The Next Kodak Is Not A Technology Company

Why Governance — Not AI Adoption — Will Decide the Next Generation of Enterprise Winners

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Abstract
Most companies believe that there is an "AI Race" underway; with companies competing against each other to deploy artificial intelligence faster. There isn't.

The difference now across all types of industry is not going to be about who has deployed the most AI agents, co-pilots or automated process platforms. The difference for companies will be whether they have sufficient governance of autonomous decision making within their organization to move forward as quickly as possible.

The next major wave of enterprise transformation will be driven by companies who can rapidly design new organizational models and operating paradigms around decision rights, accountability and digital trust in order to manage a future in which enterprise systems are making decisions rather than supporting them.

The Business Life Cycle Is a Law, Not a Theory

Every business has a life cycle. All organizations are born, grow, reach maturity, and ultimately decline unless they can adapt. There isn't always enough difference between businesses that survive and those which don't. Most often it comes down to whether there is the organizational will -- along with the governance structure to support the will -- to make strategic decisions when required.

There are some pretty clear numbers. Since 1955, nearly 90% of the original Fortune 500 Companies have gone out of business (bankrupted) or been purchased. And since 1958, the number of years a company remained part of the S&P 500 dropped dramatically; from an average of 61 years, to under 18 years.

These are not statistics based on bad fortune. These are statistics regarding a pattern of governance failures -- i.e., repeatedly failing to modify the management and operations of a company's leadership framework before changes in technology made such a change necessary. In each instance, disruptions caused by new technologies were apparent for years prior to being destructive. Businesses do not fail due to lack of knowledge about future disruptive events. Businesses fail because the existing organizational and governance systems are built around protecting yesterday's economics -- rather than enabling tomorrow's economy.

KEY LESSON	Businesses generally do not lose themselves due to an unexpected technological revolution. Business' lose themselves because their corporate governance systems continue to operate using yesterday's economic principles. The most significant threat facing businesses now is no longer technological revolution -- but inertia in their corporate governance.

The Evidence Is Written in the Wreckage

These five examples have a common element; they have been subject to the same form of technological disruption that is currently occurring in almost every sector simultaneously. All five were clearly identifiable as disruptions. There were no surprises here. What varied was how well prepared organizations were to respond to these changes with their existing governance models.

Company	Peak Position	Disruption Signal	Governance Failure	Outcome
Kodak	~90% US film market; $30B market cap (1997)	Invented the digital camera internally in 1975	Governance optimized to protect film revenue — not enable digital	Bankruptcy Jan 2012; Instagram acquired for $1B the same month
Blockbuster	$6B revenue; 9,000+ stores; 84,000 employees (2004)	Netflix offered partnership in 2000 for $50M	Governance built to maximize late fees — not stress-test the model	Bankruptcy Sept 2010; Netflix market cap now exceeds $250B
Nokia	~40% global mobile market share (2008)	Engineers warned leadership of smartphone threat pre-iPhone	Culture prevented escalation; warnings never reached decision-makers	Microsoft acquired phone unit for $7.2B; wrote off acquisition in 15 months
BlackBerry	~50% US smartphone market (2008–09)	iPhone launched 2007 with full market visibility	Leadership dismissed the threat — no governance mechanism to challenge it	Market share fell to under 1% by 2016
Sears	$50B+ revenue; 3,500+ stores; 355,000 employees (1990s)	Owned early internet service Prodigy in the 1980s	Short-term financial engineering; incentives rewarded quarters not decades	Bankruptcy Oct 2018

The governance model for Kodak was structured to support the film business, which ultimately led to Kodak's demise. While the future of digital cameras may have come earlier than anticipated, the technology itself did not. It was the lack of adequate governance that led to Kodak's downfall. Kodak's employees had developed the first digital camera 37 years prior to Kodak's collapse, which highlights this point further.

Nokia provides another example of the consequences of poor governance. Not only did Nokia's employees have knowledge of impending threats (the smart phone), but they also warned management about them. However, the corporate culture discouraged employees from reporting negative information to upper-level managers. As a result, Nokia was acquired without anyone saying anything about the fact that Nokia's senior leaders knew full well that the smartphone was coming. When asked why he thought things went so badly wrong for Nokia, Nokia's former CEO responded: "I don't think we did anything wrong — but somehow we lost." This quote illustrates the

worst of the many types of governance failures. That is when there is an inability to recognize a problem as it develops into something that cannot be changed. Governance can create a sense of invisibility that exists in such situations.

The Counter-Example: Enterprises That Governed Change

There are also instances where companies have actually accomplished successful transformation. For example, it is estimated that it will take IBM nearly three decades to transform itself from being primarily an equipment manufacturer, to become one of the largest providers of consulting services globally, and eventually provide cloud-based services. Likewise, within about twenty years (as of 2024), Netflix transformed from a mail delivery service for DVDs, through a second subsequent business model of streaming media. Microsoft increased its market capitalization from just under $350 billion in 2014 to more than $3 trillion dollars in 2024 since Satya Nadella became CEO and altered the corporate governance structure to be focused on providing cloud-computing based solutions with other corporations working together using artificial intelligence.

All of these organizations were able to achieve their respective transformations in large part due to the establishment of organizational governance structures which provided both permission and pressure to each level of the organization to create proactive change, instead of reactive changes as those changes occur.

PRINCIPLE	Organizations do not survive by avoiding bad decisions. They endure by making the right decisions at the correct time — and that is a function of governance capability, not technology capability.

The AI Disruption Is Different — And It Is Already Here

The future of enterprise leadership will face similar challenges to all previous generations. Governance will determine the success or failure of the next phase in transformation. The AI transition is simply the most significant of these challenges.

The primary reason why the present disruptions (AI) differs from cloud migrations, analytic modernizations, and work flow automations is that those other transformations primarily affected how companies process data. The AI transition however, affects who/what participates in decision making processes. This difference affects nearly all aspects of what governance and leadership should be transformed into.

$407B	**72%**	**40%**	**$4.4T**

Projected global AI market by 2027 *IDC*	Enterprises now piloting AI in operations *McKinsey 2024*	Enterprise tasks automatable by AI agents *Gartner*	Annual productivity uplift potential from AI *McKinsey*

From Systems of Record to Systems of Action

ERP systems and Operational Platforms have been used for over 30 years as systems of record. Human beings interpret system outputs, make decisions and assume complete responsibility for those decisions. With emerging enterprise architectures, AI monitors conditions continuously, evaluate options at machine speeds and now increasingly perform automated action on their findings. Examples include: automated replenishment, dynamic supply chain allocation, continuous financial risk assessment. The new role of enterprise leadership is to provide intent to AI systems, establish boundaries on policies that may be executed by AI systems, accept accountability for the results generated by the actions taken by AI systems.

Previous Generation Enterprise	Agentic Enterprise Era
Systems of record & workflow orchestration	Systems of action & autonomous execution
Humans interpret data & approve decisions	AI evaluates trade-offs & triggers actions autonomously
Humans carry full operational accountability	Humans govern intent, policy, escalation & accountability
Planning identifies options — humans choose	Orchestration governs execution across changing conditions
Competitive advantage: scale, cost, infrastructure	Competitive advantage: governed decision velocity

SAP, Oracle, Microsoft, Salesforce and ServiceNow have built-in autonomous execution capabilities directly into their respective enterprise platform(s). These are not indications of when an AI transition might occur; they represent evidence that an AI transition is currently occurring.

BOARD-LEVEL QUESTION

The question is no longer: "How should we use AI?" The real question is:

How will we govern an enterprise where machines increasingly participate in operational, financial, and strategic decisions?

Why Most AI Strategies Will Fail

The irony of today's situation is quite strong. Today most companies have a huge focus on how quickly they can adopt AI – investing in tools for it, creating pilot projects for it, assigning Chief AI Officer positions to lead their efforts; meanwhile the overall governance structure needed to support and sustain the investment in these areas has not yet been built.

Three different failure patterns are currently developing which need to be viewed with great concern by your company's Board of Directors:

The Technology Race	The Compliance Trap	The Delegation Illusion
Pursue AI tools aggressively without redesigning governance. Results in pilot proliferation, inconsistent controls, shadow AI usage, and escalating operational risk.	Treat governance as bureaucracy. Results in adoption paralysis, talent frustration, and competitive lag. Risk is reduced while market relevance is surrendered.	Assume AI governance belongs to IT or data teams. The most dangerous model — AI is becoming the operating model itself. Accountability must span Finance, SCM, HR, Legal, Operations, and the Board.
Organizational fragility at speed	***Organizational rigidity at cost***	***Accountability vacuum at scale***

AI Governance is not an Information Technology (IT) framework. It is Enterprise Leadership Architecture. Therefore, the organization(s) that create this type of architecture first will establish structural advantages that will be extremely difficult for later movers, regardless of how much capital or resources may be available to them, to copy.

Governance Is the Engine of Innovation, Not Its Enemy

Effective governance isn't an obstacle to transformation; rather, effective governance provides the architecture upon which transformations may be built, sustained, defended, and scaled. Kodak did have governance. Unfortunately, its governance was based on how to govern yesterday's models. The lesson here isn't that governance slows down organizations -- it's that governance focused on yesterday's models will accelerate an organization's rate of decline.

In terms of ungoverned AI, the potential risk is of a far larger scale than any other technology transition. The types of errors caused by poorly-governed AI do not cause random, one-off mistakes. They cause mistakes to proliferate at the speed of machines. Thus, if an autonomous workflow operating on incorrect information were to misposition inventory around the world prior to any analyst discovering the error; or if a replenishment agent without escalation limits were to generate supplier exposure that would take months to reverse; or if an unregulated AI application for pricing or allocation were to create compliance violations more quickly than a governing body could respond -- then ungoverned AI represents an enormous risk to businesses worldwide.

REGULATORY REALITY

The EU AI Act is in force now — not tomorrow. It classifies high-risk AI applications across employment, critical infrastructure, and financial services. Fines reach €30M per violation or 6% of global annual revenue, whichever is greater. Federal and state-level frameworks in the United States are developing along similar lines.

There is no defensive purpose to governance; there is only an offensive one. Research from Accenture has demonstrated that companies that establish strong AI governance structures achieve returns on their investments in AI that are 3.5 times higher than companies that do not have such structures in place. This is not due to a reduction in the amount of AI employed by those who have developed a strong AI governance structure -- but rather, it is because companies employing robust AI governance structures employ AI more effectively. Strong AI governance environments reduce internal anxiety among employees regarding the use of artificial intelligence; attract more skilled workers; build customer confidence and trust; and earn more respect from investors interested in assessing ESG performance and accountability.

Supply Chain: The First Enterprise Battleground

There is no business function that is more clearly influenced by the potential for autonomous decision-making (both positive opportunities and negative risks) than the supply chain -- nor one with greater consequence should that autonomy be unregulated. Supply chains are already operating as high-level decision networks; demand variability, supplier risk, inventory management alternatives, logistical constraints, financial exposures, sustainability challenges, and geopolitical uncertainty interact constantly. Decisions made throughout the supply network have direct financial implications to working capital, customer satisfaction or service levels, margins, and ultimately to revenues.

In the near future, AI agents will be implementing those decisions automatically (without the approval of an individual human). It is not whether AI has the capability to make such decisions. For many organizations in several different settings, it already does. Rather, it is how well organizations can create a governance framework for its use as a system.

The five-layer Trinity Planning Architecture (Digital Trust Foundation through Workflow Automation, Human-Led AI Planning, Enterprise Decision Orchestration, and Strategic Optimization) was based upon the notion that humans would continue to act as the major decision makers. However, as AI agents begin to implement decisions instead of just providing recommendations, the architecture needs a governance component above the planning layer. Planning identifies possible solutions. Orchestration regulates the implementation. Governance establishes what level of responsibility exists among stakeholders where autonomous decision execution occurs at scale.

As such, Integrated Business Planning also needs to evolve. As defined in Series 006, the IBP process established as the enterprise-wide decision layer must now provide governance over the emerging environment of AI agents making consequential decisions autonomously between each cycle of governance. Thus, the role of IBP changes from aligning the organization's plan(s) to establishing the intent, policy boundaries, and accountability structures under which autonomous execution occurs.

What Enterprise AI Governance Architecture Actually Requires

Most AI governance discussions end at defining policies, ethics statements, and technology controls. While all three components are important -- they are insufficient. What companies require is a governance architecture: A collection of interdependent design choices that function together as a system and not merely as a checklist. There are five elements that determine that architecture.

Governance Dimension	What It Requires	What Happens Without It
Strategic Guardrails	Define what AI systems may do independently, where they must escalate, and what policy boundaries apply per function. Owned at executive level and reviewed at each governance cycle.	Autonomous systems make decisions that are technically correct within their optimization logic but misaligned with enterprise intent. The gap widens until a material failure makes it visible.
Trusted Decision Data	Data lineage, quality standards, access governance, and integrity audit trails embedded as enterprise risk controls — not managed as IT back-office tasks. Directly extends the Digital Trust Foundation from Series 003.	AI on poor data does not produce poor recommendations. It produces confident, rapidly-executed, hard-to-reverse poor decisions at scale. Garbage in, governance failure out.
Explainability & Auditability	Every consequential AI decision must be reconstructable — what data drove it, what parameters governed it, who is accountable. Built into the system by design, not retrieved after an incident.	Regulatory exposure, customer trust erosion, and board-level accountability failures. Enterprises that cannot explain their autonomous decisions will face consequences that compound.
Decision Rights Architecture	Named human owners, escalation paths, and override mechanisms for every material autonomous decision domain — defined before autonomy scales, across Finance, Supply Chain, HR, Legal, and Operations.	Accountability dissolves at exactly the moment it is most needed — when an AI error amplifies across the enterprise at machine speed. Crisis management replaces governance design.
Resilient Orchestration	A governance layer that coordinates AI-driven decisions across functions — ensuring supply allocation, commercial commitments, working capital constraints,	Local optimization at the cost of enterprise coherence. Each function's AI performs well in isolation while the

	and sustainability requirements align dynamically. IBP redesigned as the governance mechanism, not a reconciliation meeting.	enterprise as a system underperforms — or fails.

The New Measure of Enterprise Maturity —What Leaders Must Do

There are a number of key measures that define an organization's level of enterprise maturity. These include, but are not limited to:

- ERP Standardization
- Process Harmonization
- Automation Levels
- Data Visibility
- Cost Efficiency

These traditional measurements of enterprise maturity defined the way business was conducted during the last decade. In contrast, the next ten years will be evaluated on five capabilities which will be determinative of access to funding, talent and ultimately competitive positioning in the marketplace.

#	Capability	Why It Will Define Market Position
01	**Decision Transparency**	Regulators, boards, customers, and employees increasingly require enterprises to explain how autonomous decisions are made. Explainability is becoming a legal requirement and a trust standard simultaneously.
02	**Enterprise Orchestration**	Decisions must align dynamically across supply chain, finance, commercial, and operations in real time — not reconciled monthly after independent AI agents have already acted.
03	**Digital Trust**	Leaders must be able to verify the integrity of data, models, and execution logic. An enterprise that cannot trust its AI inputs cannot govern its AI outputs — and investors and partners are beginning to assess this directly.
04	**Governance Velocity**	Static governance frameworks become liabilities as AI capability advances. The organizations that build adaptive governance — designed to evolve — will outmaneuver those treating governance as a one-time policy exercise.
05	**Human Accountability**	Material financial and operational outcomes require named human ownership, even in autonomous environments. The organizations that design accountability explicitly into their AI

		systems will earn regulatory credibility, customer trust, and top talent.

Boards and CEOs have a very specific set of responsibilities going forward. Those organizations that succeed will act quickly, while there are still significant governance gaps that can potentially result in operational failures.

	Priority	What This Means in Practice
01	**Elevate AI Governance to Board-Level Responsibility**	Boards require direct visibility into autonomous decision exposure, data trust maturity, accountability structures, and regulatory risk. This is not an IT agenda item — it is a fiduciary responsibility. The boards of future Kodaks will be asked why they did not treat it as one.
02	**Redesign Decision Rights Before Scaling Autonomy**	Most organizations are automating workflows before redefining accountability. That sequence is backwards. Named ownership across Finance, Supply Chain, HR, Legal, and Operations must be defined before autonomous execution scales — not reconstructed after an AI error amplifies.
03	**Evolve IBP Toward Enterprise Orchestration**	The IBP process must become a dynamic governance structure — receiving AI-generated outputs with financial implications already quantified, so that human judgment governs strategic direction rather than reconciling functional plans that AI agents have already acted on.
04	**Build Digital Trust as an Enterprise Capability**	Trusted data, explainable models, transparent workflows, and auditable execution are foundational risk controls for an enterprise where AI makes operational decisions — not IT infrastructure managed below the leadership line of sight.
05	**Prepare Leadership for the Agentic Enterprise**	Future leaders must govern autonomous systems, human-machine collaboration, and continuous operational adaptation. Planners become orchestrators. Analysts become exception strategists. Operators become AI supervisors. This redesign is a governance responsibility — not a byproduct to be managed after deployment.

Closing Insight

Kodak didn't go out of business because it didn't anticipate digital photography; Nokia didn't lose its engineering edge; Blockbuster didn't fail due to streaming media. Rather they lost their markets and ultimately went out of business because the systems of leadership were structured to protect the status quo of how each company operated — and the resulting lack of momentum from governance became stronger than the awareness of new technology.

Likewise, the AI era offers the same test for all enterprises at scale, with much higher stakes and much shorter timelines for responding. Systems of AI that operate outside the scope of governance don't simply under perform. They magnify failure. Similarly, autonomous decision making without established accountable structures doesn't just create risk. It creates exponentially larger amounts of risk across the entire enterprise as fast as the machines can execute decisions.

The next Kodak won't go bankrupt because it didn't see the opportunity for artificial intelligence. It will fail because it saw the potential for artificial intelligence — and chose to govern it inadequately.

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