Forbes

John Kotter, Contributor
I help leaders accelerate strategy implementation in organizations.

LEADERSHIP | 5/02/2012 @ 8:37AM | 9,770 views

Barriers to Change: The Real Reason Behind the Kodak Downfall

Kodak has recently declared bankruptcy. Usually, when this hits the news it is analyzed by the numbers people who, looking at five years' worth of financial data, give their quantitative and financial explanation of the failure. More qualitative types will go back 10 years sometimes, and even go beyond finances to talk about strategy, CEOs, competition, and the like. Recent well-done *Financial Times* articles (here and here) go back even further for Kodak. And yet people still fail to see Kodak's real problem.

The Kodak problem, on the surface, is that it did not move into the digital world well enough and fast enough. Recent articles dig a bit more and find that there were people who saw the problem coming — people buried in the organization — but the firm did not act when it should have, which is decades ago. Kodak faced the technological discontinuities challenge, first clearly articulated by my colleague Clay Christensen: a new technology has fierce competitors, low margins and cannibalizes your high margin core business. And Kodak did not take decisive action to combat the inevitable challenges.

Everyone thinks of all this in terms of strategic decisions either avoided or made poorly. What no one seems to do is go back and ask: *Why* did Kodak make the poor strategic decisions they made? In 1993 they brought in from the outside a technology expert to be CEO. George Fisher was believed to be almost as good as Jack Welch or Lou Gerstner. Great CEO, people buried in the hierarchy who had all sorts of good ideas, and still poor strategic decisions. Why?

Answer: The organization overflowed with complacency. I saw it, maybe in the late 1980s. Kodak was failing to keep up even before the digital revolution when Fuji started doing a better job with the old technology, the roll-film business. With the complacency so rock-solid, and no one at the top even devoting their priorities toward turning that problem into a huge urgency around a huge opportunity, of course they went nowhere. Of course strategy sessions with the BIG CEO went nowhere. Of course all the people buried in the hierarchy who saw the oncoming problems and had ideas for solutions made no progress. Their bosses and peers ignored them.

How can CEOs learn from Kodak's failure? Historically, Kodak was built on a culture of innovation and change. It's the type of culture that's full of passionate innovators, already naturally in tune to the urgency surrounding changes in the market and technology. It's these people – those excited about new ideas within your own organization – who keep your company moving ahead instead of falling behind. One key to avoiding complacency is to ensure these innovators have a voice with enough volume to be heard (and listened to) at the top. It's these voices that can continue to keep a sense of urgency in your organization. If they are given the power to lead, they will continue to innovate, help keep a culture of urgency and affect change.

As Kodak became more successful, complacency grew, leaders listened less to these voices, which made complacency grow some more. It can be a vicious cycle. It certainly was at Kodak. And if you don't address it first… good luck.

John Kotter is the chief innovation officer at Kotter International, a firm that helps leaders accelerate strategy implementation in their organizations. He is also the Konosuke Matsushita Professor of Leadership, Emeritus, at Harvard Business School.
