

Running head: A NEW STRATEGY FOR KODAK

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Abstract

This paper intends to identify the new strategies for Kodak. In order to achieve the objective of the paper, the key performance objectives of the firm have been pointed out. Different approaches related to horizontal and vertical integration of the company have been suggested to boost up the performance of the company.

Five key objectives for Eastman Kodak

In 2011, the chief executive officer (CEO) of Eastman Kodak analyzed the present situation of the company and decided to launch a new strategy that will help the company to become the leader in imagining market. However, the progress for the new strategy was slow. He has given effort to reduce the cost for developing new products but the strategies have failed to draw enough sales to the company. The company has spent millions of dollars on developing its competitive advantage and secures the future of the company. Kodak was considered as the most profitable corporation in America, which gave its shareholders a return of 18% for many years. The company has continuously invested in developing its competitive advantage in photography business. It is observed that 40% of the revenue of company came from outside United States (US). Though the company had encountered huge profit but the situation was not the same over the past few years as it encountered external pressure in form of competition (A. Rahim, & M.A. Rahim, 2009).

The five key objectives of the company that guides its growth are as follows:

- 1) Mass production helps the company to reduce the cost of production.
- 2) The company aims at maintaining its position in the market through technological developments.
- 3) The company advertises its products extensively which helps them top cater to as many customers as possible.
- 4) Kodak aims at developing the multinational business so that it can explore different parts of the globe.

- 5) The quality of film processing is to be maintained by adopting constant research in the laboratories so that new aspects of photography come forward.

However, the objectives are latter modified by Chandler as he analyzed that there should be drastic change in the business model of Kodak. There are four significant changes that are made to the business:

- 1) Increase in control over the existing chemical imaging business.
- 2) Aims at creating Kodak the leader in electronic imaging.
- 3) Kodak made changes in altering its business motives by diversifying into new businesses in order to increase the profit.
- 4) Give effort to minimize costs and improve the productivity level of the company (Pride & Ferrell, 2007).

All the above mentioned objective is created for supporting innovation and development in the company.

Objective essential for the success of Kodak

The new objective changed the imaging group of Kodak which included motion pictures, consumer products and audiovisual products, consumer electronics and photo finishing. The new objective filled the gap in the product line by introducing several new products, which are either prepared by Kodak or any Japanese manufacturers or sold it under the name of Kodak. In order to manage the market share of the company, Kodak took major steps to solidify the market of film processing. It has strategized to stem the flow of low cost foreign photography papers for acquiring control over processing market. The company has also acquired many companies in

order to make its base strong in electronic photography sector. This acquisition increased the number of customers for chemical paper products. The declining profit of the company was forced to maintain its level by massive cost – cutting, which improved efficiency of the products related to photography. The objective of the company highlighted the fact that there is a need for new strategies that will satisfy the customers to their imagining and recording needs. Kodak entered information system, it was a new experience for the company, where they encountered extensive competition from big players such as IBM and Apple. Kodak made a huge mistake in entering market where it does not have expertise knowledge and is also unaware of the competitive forces. Thus, the information system of Kodak declined very fast and reducing the retained earnings of the company.

Vertical and horizontal integration of Kodak

Recently, the company has encountered troubles from various sources, which are related to transformation of traditional to digital photography. The issues have originated from new areas. Kodak was severely threatened by Fuji as the latter produced the same products at a rate 20% less cost than the former (Smith, 1999). However, Kodak remained ignorant to the threats that were imposed on it by Fuji. The reason behind this ignorance came from the ability to rule the market solely. The threats of competition were never serious as it was the market leader and thus it also ignored the signs of technological changes. Thus, they believed that competition cannot harm them.

Kodak encountered rough transition in digital market place. Kodak employed vertical structure, which they controlled on behalf of everything that they needed to manufacture. This is known as vertical integration. Unfortunately, the strategies adopted by the company in digital

world are extremely difficult however it was also virtually impossible. The strategic alliances with the companies have the ability to specialize in the specific digital elements, which was much safer stream than the main one. Kodak could not become self-reliant as a result it got allied with other companies like Matsushita, TDK and IBM. The President of Kodak, Kay Whitmore, have stated that the company does not have the need to do everything at one go and thus it has decided for the alliance. Such an idea gave rise to idea of fetching the best and programming from the companies that specializes in the products directly. Thus, Kodak purchased from those companies which produced the best products that have the ability to save time and money at the same time. The cost structure also reduced as the products was purchased at a lower rate and the same was sold at a higher price. Thus, the company had to adopt the horizontal integration (Gavetti & Giorgi, 2005).

Five ways to pursue multi-business model to increase profitability and the implementation strategy of Kodak

Business Process Re-engineering (BPR): In order to sustain in the long run and increase profitability of Kodak, it can reconstruct its BPR practices. The conversion of traditional business of photography, which is vertically integrated, to a horizontally integrated system that will be more process oriented restructure and offer a low level organization, flat in structure (Babcock, 2011).

Rebranding: The Company should rebrand its image and its operation has the scope to impact on the shareholder's return. It will incorporate the staffs that will help in planning for the changes in the organization and training them is also an essential part of the business strategy. It is expected that every rebranding will increase the value of the brand.

Outsourcing and joint ventures: The Company can go into further joint ventures that will give them enough profit margins on the products. Through joint venture and outsourcing it can add to the capabilities and resources of the company. Kodak can outsource its manufacturing items and the hiring of part time and casual employees will reduce the cost of labor of the company.

Leadership and organizational learning: Kodak managers are weak in devising strategies and making proper vision statement for the company. Thus, they are incapable of making any change in the revenue of the company. Thus, the leadership quality of the managers should be enhanced.

Advertising: The company must do extensive advertising of its products so that it can occupy a significant place in the market and gain its lost position.

Recommendation

It is recommended that the company should undertake the above mentioned steps in order to sustain in the long run. The strategies devised and implemented by the company have failed to bring any change to sales of the company rather it should try out different ways for altering its operation and fate.

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