

Good the rise and fall of eastman kodak case study example

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



Introduction

The Eastman Kodak Company was founded by George Eastman in 1880, after he invented the formula of dry-plate along with a machine that prepared these plates. In merely four years' time, Kodak became a household name as the photographic plates were replaced with a film roll that were more user-friendly. Eastman emphasized that this film rolls made the product "as convenient as the pencil", and the first ever marketing campaign for the company was launched with the slogan, "You press the button, and we do the rest." The guiding principles for Kodak were identified as: mass production at a low cost, extensive advertising, international distribution, focus on customers and growth along with continuous research. The competitive philosophy as articulated by Eastman was: "Nothing is more important than the value of our name and the quality it stands for. We must make quality our fighting argument" (Swasy, 1997).

Today, Eastman Kodak is not considered to be a product champion in the consumer sector where once it was the pioneer of the silver-halide photography. It is indeed in trouble like other businesses especially due to the sluggish environment of the global economy. Kodak has been succumbed to the digital divide due to disruption in technology. The former CEO of Kodak, Colby Chandler, reported in the annual meeting of 1984: "Like many companies, we are not used to working in an environment where there is rapid technological transfer from laboratory to the marketplace" (Swasy, 1997). The company was restructured in 1984; the authority for decision-making were decentralized as the focus of the company had been on meeting the customer demands and coping up with the changing market

conditions. But despite all these efforts, Kodak failed to cope up with the highly dynamic conditions.

Kodak Objectives in Cloud Industry

In order to attain a competitive advantage in the cloud industry, several objectives hold high significance for Eastman Kodak. The company needs to focus on the operational as well as functional aspects of the business so that it can increase the profitability and sustain a competitive advantage. Being a business consultant, I believe first step is to restructure the business. Kodak needs to identify and make an agreement with a reputable organization to ensure that the cloud service implements while making use of the current business model of Kodak (Downes & Nunes, n. d.). A joint venture would not only help by reducing a competitor in the industry, but also give Kodak access to more consumer share in the market. The business model must be replicated across the different divisions of the company so that everyone is aware and identifies with the new joint venture for the provision of cloud service (Swanson & Power, 2001). It would also help in ensuring consistency across the organization.

Second, is that the company should aim to attain a lead in the development of technologies. The cloud service is highly competitive and has been continuously experiencing the emergence of new technologies; the digital imaging is an example of new technology in the industry. Kodak must focus on attaining a first mover advantage in new technologies (Gebremeskel Tesfaye & Nguyen, 2012). There are more chances of success when a company is first to release new products; not only it sets standards for the

rivals, but also gain consumer confidence with respect to the quality and originality of the product. In order to achieve this second objective, the company must increase its investments in the research and development of the cloud service; this is also a major objective as more innovations will occur that provide assurance to the competitiveness of the service. The technology industry is fast moving, and cloud is a technical service that requires constant up-gradation and monitoring or else being abreast with competitors won't be possible (Swasy, 1997).

Further, focusing on the human resource aspects, the company needs to re-train its current employees. It is not a wise strategy to lay off the current workforce and hire new technical staff; rather, it would be wiser to plan training and development of these employees so that their capabilities are enhanced (Gebremeskel Tesfaye & Nguyen, 2012). A learning culture must be built in the organization, but more importantly, the company must also involve its employees in the decision making process. The company has always been customer centric; it should continue with more involvement of employees for innovations.

Kodak Strategy

The company would integrate horizontally in the cloud service industry through a joint venture. But when the business model replicates and top-bottom strategy is applied where information is passed to each division and every worker regarding the new business goals and objectives for the cloud service, the vertical integration would be implemented. Both horizontal and vertical integration would accompany each other as Kodak needs to take the

lead in the cloud service industry (Agneta & Hyder, 2014). Further, the alliance with the other company can also be beneficial as the marketing decisions of the product could be made by the other organization. It would not only determine the targeted market but also make the decisions about marketing mix of the product.

The biggest issue has been a loss of investor confidence in the company but the patented technology by Kodak cannot be denied. This direction has been referred to as “ its most valuable asset, saying its best hope is the sale of imaging patents that could fetch more than \$1 billion” (Kotter, 2012). The legacy of Eastman has been destroyed by poor decisions by the management and outdated structures of the organization. Overall, the organization has to restructure at the corporate level; this involves complete transformation of the company resources, and how they are utilized along with the functions and roles too (Agneta & Hyder, 2014).

Multi-Business Model and Diversification

If the company diversifies at this point, it will be highly beneficial; a multi-business model can lead to high profits as the focus would be to identify the ways through which the distinct competencies of the company can be used to increase the product value in the cloud industry (Downes & Nunes, n. d.). Diversification refers to the process through which a company may enter a new industry that is completely distinct from the original industry so that new products can be made and sold profitably. The ways through which diversification can increase the profitability of the company are:

- Transfer of competencies by the strategic managers between the business

units in different industries; the marketing and sales people collaborate with each other in the business units.

- The strategic managers control the competencies together so that they can exploit new industries by creating business units; this business unit creates a competitive advantage that adds to differentiation.
- The strategic managers share resources so that they can achieve economies of scale which reduces the cost of the companies considerably.
- A company may differentiate its products by entering into a similar industry with the other company; as both link together, the product line expands satisfying more customers.
- Rivalry can be managed through diversification as potential competition can be held off.

Implementation Strategy

It would be far better for Kodak to diversify using a joint venture as the business models of the company should be strengthened. Kodak needs to restructure its organization by directing its resources. It needs to reassign the rights of decisions within the company, and also make more strategic moves. The reward system also needs to be restructured where the focus specifically must be on evaluation of the performance of individuals and the business units (Lucas Jr & Goh, 2013). The roles and jobs structure of the employees will also be changed according to the needs.

The company must make sure that decision-making is in the hands of the employees; this would not only motivate the employees to innovate but also provide the company with more accurate information regarding the

customer needs and market trends. Kodak must focus on one to three products in a cloud service industry like imaging and printing for instance (Carpenter & Sanders, 2009). The modern era is the digital age and hence, the restructuring should include developing innovative and learning environment for the employees. Though the shares of the organization have fallen below \$1.00, from the financial perspective, they need to be sold as merely a year ago the price was above \$5.00.

There is another possibility for the company considering these issues: it must exit the silver-halide consumer business. The company amassed numerous competencies, technical processes, specialized human resources and a considerable amount of capital equipment in the last century. All these assets are depreciating with high speed as consumers are shifting towards digital technologies rapidly. If the company sells its traditional imaging business, Kodak will be alleviated of heavy operating costs. Kodak should adopt the clear focus strategy and it must release products in special niche markets where the competitors are at least absent (Lucas Jr & Goh, 2013). The threat of substitutes would be nullified by adopting this strategy. Through joint venture and focus on quality and uniqueness, Kodak would be able to satisfy a huge range of consumers with a bigger reach and more capabilities for production.

Business Ethics

The biggest challenge in the service industry nowadays is to create an organizational structure that enables the company to manage immediate changes while obtaining a sustainable and dynamic organizational element

(Agneta & Hyder, 2014). The organization structure is influenced both by the internal as well as the external changes; it must stimulate advancing the skills and competencies of employees while also focusing on continuous reframing of the organizational processes. The organizational restructuring ought to be integrated with social and moral responsibility to make the implementation effective and efficient.

Today's era is more influenced by ethics, and corporate responsibility; for this purpose, the company needs to focus especially on providing unique and high quality products. Further, consumer centric approach and focusing on environmental sustainability for the company are important (Carpenter & Sanders, 2009). When Kodak restructures, it must be honest and transparent towards its community and has to provide specifically for the stakeholders of the business. The top management must anticipate all the potential consequences of the restructuring.

Focusing merely on the product can be dangerous in the modern global era; the consumers are well aware and well informed due to the ease in access of technology. They are also aware of their own rights and therefore only prefer the organizations that play their role in the development of society (Taylor, Baldry, Danford & Stewart, 2009).

When organizations are restructured, usually there are huge layoffs; but Kodak can concentrate on exploiting the possibility for fluctuating work, multi-functional complementary teams, part-time employment and even job rotation at work so that the employees are treated as the most significant asset of the organization. When restructuring takes place, the management must manifest accountability and reliability (Swanson & Power, 2001). The

management must take the responsibility for all the social consequences of the actions being taken by the business. If during the process, the employees are laid off, it would be unethical and Kodak will be held responsible for the disruption in the society. Having a satisfied employee will be in the utmost interest of the organization rather than laying off the personnel in times of crisis (Taylor, Baldry, Danford & Stewart, 2009).

Conclusion

Eastman Kodak was the pioneer and the market leader in its industry. But with the passage of time, despite its restructuring, it could not cope with the changing requirements of the consumers. Technological advancement adversely affected the business of Kodak that failed to realize the big flaw in their strategy: being product oriented was no more beneficial as the consumers gain more knowledge and awareness regarding their rights.

Recently, it had become a big question as to whether Kodak would be able to survive or not considering its declining conditions.

Eastman Kodak has responded to the challenges of the new digital era with a hybrid model where it keeps on supporting the traditional business model.

But with all the more rigidities in the company, it is far better for the company to distance itself from the traditional perspective of being product-centric, and it must revolutionize its ways and become a global player and become consumer-centric. Only the fittest can survive, and Kodak must enter into a joint venture to exploit the opportunities of the cloud service industry. Restructuring has become essential for the company and it needs

to diversify but it must make sure that it takes into consideration the ethical and moral responsibilities towards the community at large.

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