

Eastman Kodak's Bumpy Ride into Digital Age

When Eastman Kodak emerges from bankruptcy -- the goal is early 2013 -- the company will be smaller on all fronts: The size of the global workforce will have been slashed some 20% to well below 14,000, including a stable of executives with six-figure salaries.

A host of businesses -- ranging from its traditional film business to souvenir photos of amusement park patrons on roller coasters -- will either be much smaller or gone. What will remain is a few core businesses with enough revenue to keep Kodak in business.

The anticipated structure of post-bankruptcy Kodak has been changing rapidly in recent weeks. In August, the company filed a tentative business plan with the U.S. Securities and Exchange Commission that had operations such as retail photo kiosks and still camera film remaining. That already has changed.

On Monday, the printing and imaging company said it anticipates cutting 1,000 jobs by year's end, related to previously announced plans to sell its personalized and document imaging businesses.

Those cuts come atop 2,700 already eliminated so far this year. Spokesman Christopher Veronda said the layoffs will occur across the company. He did not specify the impact on Rochester, where employment has dwindled to fewer than 5,000. The company said it expects to save \$330 million from employee cuts.

A new round of job cuts and management departures, coming eight months after the company filed for bankruptcy protection, seems to indicate "a little chaos in this Chapter 11" with company revenues coming in less than expected, said Van Conway, CEO of New York-based turnaround and restructuring consultant Conway MacKenzie.

Co-President Philip Faraci's job is being eliminated, and Chief Financial Officer Ann McCorvey has decided to leave. Other high-level departures will happen as business units are sold, the company says. Faraci, who had been with Kodak for eight years, the last five as president, oversaw the digital printing and enterprise operations.

"You swap out two senior people, that's not totally unusual, but you prefer that not to happen," especially given the important nature of the CFO position, Conway said. "That means there's disagreement on strategy."

McCorvey, the CFO, will be temporarily replaced by Rebecca A. Roof, a managing director of Alix Partners, which is Kodak's restructuring adviser and consultant. McCorvey had been with Kodak since 1999 and was named CFO in 2010. She opted to leave when the company decided it needed a CFO with "certain specialized knowledge and experience in Chapter 11 situations," the company spokesman said.

"Personnel costs can be, and usually are, among the highest category of expenses and companies attempting to reorganize under Chapter 11 almost always need to cut expenses wherever possible," said Robert J. Rock, senior bankruptcy attorney with Albany-based Tully Rinckey. "This is especially true in manufacturing industries in the Northeast, where whole product lines have been lost to advancing technology."

With the sale of the personalized and document imaging businesses — which include still camera film, photo paper, retail photo kiosks, document scanners and souvenir photo event imaging — "the Kodak that emerges will be a more focused enterprise, and so we need to ensure that our leadership of that business is appropriately scaled with a lean management structure," Veronda said.

In a statement, CEO Antonio M. Perez: "We recognize that we must significantly and expeditiously reduce our current cost structure, which is designed for a much larger, more diversified set of businesses."

Co-President Laura Quatela and Dolores Kruchten, president of enterprise services and solutions, will handle the sale of the personalized and document imaging businesses. The plan is for them to leave Kodak when the sales are complete.

"It would be up to the buyer whether to retain Quatela and Kruchten in ... running the businesses," the company spokesman said. He declined to say how many people are employed in the two businesses up for sale.

What remains after those sales will be digital printing and enterprise, headed by Douglas J. Edwards, and graphics, entertainment and commercial films, reporting to Brad Kruchten, who's the husband of Dolores Kruchten. Both men report to Perez.

"The printing industry has been hit very hard as more and more products formerly found in paper and ink become available online," Rock said. "The same is true of Kodak, which needs to move from its traditional film products into the digital age."