

Demise of kodak essay example

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



Account for the demise of Kodak? Was this inevitable?

Kodak is an American multinational that was founded in 1888 and has its headquarters in Rochester, New York. During most of Kodak's history its core products were cameras and photographic film, where Kodak had a near-monopoly. The company has expanded into other businesses, such as printers and digital image management solutions (Eastman Kodak Company, 2012). However, the past years have been hard for Kodak. Since 2008 the company was not able to exit from recession, which was hampering Kodak's liquidity. Therefore, on the 19th of January, 2012 the company filed a petition for Chapter 11 reorganization in the U. S. Bankruptcy Court (De La Merced, 2012). Although Kodak promised to exit from bankruptcy by 2013, its mere survival has become more and more questionable. In the light of Kodak's recent performance, the analysts continue to argue whether the photographic film giant will survive its recent turmoil and whether the potential demise could have been avoided.

One of the most frequently cited reasons for Kodak's demise was the switch from photographic film to digital cameras. While it is common to attribute the decline of Kodak to the radical nature of the digital technology, the comparison of Kodak's performance to that of some of its competitors, such as Fuji (K. N. C., 2012), shows that film companies could not only succeed but even thrive in the new market (Boyer and Verma, 2009). Hence, the reason for Kodak's gradual decline should not be sought only in its external environment but also in its internal weaknesses, its inability to adjust to the requirements of the contemporary business and its slow response to the

market competitive dynamics. In fact, the company was able to capture market leadership in the new market for digital cameras, however it never managed to succeed in the industry, where margins were far less attractive than those of the film business.

The first reason of the Kodak's strategic failures was the inability to predict market trends. As the company invested significant amount of money into developing cutting-edge technology for digital camera, often operating at a loss, the market for those camera was moving towards commoditization. Diversification into digital technology was considered logical for most of the Kodak's competitors as well as for companies in other industries. This fact led to rapid market saturation and increased pressure on product prices. Foreign rivals, mainly Fuji, that were also looking for a way to diversify their business away from the declining film segment, managed to undercut Kodak's prices significantly. At the same time the shift to digital technology was happening much more rapidly than Kodak predicted. In particular, the demand for digital cameras in the emerging markets, such as China, was heavily underestimated by Kodak, as the company hoped to delay the death of its film business by the demand for film in the developing countries (Hamm and Symonds, 2006). The combination of the poor prediction of the market dynamics and the inability to change its business strategy in response to the new customer needs resulted in heavy losses and in 2004 Kodak officially stopped further investment into film development (Hill and Jones, 2010).

However, the failure of a strategy does not necessarily show the demise of a firm. It is a sequence of wrong decisions that indicate that the company is struggling to find its path in the new world and is already preparing for its death. The diversification efforts of Kodak have brought the company into a variety of businesses, including inkjet printers, where the company hopes to have a competitive edge. However, the recent performance of the new businesses shows little hope for Kodak's improvement in the future. While inkjet printers were once hoped to become one of the core products of the new Kodak, together with commercial, packaging and workflow printing, the company has recently announced that it intends to exit this unprofitable business already in 2013 (Daneman, 2012). The gradual saturation in this market followed the same trend as in the digital cameras segment. Technology development and rivalry growth were driving the costs in the printer sales down, thus giving a competitive advantage to low-cost producers. Therefore, instead of pursuing further growth in the printer market, Kodak aims to focus on the sales of ink, which usually yields much higher margins than printers themselves.

Moreover, it is also possible to partially attribute the failure of Kodak to its organizational culture. The strong hierarchical structure within the organization and the reliance on top-down innovation made Kodak unable to adjust to the market. According to the current CEO of Kodak, Antonio Pérez, internal culture prevented people from defending their opinion, thus hampering creativity and market-responsiveness. In addition to that, the long-term tradition of quality orientation that demanded extended testing made Kodak's innovation process too slow for the new market (Hamm and

Symonds, 2006). In the long-run such organizational model is not sustainable as more and more organizations strive to become faster, leaner and more reactive. It is not merely enough to plan and follow innovation, but to anticipate it (Marković, 2012).

Despite the grim outlook for Kodak in the future, the company has made quite significant steps on the way to its reorganization. Firstly, Kodak has realized the need to reduce costs by outsourcing some of its activities as well as cutting-down labour costs and closing down loss-bearing plants (Jinks and Childs, 2012). In this way the company will be able to leverage its long-term strength in innovation, while addressing one of the major misfits between the company's strategy and current customer needs. The second promising step undertaken by Kodak is the reorganization of its product portfolio towards consumables and services. This strategy would allow the company to enjoy higher margins, while building stronger customer relationships in the service industry, which is less prone to commoditization and outsourcing. Additionally, further focus on international operations that currently account for 71% of the sales and are not currently in bankruptcy, offers more opportunities for future growth (Rochelle, 2012). Thirdly, Kodak is actively changing its organizational culture in order to be able to address the needs of the current market. Its CEO is actively trying to encourage employee-driven innovation and to build a new culture that can be sustained in the new environment (Hamm and Symonds, 2006). It is hard to predict whether all these efforts will help Kodak to avoid the complete demise or would allow the company to come back with a more competitive strategy, however, the

fact that it has requested additional time to complete its reorganization plan shows that the demise is not inevitable but highly likely.

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