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As Kodak Fades, Rochester Develops Other Businesses

Start-Ups, Founded by Entrepreneurial Engineers Shed by Big Employers, Help the City Escape a Rust Belt Fate

By DANA MATTIOLI

Rochester, the New York home of Eastman Kodak Co., ticks many of the standard Rust Belt boxes.

Crumbling corporate benefactor? Check. Acres of vacant lots? Check. Soaring unemployment? Well, no.



Brett Carlsen for The Wall Street Journal

An employee exits one of Kodak's last plants in Rochester.

Even after a quarter century during which Kodak wiped out nine of every 10 jobs it had in the city, greater Rochester's jobless rate is running well below the national average—at 7.3% in October, the most recent available, compared with a national rate of 9% at the time.

Rochester has managed this feat with a resurgence of entrepreneurial activity that has filled the void left by its shrinking corporate giants, among them Kodak, Xerox Corp., Bausch & Lomb Inc. and General Motors Co.

Many of the people laid off by the large companies in Rochester are highly trained engineers who have started their own companies and live in the upscale neighborhoods of Pittsford, Penfield and Brighton. Some have left the engineering world behind as they made the transition from company man to entrepreneur.

Don Olson, 54 years old, is one former Kodak employee who has landed on his feet. Back in 1979, the chemical engineer passed up 17 job offers in hopes of moving to Rochester and working for Kodak, then a film powerhouse. He slept outside the career-placement office of his college, Michigan Technological University, for a shot at the interview. "Kodak was the Apple back then," he says.



Brett Carlsen for The Wall Street Journal

Terry Rood, laid off after 29 years, earns a living

Kodak, more of an imaging company these days, laid off Mr. Olson last year after 32 years of employment. He now runs an antique business from his home in Brighton, where he displays parts of what he calls his "rotating collection"—such things as unsigned paintings dating back to the 1800s that hang on his walls and Indian artifacts.

Losing the stability of a paycheck and benefits has been an adjustment. "It's tough right now," he says, admiring a American-Indian ash burl bowl he keeps in his living

driving a hotel shuttle.

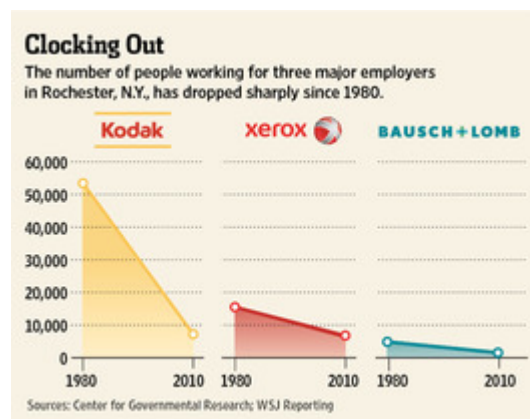
room. "I'm selling luxury goods in a down economy."

The city's boosters like to say Rochester is reclaiming its entrepreneurial past. The western New York city on the Erie Canal got on the map because of business-builders such as George Eastman, who founded Kodak in 1880. It was Rochester native Joe Wilson who transformed Haloid, a small paper company, into Xerox Corp.

As these businesses flourished, the spirit of small-scale entrepreneurship faded, local residents say. In the 1980s, more than half the Rochester-area work force was employed by the big corporations or their suppliers, says Mark Peterson, chief executive of Greater Rochester Enterprise, a nonprofit founded in 2002 to attract multinationals and start-ups to the area. As of 2010, the same corporations employed less than 10% of the local work force, Mr. Peterson says.

Alex Zapesochny, co-founder of Rochester-based medical start-up iCardiac Technologies Inc., says area residents ignored his booth at job fairs as recently as 2006. "They worked at large companies, and it made them risk averse," he says. Now, the company, which measures cardiac side effects of prescription drugs, has grown to 50 employees and receives a steady stream of resumes during these times of high unemployment nationwide, many from current and former Kodak employees.

Jaimie Cole joined iCardiac after Kodak laid him off in 2006 following a 21-year career. The 48-year-old considered hopping to another big company, but decided it was time for a change. He is now iCardiac's senior director of technology.



Sitting in his boss's office, Mr. Cole says he has taken a pay cut but is more stimulated and appreciated. "The biggest adjustment is I no longer live waiting for that ax to drop every day," he says.

Declining pay is a fact of life in Rochester. In the 1980s, average income per job exceeded those of New York state and the U.S., according to data compiled by the Center for Governmental Research. In 2010, at \$47,333, Rochester's average lagged behind the state's \$66,327 and the nation's \$51,739.

Jobs aren't evenly spread around, either. While much of Kodak's highly educated work force was able to land jobs, its unskilled workers face a harder reality, local business leaders say. In the city itself, where much of Kodak's laid-off industrial workers still live, unemployment in October was running at 9.6% on a nonseasonally adjusted basis.

Rochester's inner neighborhoods change quickly. Blocks of Victorian-style homes with painted shutters on large pieces of property abruptly give way to boarded up shacks, convenience stores and tattoo parlors. Vacancies are so prevalent that the city has put murals of Rochester's former glory along stretches of multiple empty storefronts to hide the eyesores.

Some gaps are harder to paper over. Midtown Plaza, the country's first indoor shopping mall and once the pride of the city, has been knocked down and is an inactive construction site. The area around Kodak's headquarters is a ghost town.

The city is working to attract new business. [Fedex Corp.](#), [Alpina Foods](#) and [DataPhysics Research Inc.](#) have moved some operations to Rochester and created jobs.

Harris RF Communications, part of communications-technology provider [Harris Corp.](#), has grown from 500 employees in Rochester in 1980 to 2,300 today by scooping up former Kodak engineers and employees who worked in manufacturing and logistics, says Dana Mehnert, group president of RF Communications.

Rochester-based private-equity firm Trillium Group has helped fund a number of start-ups, including iCardiac and Thermal Gradient Inc., a molecular diagnostic company started in 2004 by two people who worked at a Kodak spinoff bought by Johnson & Johnson. Four of Trillium's six senior executives worked at Kodak at some point, says Kevin Phelps, a general partner who once was director of financial planning for Kodak's bioproducts division.

"As big businesses like Kodak or Xerox were downsizing, we acknowledged the fact that we're going to be a small-business community," Mr. Phelps says.

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