

Kodak case study; organizational architecture

[Business](#)



Throughout its history we've experienced dramatic economic upturns and downturns. We are currently trying to pull ourselves out of bankruptcy and I believe the way to do so is through changes in our organizational architecture.

These changes alone will not lead to success, as we still face problems in the digital technology area however they will certainly contribute positively. This means making changes in performance-evaluation methods, reward systems and responsibility assignments. Our previous attempts; decentralization in 1984 and the MAP plan in 1987 have been widely unsuccessful.

This means we must look closely at what went wrong within these plans, and restructure accordingly. Now, I'd like to specify what the flaws were in our Minimal organization restructure plans. 1987 saw Kodak change the assignments of decision rights within our company. Clearly between 1983 and 1987, Kodak leadership realized the need for more change. And we restructured the management's evaluation and reward systems with the MAP program. I believe we at Kodak have taken two out of three steps towards a complete and successful organizational restructuring.

However the final step must be taken; analyzing the results of the MAP restructuring and changing the plan accordingly. Believe that the MAP plan was unsuccessful because it targeted Kodak management only.

If we want accompanied success, we must create a plan that involves the entire company. Loosely MAP meant to increase incentive to innovate and produce through a pay cut and variable bonus. However. As we know this did

not have widespread effects but I do not believe that there were not effects seen within Soda's management.

I'm sure if we look closely; Soda's management did increase innovation and production over maybe these results didn't trickle down to the lower status employees. I believe that we must approach all employees at Kodak if we want to see Kodak crawl out of its hole.

Walt MAP ten ease salary AT management star was cut Day ten percent Ana Tanat loss was replaced with a variable bonus. We must analyze how management reacted to this decision. We then must carefully construct similar plans for all levels of employees – of course these plans will differ for each and every level.

I believe that if we approach all employees within our company with our new plans, e will survive and prosper in today ' s photo technology industry. Following this memo is an analysis of Soda's organizational architecture experiences of late. Initial Motivations for Restructuring Some of the factors which originally motivated our company to change its organizational architecture include economic downturn, loss of profit and changes in the market environment for which we needed to adjust.

Essentially we fell from our position as leader in the photo production market.

We can attribute this to our slow advancement in the area of digital photograph technology. Since we were founded in 1888 the only major competitor we've faced prior to the early sass's was Japanese company Fuji

Films. In fact, our own researchers developed the first digital camera itself in 1975, although we chose not to mass produce it at the time. We were essentially our own worst enemy.

In the nineties the photographic market shifted towards digital technology and we needed to diversify. We were slow to do so and experienced dramatic losses in profit as a result.

Advancements in technological and communications progress seemed to be out of our reach. Something needed to change, and the leaders of the time decided to change its organizational architecture in hopes of maximizing productivity and innovation while minimizing loss of profit. At the time, leaders felt that by following other companies lead, decentralization the company would stimulate innovation.

This is an example of benchmarking, where we shadowed other companies business strategies. This decentralization would emulate the new “ lab to market” market structure.

In sum we went through two major architecture changes; decentralization and the Management Annual Performance Plan (MAP) and neither as particularly successful. Analyzing What Went Wrong Several major mistakes were made when our management decided to change its organizational architecture with these two plans. I will begin by analyzing the decision to decentralized our management.

This can be summed up as Kodak simply changing the assignment of decision rights within the company. I believe this plan was not successful because it was incomplete, which is rather obvious.

Our leaders had the right idea in decentralization the company; however they did not follow through with this decision. What I mean is, is that when Kodak leaders split up the company into seventeen units, there needed to be seventeen changing of incentive and reward structures, possibly more. Experience tells us location sin ' t everything, common sense tells us money sin ' t everything - so I Delve It Is sate to say " one ting Just Isn't eve Now, a brief look at the flaws of our 1987 MAP plan.

The idea of the MAP plan was sort of the " step 2" to the decentralization plan of 1984.

Our managers now had to earn their salary, so the thought was they be held directly responsible for the success of their units. The more productive their unit was the more they'd earn and this was a significant change in the performance-evaluation and reward system of the managers. This plan did not impact the performance of our company significantly. In the early nineties Soda's profits and progress were declining at an increasing rate.

However the flaws of the MAP plan are less obvious than those previous restructurings.

I believe MAP was unsuccessful because it did not address all of the company employees, only the managerial staff. I believe it is absolutely essential for us to address the organizational architecture of our entire company before

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we will experience much improvement in productivity or profit. We hoped to quicken the pace of production and innovation. With MAP we may expect that the performance of the managers will improve but clearly this was 't satisfactory.

Reinventing Soda's Organizational Architecture Our leaders at Kodak could have done tried several alternative methods when restructuring their organizational architecture. In my opinion, as detailed above Kodak is experiencing profit loss due to a lack of progression and diversification into modern photographic technology.

It is important to note that this is not due to a lack of innovation, as Kodak themselves created the first digital camera, rather an interior flaw in the organizational architecture of our company.

Our goal is naturally to avoid bankruptcy and increase profits; to survive in a changing market. This goal and the nature of the problem will require a quickening of Soda's production pace, as well as more innovation and diversification in the area of digital photographic technology. From our main goals follow a need for innovation increase and profit increase. Since these areas deal with research and production recesses mainly, we must focus on restructuring the organization plans for the employees in these areas.

Our fall from monopoly makes it obvious that although decentralization has taken place and changes in managerial evaluation and rewards have been implemented, to increase company profit significantly all Kodak employees must be put through the restructuring process. If the MAP plan was successful with the managers, I'd suggest implementing a similar plan for all

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employees. Of course the plans would differ by classification of employee but the idea would be to restructure all reward and reference evaluation plans.

For example higher status employees may receive higher base pay cuts and higher variable bonus ' s while lower status employees could experience smaller changes. Upper level staff such as yourself and our managerial staff have vested in the company due to the direct nature of your involvement. However, factory employees have much less involvement with Kodak itself and would likely not appreciate drastic changes to their salaries.

Reenacting on our Experiences Our experience will be one of surviving in a changing market.

This directly relates to the concept of economic Darwinism; which deals with analyzing economic situations from an evolutionary viewpoint. It analyzes market structure by studying the interactions that transform the economy. This primarily involves the study of factors which affect production and studies " survival" in the marketplace. Economic Darwinism can be summed up with the simple statement only " the strong survive".

Our failure to diversify adequately in the digital photograph department combined with its management struggles; is an example of how, when a company is not strong it does not survive.

In order to survive a firm must produce the products demanded by the customers at the lowest price while preserving production costs.

Organizational architecture can contribute to a firm's success however; a firm must develop a scheme in which customers are willing to pay more for

the product than the firm paid to produce. It is somehow easy to see where we went wrong, and how they are an example of non-survival in the marketplace if you take an evolutionary viewpoint. Our company was successful when we monopolized the photographic technology market and were able to provide customers with photo technology.

However when photographic technology made the transition to digital photo technology, we could not seem to keep pace with the transition. We didn't really welcome the digital shift and did not diversify their products in this area quickly enough to meet customer's new demands. Due to our slow adaptation to the digital world we floundered in the new photo technology market, thus providing us with an example how when a firm cannot meet basic survival needs they fail, which is the concept of Economic Darwinism.