Economics of organizations and corporate governance-first term paper case study e...

Business, Management

Executive Summary

Organizational architecture determines how efficient or inefficient an organization is. An organization has to adopt a harmonized mix of the three core elements of organization architecture. The reward system, assignment of decision rights, and the performance evaluation criteria should display quantitative and qualitative balance. The ability to balance the above three elements brings about success in all organizations. When an organization's architecture is continuously updated, it is in a perfect condition to respond to market shocks like competition and technological changes.

The rate at which an organization successfully alters its architecture in response to market shocks directly influences its existence. A poorly structured organization will soon bow to pressure from competitors by either losing market share or even quitting (Dobbs, 2000). The analysis of Kodak and how its management responded to the market shocks provides a clear insight into the crucial nature of sound organization architecture. The key to an outstanding organizational design is the right information. The appropriate information will positively influence the harmony between the three elements of organization architecture to the benefit of the organization.

Factors that influenced Kodak to change its Organizational Architecture

Before the emergence of competition and the changing of its organizational architecture, Kodak was a lone ranger in the film market. The emergence of stiff competition came unexpectedly as evident from the case study

(Brickley, Smith and Zimmerman, 2009). The primary factor that made Kodak restructure was the change in technology. Companies that embraced the new technology first like Fuji Corporation took over the market. The unexpected competition brought high pressure in Kodak’s business environment that their share prices went down. Any corporation’s management respects the shareholder’s involvement hence the drop brought about an agency problem (Besley and Brigham, 2008). The motivation that came from the technological change was informed by the performance of the companies that had adopted new strategies like Fuji Corporation. Kodak also realized that their organization structure was time tested and that it was time to change for the better. Kodak recognized the need to shift to the new organization structures that would be in line with the changing customer needs. The other factor that motivated change was the need to regain its taken market share in the film industry.

Mistakes Kodak made in changing its architecture

The persistent poor performance by Kodak even after restructuring did not result from doing a wrong thing. The failure after restructuring was because the right thing was done wrongly. The organizational architecture comprises three essential elements. These features include the assignment of decision rights and the performance evaluation system. The reward system is the third element.

Kodak changed the above essential elements in anticipation of a better performance. Decentralization was a good step, but the managers who were given the decision rights were weak leaders. From the Kodak case study, most of the managers in Kodak had advanced through perfected office politics and not leadership (Brickley, Smith and Zimmerman, 2009). The organization did not mind about the leadership ability of the people in whose hands the decision rights were to be placed. The reward system was changed in a manner that was likely to blackmail the managers, managers were to be exposed to research in the evolving technology and not mere performance targets. Kodak had developed a poor management culture for a long time, a problem that required and overhaul of its system. Decentralization without addressing the old accountability issues was a mistake.

What could Kodak do differently?

The assignment of decision rights was to be done after acquiring the relevant technological information necessary for production change. Incorporating such information alongside decentralization could have led to much-informed decision-making by the managers. The whole Kodak system needed a diagnosis to address the historical cases of lack of accountability. Manager vetting prior to decentralization would have helped greatly. The vetting required to be based on previous performance and the level of receptiveness to the new technological demands. The reward system is critical in employee motivation but its reorganization should come after establishing that reward is the problem ailing the organization. Kodak's problem was not reward-related hence only the leadership quality and corporate technical performance were to be considered alongside the new market demands.

Economic Darwinism

The failure of Kodak was brought about by the introduction of superior products to the Market. The market overgrew the old technology used by Kodak and so the company's existence was threatened. Economic Darwinism borrows from the Darwinian concept of survival where only the fit organism survives in an environment of competition. The giraffe with the longest neck enjoys the highest leaves while those with shorter necks either grow their necks or perish.

The concept clearly describes the situation in which Kodak found itself as competition pressure increased. With the technological advancement, communicational development and the application of robotics, Kodak had to adapt these changes to survive. Kodak had inefficient high-cost policies hence there was high pressure from completion by Fuji Corporation. Kodak was not fit hence had to struggle to survive.

References

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