in gaining flexibility to more effectively respond to change.

## **Organizational Profiles**

### **Eastman Kodak**

Eastman Kodak (Kodak) is the American organization, headquartered in Rochester, New York and founded back in 1888 by George Eastman. Today Kodak is the world's leader in providing motion imaging products, software and services to the industries involved in professional production and exhibition activities and digital printing and packaging and personalized document imaging products to wider retail customer range. The company employs over 13, 000 worldwide whereas 6, 000 are placed in the United States. One of the core business areas of the company is research and development (R&D) and the organization places a lot of emphases on creating internal capabilities and sustainable competitive advantage through innovation and patented solutions for corporate and private segments. Investments into the sector over the years 2010-2012 accounted for over USD\$ 690 million.

It worth mentioning that current financial situation of the company is complex and in January 2012 Kodak filed a petition to for relief under the Chapter 11 of the United States Bankruptcy Code. There is a lot of uncertainty in the ability of the company to generate cash for the debt reformation, based on its core business and a lot of attention is given to the

external debt funding opportunities. Bankruptcy protection gained in September 2013 allowed the company to start the recovery process and go back to black figures by the end of the fiscal year 2013. This improvement was achieved through operational improvement, reduction of financial liabilities and elimination of non-core businesses from the organizational profile.

## **Fujifilm**

Fujifilm Holdings Corporation was founded in 1934 as the first national Japanese producer of photographic films. Further on the company expanded its operation to motion films and X-ray. Annual Report 2013 distinguishes three core Fujifilm products: imaging, informational and document solutions. Enjoying for decades almost monopolistic market situation Fujifilm grew into strong and innovative industry player, competing with its major rival on the international arena – Eastman Kodak. The company, today, demonstrates the path of financial stability, represented by Equity ratio of above 60% over the past five years. Declared revenue for financial year 2013 is estimated at USD\$ 1. 9 billion with the total ratio of operating income of 5. 2% (Fujifilm, 2013). Changing market environment made the company to adapt and enter the digital market back in 1980. The realization of the future potential of digital printing on the early stage of its development helped the company to gain competitive advantage through economies of scale and maintain high market share and profitability. Overall Fujifilm business vision and approach to innovation allowed the company building robust middle and long-term

growth strategy focusing on diversification of the business into the segments that are less affected by global economic crisis.

## **Leadership and Management Approach to Innovation**

Current analysis of the organizational performance of Eastman Kodak and Fujifilm illustrates significant differences in approach of the management to innovation management and organizational leadership. Global economic crisis and deterioration of the business environment in Europe, North America and Asia, put a lot of pressure on the core business of both, Kodak and Fujifilm. Financial results and strategic focus of Kodak reflect strong resistance to change and “stubborn” focus on traditional innovation strategies and focus on core business elements. This can be evidenced through late company’s response to the increasingly complex market competition profile generated by digital printing back in the 80th as well as more recent strategy to continue growth through digital printing and motion images.

Fujifilm management approach and leadership history possesses a number of examples that allow arguing that the company is a forward thinker in terms of market changes and proactive approach to profitability management through capturing economic opportunity. One of the brightest examples from the recent company history is the effective operational and commercial switch to digital printing that secured organizational position of the international market, in contrary to its competitor Kodak. Innovative management and flexible leadership approach further proved company’s effectiveness in change management, when Fujifilm chose to diversify its

R&D operations into new sectors, under the threats of the economic crisis and slow recovery on the core European and Asian markets.

## **Other Key Success Factors**

While innovation remained the core element of competitive advantage and proposition of the company, several other factors influenced the development and learning of the companies. The Economist argues that one of the major findings in contemporary business environment is the need for investment in human capital. Brand and marketing are no longer able to sustain competitive advantage in increasingly complex environment (K. N. C., 2012). Strategic focus of Eastman Kodak expressed in the latest updates on the long-term corporate strategy reveals core focus of the company on organic growth through strategic marketing and creation of stronger brand image, linked to quality and tradition.

Fujifilm took completely different direction in building its strategic plan. To support business growth and diversification, the company realized the need for development and retention of the in-house expertise. With that robust Human Resource Management (HRM) strategy and department restructuration were formulated as the critical part of organizational culture and behavior transformation (Armstrong and Baron, 2002). Today, Fujifilm continues to attract and develop individuals that possess skills and capabilities in non-core business segments, such as healthcare and beauty products.

## **CSR and Profitability**

Digital Printing and motion imaging is very cost-intensive industry as the companies operating with end-to-end supply chain are the subject to the governmental environmental laws and numerous national and international regulations. Based on the CSR statement, shared by Kodak, conducting business in safe and healthy manner with respect to the environmental regulations is the key responsibility of the company as the community member (USSEC, 2012). Based on the company's internal analysis, current and near future operations and material provision will not be directly affected by the incremental CSR cost as the company complies with international and internal regulations that are unlikely to undergo significant changes (Kodak, 2013). It is not surprising that financial difficulties made the company cut back on long-term CSR policies and focus on resolving immediate needs and demands.

Fujifilm, based on its history had much more opportunity to realize and bring CSR into the strategic organizational focus. Organizational Sustainability Report provides comprehensive figures on the company's contribution to the green gas emissions reduction through Corporate Value Chain approach. This CSR policy represents a high cost for the organization, coming from investment in technology, employee training and external CSR focus in supplier relationships. It is difficult to measure the impact of CSR on profitability as such involvement represents rather intangible asset affecting overall brand image and relationships profile with stakeholder, rather than tangible financial return on investment.

## **Change Management Comparison – Conclusion**

It seems like Kodak did not realize the weaknesses of its organizational structure until very recently and the concept of innovation is more characterized by tradition in innovation rather than diversification and out-of-the-box thinking in innovation. That said the company did not manage to react fast to the changing market environment under the recent economic crisis and, consequently, went further down to financial debt, resulting in a voluntary filing of financial relief to the United States government, while its major rival successfully implemented diversification strategy through focus on medical products and skincare products (Fujifilm, 2014). K. N. C. (2012) makes an interesting comparison of the two companies, stating that Kodak approach to innovation over the past decade was one of a stereotypical Japanese conservatism, while Fujifilm demonstrated flexible American approach.

The differences in the approach to management of innovation between the two companies can be summarized by stating that Fujifilm's history demonstrates with statistical and financial evidence the advantage that an innovative approach to development of new product and entering new markets can have over the conservative R&D within the core business with blind shades to other business opportunities.

## **Recommendations**

The research, conducted on the history and strategic management of the two companies makes it difficult to drive parallels and give similar recommendations in regards to possible change management strategies.



With that in mind, it was decided to provide a set of recommendations for each of the companies in isolation.

### Eastman Kodak

There is little room for doubt that recent decades and even current strategic approach of the company do not illustrate focus on change management and flexibility. Organization is trying to focus on its core, image and printing product. On one side, such traditional low-risk profile allows the company continues offering high quality and personalized product. On the other hand, it leaves it well behind its competition, which manages to create internal cash and generate profit through add-on products to support the core. With that in mind, the report would like to outline three critical elements that could help Kodak build on flexibility: 1) diversification into different market segment, 2) Incorporation of innovation thinking into HRM objectives and 3) re-evaluation of the corporate hierarchy to bring into focus transformational management that encourages innovation and delegation of responsibility to lower organization levels.

### Fujifilm

Fujifilm demonstrated that the company utilized on the market opportunities, and current and recent strategic management realized the role of flexibility and responsiveness in creating sustainable competitive advantage on the market. One of the observations that should be brought here is the reduction of brand recognition in its core segment, in general across the globe. This could represent a potential threat to the company in near and long term future. It is, therefore, important that the company can incorporate a strategic plan for the development of its core element – print and image

product and service and avoid losing the focus due to extreme profits from secondary markets. Some of the interesting ways to focus on flexibility for Fujifilm include 1) further diversification and investment in multicultural organizational profile through HRM practices, 2) separate budget for core business segment R&D to stimulate tradition of innovation in the sector, 3) expansion of the core business product to new markets to create small, but organic growth in the core segment.

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