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THE IMPACT OF FIRM INNOVATIVENESS ON FIRM PERFORMANCE: CASE STUDY OF KODAK COMPANY

Oumelkheir Benkheddoudja
oumelkheirdzdz@gmail.com
The Faculty of Economic, Commercial and Management Sciences, University of Echahid Hamma Lakhdar, Eloued, Algeria
Hayam ben Hamed
mimohayam03@gmail.com
The Faculty of Economic, Commercial and Management Sciences, University of Echahid Hamma Lakhdar, Eloued, Algeria
Belakehal Ikram
ikrambelakehal@gmail.com.
The Faculty of Economic, Commercial and Management Sciences, University of Echahid Hamma Lakhdar, Eloued, Algeria
Rihab Ben Hamed
Rhabbnhamd248@gmail.com
The Faculty of Economic, Commercial and Management Sciences, University of Echahid Hamma Lakhdar, Eloued, Algeria

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Abstract:
Much scholarly research has been conducted to investigate the benefits that firms derive from their innovation initiatives. Although some research has found that firm innovativeness is connected with increased export performance, the conditions under which firm innovativeness activities are most and least advantageous remain unknown. Despite the fact that many organizations regard innovation to be their lifeblood, enterprises are frequently challenged to reap the anticipated performance advantages of innovation. The purpose of this research is to investigate the effect of firm innovativeness on firm performance. Through displaying a case study on Kodak Company, the finding of this paper revealed that innovativeness is important factor for the success or failure of the firms. The paper contributes to knowledge that will be of use to managers, researchers, and policymakers.

Keywords: Firm Innovativeness, Firm Performance, Kodak Company

1. INTRODUCTION

Companies are frequently described as instruments that serve a certain purpose. Intentions and goals are said to be coordinating them (James & Robert, 1997). The goal of organizational success and the inability to accomplish such goals are common topics of conversation. Businesses are compared using profits, sales, market share, productivity, debt ratios, and stock prices. They looked at cost recovery, mortality, morbidity rates, physician board certification, and hospital occupancy rates (James & Robert, 1997). According to (Paul & Anantharaman, 2003), the most important characteristics of organizational success are better performance and maximization of shareholder wealth. In terms of objectives or goals, performance may also be described as an object's ability to prioritize outputs (Laitinen, 2002). Buildings, equipment, human skills and competencies, norms and procedures, culture, and value are all examples of resources that are put to good use in order to provide money and resources for the company (Fernandes, Mills, & Fleury, 2005). As a consequence, the researcher has produced a list of crucial criteria to consider while developing organizational performance. Organizational effectiveness is influenced by a variety of elements, including employee motivation, working environment, training and development, and managerial participation (Mohapatra & Srivastava, 2003).

Many studies have attempted to investigate competitive advantage (Potjanajaruwit, 2018), environmental management (Claver, Lopez, Molina, & Tari, 2007), organizational culture (Yusoff, 2011), board of directors' characteristics (KANAKRIYAH, 2021), information system, Efficiency, Lack of uniformity and integration, e-Commerce strategy, Communication (Olugbode, Elbeltagi, Simmons, & Biss, 2008), management

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involvement (Olugbode, Elbel (Wooldridge & Floyd, 1990). However, a dearth of research has been conducted on the influence of innovation on corporate performance. The conception, acceptance, absorption, and exploitation of a novel economic or social notion; the renewal and growth of commodities, services, and markets; the development of new manufacturing methods; and the introduction of new management systems are all examples of firm innovativeness (Rousseau, Mathias, Madden, & Crook, 2016). As a result, in comparison to competing companies, innovativeness may motivate businesses to offer precious, scarce, unique, and distinguishable products with added and distinct sources of value (Schilke, 2014), assisting businesses in entering new markets, expanding market share, and improving competitive advantage and performance.
Thus, this paper proposes to introduce a framework to further enrich the existing body of knowledge in the field of firm performance by study the impact of firm innovativeness on firm performance. Therefore, we posit the following research question. 1) Does firm innovativeness effect on firm performance? This inline derives us to underline three hypotheses, H1: firm innovativeness have a positive effect on firm performance

After the introduction, the structure of this paper is as follows: the next section is the literature review, followed by method where we have displayed a case study of Kodak Company. Next is conclusion. The final section is the conclusion.

2. LITERATURE REVIEW

2.1 Firm innovativeness and Firm performance

The ability to innovate has been established as a significant predictor of organizational performance (Calantone et al., 2002; Hughes & Morgan, 2007). Firm innovativeness, as a requirement for success and survival, may prompt businesses to provide valuable, rare, inimitable, and distinctive products with added and distinct sources of value in comparison to competitors (Barney, 1991 Schilke, 2014), assist businesses in entering new markets, expanding their market share, and improving their competitive advantage and performance (Barney, 1991 Schilke, 2014). (Gunday et al., 2011). According to Damanpour (1991), a company's ability to innovate has a positive impact on its performance. Firm innovativeness, according to Matsuo (2006), increases performance since it is described as an organizational culture or climate that encourages individuals to generate innovative goods and services. According to Keskin (2006), the positive relationship between firm innovativeness and performance still exists in small-to-medium-sized enterprises (SMEs). The ability to innovate and attempt new ideas, according to Yang and Shafi (2019), is crucial for businesses to enhance their performance. According to (Calantone, Cavusgil, & Zhao, 2002), in the US industry and manufacturing, there is a positive association between a firm's innovation and its performance. In a study of the relationship between innovation and firm performance in the Turkish automotive supplier industry, Atalay, Anafarta, and Sarvan (2013) discovered that technological innovations, specifically "product and process innovations," have a significant and positive impact on firm performance. Similarly, Saunila, Pekkola, and Ukko, (2014) found that businesses that are more innovative have better operational and financial success than those that are not. Another study discovered that the degree of inventiveness is strongly linked to productivity and performance (Kafetzopoulos & Psomas, 2015).

3. METHOD

3.1. Case study

From this research paper depends on presenting a case study of a company Kodak. The case study method is the most used method in academia for researchers interested in qualitative research (Baskarada, 2014). Students choose the case study as a method without understanding the set of factors that can influence the results of their research. Since significant up-time is required to conduct research (Office of Public Accountancy, 1990), any kind of misunderstanding regarding the purpose of the research in the presence of the methodology as well as validation of recommended results can lead to unintended negative consequences (Baskarada, 2014). Therefore, in this study we want to present a case study of a company Kodak to show the main reasons for the success or failure of the company.

4. Kodak Company’s Case Study

The Eastman Kodak Company (Kodak for short) is an American public company that produces a variety of products related to its historical foundation in analog photography. It is headquartered in Rochester, New York, and incorporated in New Jersey .Kodak provides packaging, graphic communication, and professional services to companies around the world. Its business segments are Printing Systems, Enterprise Inkjet Systems, Micro 3D Printing and Packaging, Software and Films Best known for photographic film products.
More than a century ago, the Kodak Company was founded by the scientist George Eastman and it has

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been on the throne of the camera industry for nearly 133 years. George Eastman was born in 1854 and founded that company in 1892, and he invented the rolled film, which achieved tremendous popularity in the field of photography, and this was Film wrapped mainly for motion picture film which made the company achieve complete dominance worldwide in the field of photography. It was considered one of the largest companies in the production of old cameras and film cameras, and it has achieved a long history of major successes in the world of camera industry. The company also achieved a success rate of 90% , taking possession of the American market , but the company's financial suffering began since the late nineties , due to the decrease in the percentage of sales of its products from photographic films, and it was due to the emergence of the emergence of the digital camera , so the company began to collapse in 2004, it no longer appears on the Dowgreens list Assigned to the 30largest companies in the United States of America, however, the company's share prices fell by a large percentage on the American Stock Exchange until the price of one share reached one dollar with the start of the company. Which relied on what is known as the razor-blade strategy, meaning selling cameras at cheap prices, in order to obtain high market shares, for both films and photo-developing paper. Global focus on the customer through continuous search for him.

After this successful history, the company declared bankruptcy in 2012. The company resorted to that step to protect the company's assets from creditors and reorganization. The company did not anticipate the revolution of digital photography and Smartphone cameras, and it kept trying to compete after Citigroup Bank provided it with a credit facility amounting to 950million dollars in order to save the company, but it is also no longer able to compete and innovate enough to compete with major such as Canon. The main reason is bankruptcy is due to the absence of continuous creativity to keep up with the market, this means that the company does not provide improvements, developments and creations on their products to earn consumer confidence and achieve its wishes.

<u>The wrong steps done by Kodak:</u>

- ✓ Contradiction between logical strategy and innovative strategy:

Difficulties began to escalate in 1984 when the Japanese company Fuji entered the US market, but Kodak refused to acknowledge that the American consumer might change his purchase to a foreign brand, Fuji opened a factory in the USA and began to gain more market share for films and papers printing. Also, in the late eighties, the company stuck to a fundamental perception about its mode of operation, which made it not recognize the impending change in the industry, which is the digital age. The company's adherence stems from the fact that it applies the logical strategy in its work, as it was the pioneer in its believes that any change that will occur will not affect it much. As for the innovative way in the company's work, it should have raised questions and perceptions about the future scenario with this change taking place.

- ✓ the contrast between revolutionary change and slow, gradual change:

Signs arose in 1981when Sony announced that it would introduce the Mavica, a filmless digital camera that could project images onto a television screen and then print the images onto paper.

Kodak found it hard to believe that something would be as profitable as the traditional films it pioneered, and then the company's CEO admitted that they had to act fast but by integrating film and development technology with new technology. Kodak wanted to keep pace with this development , but slowly so as not to cause the company pain through a radical change in the way it works because it is not an easy process to abandon the legacy 100 years of leadership in the field o film and chemical development and enter the field of completely new digital technology.

- ✓ The contradiction between markets and resources in strategy :

Kodak has asked the question: what is the real resource for its competitive advantage? Does the company have to reposition in a way that makes it benefit from the positives of changing markets , or does it have to remain as it is and its basic resources ?.

The problem began to be clear , Kodak controls its manufacturing capabilities in films , printing papers , development chemicals and image processing , but the digital age is completely different, depends on technology and this is not the first time that Kodak is trying to look for the future behind films .

In 2003, the company announced a change in its strategy to expand into the digital age through the consumer and commercial markets and medical products (radiography devices). It also tried to enter the field of screens and inkjet printers to build a new competitiveness for it.

- ✓ The contradiction between going to the world or staying at the local level:

It can be said that Kodak was not able to determine its future effectively and is an example of strategic failures that companies have fallen into. It was not able to realize the digital future quickly and when it realized this, it was slow to respond to change continuous. This change was like a very high wave that overthrew the

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traditional Kodak, unfortunately Kodak could have invested the billions of dollars it earns from its traditional products, especially in the medical field, to restructure itself to also control the new digital era.

- ✓ The contradiction between competition and cooperation:

Kodak fell into this dilemma as well as it made some acquisitions to try to make up for its failure. But it was hardly cooperating with some small competitors. The company had to define its position more accurately and move towards acquisition and merger with all competitors that give it new possibilities.

Kodak's Failure Represented In Graph

Main reasons of Kodak bankruptcy:

Due to a series of errors, Kodak was forced out of the camera and photographic business. Here are some thoughts on the subject:

- Kodak's demise was precipitated by a lack of understanding of new technologies and a failure to react to changing market demands.
- Kodak spent its money on purchasing a number of minor businesses, depleting cash that could have been utilized to boost the sale of digital cameras.
- Instead of copying its competitors, Kodak wasted time promoting the usage of film cameras. It completely ignored the feedback from the media and the market
- It was too late when Kodak eventually grasped and began selling and manufacturing digital cameras. By that time, many huge firms had already established themselves in the market, and Kodak couldn't keep up.
- Kodak's stock price hit an all-time low of $0.54 per share in September 2011.
- In 2012, Kodak filed bankruptcy.

Therefore, as long as once Kodak ignored the technology got down in its business, so we can understand that the firm innovativeness can be a reason for success or firm failure.

DISCUSSION

The results extracted:

- Carrying out market studies, following up on user's tendencies and carrying out long-term marketing research on a permanent basis.
- Resorting to innovative, creative solutions to problems that depend on intuition.
- Companies must have an independent work team whose mission is to destroy the introduction of new products, or the innovation of new technology that leads to the destruction of the current technology in which operates.
- Companies do not think of developing themselves by acquiring. The manufacture of things other than their specialization, as Kodak did and acquired radiographic imaging devices. It was better to develop itself in its

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specialization in the production of high-quality digital cameras.

- Big companies should buy small companies that develop new technology that can benefit them in their basic work and we must be careful here, as if the company waits until this technology comes into effect, it will be very expensive to buy and the example is clear. Yahoo and Microsoft had the opportunity to buy Google before… Notice what you do with them today.
- Companies don't have to stay on the safe side and only make billions.
- Companies should always think about which industry they are working on now, because their competitors are doing so and industries change their shapes over time.
- Through the above mentioned results, global companies jumped towards evolution and progress by studying one of these results among these Microsoft companies. Microsoft has climbed a new innovation ladder for an Holo lens that is working to integrate the virtual reality with the real world, Microsoft has also launched in 2015 Windows 10 operating system and different models of Notebook devices.
- Nadala has been able to develop 'Azzor' cloud computing service by asking questions about customer needs, the company has thus moved from the culture of knowledge to a learning culture.
- The Korean company Samsung produces wearable technology devices, it works on the design of many smart devices including refrigerators send you a text message when you leave the door open. Dishwashers decide when do you wash the dishes at the best time to save energy .Samsung seems to be on the throne of the world of Internet things that will make everything around us connected.

5. CONCLUSION

Improving the performance of the organization is the ultimate goal of every company, this research paper aimed to study the effect of innovations on the performance of the company, as it was done by studying the suit of the company Kodak I include that Creativity and continuous innovation He has an active role in the performance of the company. The case study in this research paper is about a company.

Kodak in a time period 1892-2012 in New York. This study also included a presentation of the results extracted from the case study, where we found that The business environment is full of risks, and it is know that the higher the risk, the higher the expected profit and financial returns, but sometimes the table may be turned upside down, and these risks lead to companies incurring losses, which hinders them from continuing their work. Perhaps what happened with Kodak is a strong indication of the approach that all giant companies must take in dealing with consumers and their integration into global markets, to protect the company from bankruptcy due to changes in consumer behavior and the entry of new competitors to the market, as well as the company must have complete flexibility to face these changes. And work to improve and develop its products and innovate new products to keep pace with the market and reap more successes.

6. LIMITATION AND RECOMMENDATION FOR FUTURE STUDIES

Like any scientific study, this study has limitations, as we discussed in the research paper its impact innovation on the company's performance. the results were measured by presenting a case study of a company Kodak we would like to suggest that researches in the future study other factors such as Marketing , Continuous improvement , Competitive feature… , that May affect the company's performance. We also recommend doing a lengthy study to get better results through a quantitative or qualitative study. The results of this study apply only to the mentioned company and it is not necessary that the results be identical to other companies.

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