

Change management – kodak flashcard



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1. Introduction

“ Changing organizations is as messy as it is exhilarating, as frustrating as it is satisfying, as muddling-through and creative a process as it is a rational one.” (Palmer et al, 2009).

1. 1 Organizational “ Metamorphosis”

Change is the only constant that has kept any entity relevant and viable in any aspect. Throughout the centuries, it is notable that by changing and adapting to the environment, an entity will be able to survive or it will get obsolete and ultimately disappear. Relating the above to managing and leading strategic changes, organizations will have to rapidly evolve in an attempt to survive the onslaught of various enmity such intense competitions, technological advancements, consumer needs, etc. to maintain profitability and most importantly business sustainability.

Globalization in its path, has brought about interconnection of the global marketplaces and sharing of information like never before, resulting in consumers demanding better services and products at lower costs (Daft, 2009, p8). These resultants has created immense pressure on numerous organizations to strategize in keeping operating cost low and concurrently yield viable product innovations from research and development along with feasible marketing of these products.

In another article by Mckee et al (1989), it was highlighted that there are two extremities in strategy in which an organization can adopt, one extreme would be to maintain external focus on market changes but at significant

cost; on the other hand it could also focus internally on narrow product-market but with high risk of failing if the market changes. Hence, careful calibration between the benefits and costs pertaining to adaptability contributes significantly to any business strategy.

1. 2 Focusing the “ Focus”

Specific to this paper, Kodak was selected as the organization of choice for critical analysis and evaluation due to its prominence in the international photography arena. The paper will first briefly introduce the background and fall of Kodak to understand the type of environment that Kodak was operating in and the crisis that Kodak faced. Following which, section 2 to 4 will cover on the literature reviews, analysis while section 5 will cover on the recommendation of the models involved which Kodak should have utilized with application of change management models such as Kotter and Schlesinger Six Change Approach Model addressing change management.

1. 3 Legacy of Kodak

Kodak has its history dated back to the end of 1800s in London where the country was the centre of the business and photography world. With its revolutionary product being the Kodak Camera preloaded with 100 exposures, the foundation of providing photography to everyone was established. Kodak’s founder, Mr. Eastman sought to build the Kodak’s business on 4 fundamental principles. The first principle being mass production at low cost leveraging on the economy of scale; the second principle being international distribution which lifted the barrier of limitation to only professional hence enabling amateurs to try their hands on

photography; the third principle was investing in extensive advertisement of its products and the last principle being customer centric in fulfilling customers' needs.

In addition, Mr. Eastman also implemented 3 policies to further build on the success of Kodak's business; fostering growth and development via continuous effort in research; treating employees in a fair and self-respecting manner; reinvesting to further build and extend the business. With all these founding principles and policies in place, the Kodak brand was well known as one of the market leader globally. (Kodak, 2013)

1. 4 The Plunge of Kodak

With the turn of the century, virtually all aspects of the global lifestyle turned towards utilising digital platforms. However, Kodak having developed its foundation on film-based business model was seemingly disrupted by its own invention of the digitised photography technology which Kodak did not capitalise on. Technological advancements in the photography world gradually rendered film based photography obsolete and it was noted that Kodak did not adapt fast enough or rather it was ill prepared to undergo the changing conditions (The Economist, 2012). The imminent crisis faced by Kodak is one of the most notable corporate blunders hence providing opportunity to further understand and shed light on what were the mistakes that resulted in the downfall of the photography giant.

2. Technovation

2. 1 Literature Review (Technology and Innovation) Technology plays one of the most critical roles in any new generation organizations which lowers cost of production and provide new products through constant innovation techniques (Spaulding, 1982). Technology was defined to comprise of individual, particular things, physical observables focusing on human products for instrumental purposes and the physical products of machines and devices (Bernard and Pelto, 1987). In an article by Schumpeter (1939), technological change was noted to be a major determinant of industrial change and it was observed that the economic cycles in economics are the resultant of rule changing innovations.

Technology changes can be segregated into a 3 stages model - invention, innovation and diffusion as identified by Schumpeter (1934). These stages was also further supported by Jaffe, Newell and Stavins (2000), where the first stage of a technological change comprise of the development of scientifically or technically new product or process which might subsequently develop into the second stage where an innovation can be develop when the product is commercialized hence a firm may not necessary require inventions to innovate if it can identify existing ideas which were not capitalized on previously. The third stage would be the diffusion stage whereby new product innovations gain traction in gain significant share as firms and individuals accept and integrate such products into their utilizations. The entirety of the three stages can be termed as the process of technological change.

Therefore, it can also be implied that innovations and technological advancements have a strong co-relationship influencing each another in

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which technological improvements bring about innovation, vis-à-vis with innovation, new technologies are developed. However, the most critical stage to any profitable organization would be the diffusion of innovations to the wider audiences.

2. 2 Analysis

In relation to the downfall of Kodak, the most critical contributing factor would be inability to adapt to technological change from film-based business model to the digital platform as seen in the current market trending (Mui, 2012). It was noted that Kodak first pioneered the digital platform in 1975 but the question would be on why Kodak did not fully capitalized on the gradually growing trend of digitising even after having achieved the first stage of the technological change process via the invention of the first digital camera. The failure to adapt can be attributed to Kodak's concept of business where supplying of film rolls and prints were its traditional strategy in achieving profits since its establishment. Furthermore, as mentioned in an article by Pangarkar (2012), Kodak did not managed to integrate internal knowledge of the digital technology that it possess with external knowledge via outsourcing of camera manufacturing techniques thus limiting development of high end spectrum products which would be able to yield economic viability and reap higher bulk of profits.

3. Culture Blueprint

3. 1 Literature Review (Organisational Culture)

The definition of organizational culture has proven to be very elusive. There has been no definition of organizational culture emerged in the literature (Scholl, 2003). For some, culture is considered the “ glue” that holds an organization together while for others, it is the “ compass” that provides directions (Tharp, 2009).

Distinct culture will happen in every organisation as they are made up of different individuals with different talents, personalities and goals. Some aspects of this culture change when the personnel do while other aspects seem to be fixed and enduring. The anatomy of an organization’s culture can strongly influence the potential of success or failure. Additionally, the ability of the organization and the leaders to cope with change and encourage innovation also impacts the mission effectiveness (LaGuardia, 2008).

The concept of organizational culture has its major roots anchored in culture theory. Various dimensions of societal and organizational culture or concentrates on leadership practices in organizations and uses a distinct set of team or group leadership dimensions that are of high relevance for organizational cultures (Dauber, Fink and Yolles, 2012). As changing organizational culture is relatively complex, Cameron (2004) explained a 7 step process for changing organizational culture:

1. Clarifying Meaning - seek clarification on what it means for an organization to change or not change
2. Identifying Success Stories - taking reference from positive examples to enforce the identification with the core values
3. Determine Strategic Initiatives - actions designed to make major changes to bring about culture change
4. Identifying Small Wins - build on

small successes to create momentum for desired outcome 5. Craft Metrics, Measures and Milestones - determine key indicators of success 6. Communication and Symbols - providing and sharing rationale for the changes involved, build on new identity of the organisation through visuals with aid of symbolic representations to be identified with 7. Leadership Development - encourage ownership and accountability of changes

3. 2 Analysis

It can be implied that Kodak has a culture of complacency which is believed to lead to the decline of its business (Economist, 2012). Despite its strengths in hefty research investment to build on the research and development capabilities along with a rigorous approach to manufacture and promote good relations with its local community, Kodak inevitably became a complacent monopolist. Adding on from Mendes (2006), he evaluated a paradox for Kodak between competition and cooperation in strategy. This can be supported when Fujifilm exposed Kodak's weakness by bagging the sponsorship of the 1984 Olympics in Los Angeles while Kodak dithered. This publicity helped Fujifilm's far cheaper film invade Kodak's home market.

Historically, Kodak was built on a culture of innovation and change. It is the type of culture that was full of passionate innovators and pushing the whole organization to move forward instead of falling behind (Kotter, 2012).

Therefore, it can be deduced that organizational culture impacts greatly on the direction of the company either positively or negatively which is evidently shown in the on start of Kodak where an innovative and adaptable culture brought about success and high profitability however as the culture

of complacency sets in, it inevitably resulted in the plunge of the entire business operation.

4. Change resistance

4. 1 Literature Review (Change Management Models)

It is a well known fact that changes are ever constant and by changing the operational capabilities and direction, an entity adapts and thrives to fit in to the environment to secure the purpose of its existence. As with any individual, the brain controls the attitude and mentality towards change, similarly in a corporation where the management make critical decisions in determining which changes are beneficial for the direction of the corporation. In an article by Bregman (2009), it was highlighted that organisations utilise resistance as a method to regain control and in order to avoid resistance, control must be given to them.

However, there are also many external factors which might affect the management decisions in sieving through the possible permutations which may in turn be neutral, beneficial or even destructive to the business operations. With the notion of management plays critical role in determining the future of the corporations, the executing bodies must also be able to adapt responsively in achieving what was set out by the management. Drawing on numerous theories and research findings, one of the most notable theories with wide influence can be seen to be the Lewin's change management model however the model assumes that changes are anticipated hence changes can be pre-planned through a top-down approach.

On the other hand, in a finding by Barnard and Stoll (2010), it was noted that changes are unpredictable and cannot be managed top down. ' Emergent approaches' was thus conceptualised in which change should be a process of learning where the organisation readily responds to both internal and external environmental amendments. The key findings from the emergent models (Kanter et al. 10 Commandments, Kotter's Six change approach and Luecke's Seven Steps) shared similar characteristics which encompasses of creating vision, establishing sense of urgency, creating strong leadership and empowering employees.

4. 2 Analysis

In relation to the crisis faced by Kodak, it was strongly emphasised in many articles that the management failed to foresee the turn of market preference for digitised photography or rather the management turn a blind eye to the technology as the concept of filmless photography greatly conflicted with its primary business of supplying film rolls and prints. It is also revealed that Steven J. Sasson, a Kodak engineer who developed the first prototype of the first digital camera was not empowered to further his research and development efforts but instead got rebutted by Kodak's management (Deutsch, 2008). Relating the aforementioned to the change management theories covered in section 4. 1, there was a great deviation from change emergent models which encourages employees' empowerment. In addition, it can be noted that Kodak's management played vital role in determining the future of the corporations however if the wrong decision was made, the outcome would most definitely be disastrous for its business.

5. Recommendations

In the case study of Kodak, it can be seen that its downfall was due mainly to its inability to rapidly pick up the change in technological advancement that it had pioneered in. Kodak should have applied for patent right for the newly developed digital technology and further invested resources in R&D to first overcome the barrier in operationalizing the feasibility of digital photography and to follow the same fundamental principles laid down by its founder to provide low cost products in meeting the mass market consumers' need in respect of the technological change model while concurrently attempt to shift away from its traditional business concept which was gradually losing preference among target audiences.

It was also noted that Kodak has a culture of complacency in which it believes that by being the market leader, it could rest on laurels. Instead, Kodak should have reviewed and gradually improve its organizational culture through the 7 steps which was covered in the earlier sections with importance in identifying what it means for the future of Kodak as it selected digitizing photography as its core business coupled with determining measurable in gauging the success of changing the organization's business philosophy.

In regard to the recommendation of change management model in addressing issues pertaining to corporation change resistance, the emergent approach method as proposed by Kotter, Schlesinger and Sathe (1979) could be leverage on to better equip the Kodak's management as well as the employees in dealing with changes from both external and internal factors.

While there were a total of five methods being outlined, three methods namely education, participation and facilitation appeared to be especially applicable. Education as listed could be used to first equip the management on the necessary information with regard to changes in global preference towards digitising photography and the far reaching effects of such technology hence better strategising the way ahead for Kodak.

Secondly, the participation method which involve key stakeholders which are potential resisters in designing and implementing the transition from film base business model to digital photography business model could be utilised to enable control over the changes as well as maintaining a competitive advantage over its competitors i. e. FujiFilm where the transition was well thought out and executed hence projecting the corporation to further success. Thirdly, coercion as the last resort of the recommended methods should be applied as it is evidently clear that Kodak was on the route to failure as demonstrated in their steep declination of profits. Table 1 shows the methods for addressing change resistance from Kotter, Schlesinger and Sathe (1979).