Special Section
Q&A: Mark Costa, Eastman Board Chair and CEO

Over the course of a century, Eastman has been led by men whose focus ranged from visionary to operationally-focused on a granular level. Perley Wilcox, who negotiated the purchase of the original Kingsport site for a reported $205,000, became the first general manager of the Tennessee Eastman Corp., and led the company through its historical role in World War II. Wilcox’s successor, James C. White was a high school drop-out who came to Kingsport as a wood and timber operations manager. The Kingsport Rotary Club described him as, “a stern man, respected for his fairness and lack of pretense.” Skipping ahead in history, Earnest Deavenport led Eastman through the spin-off from Kodak in the 1990s, helping build a culture that led to the company earning the Malcolm Baldrige National Quality Award. The current board chair and CEO, Mark Costa, has led the company into an era in which Eastman broadly focuses on responsibilities to all stakeholders, from shareholders to customers to business partners to employees to the communities in which it operates. Costa answered questions from the Business Journal on the occasion of the company’s centennial.

The Business Journal: Keeping in the theme of “Then. Now. Next.”, let’s begin with “then.” Eastman has, in the last couple of decades, greatly diversified its product offerings. What were the key motivators in this shift toward broadening the company’s scope of production?

Mark Costa: If you look at how we started in 1920, we were providing raw materials for one customer for one market. Even back then, we realized that model wasn’t what was best for our future. So, I guess you could say that we have been diversifying our portfolio since the very beginning. But you’re right, we have intensified our efforts over the past several years, particularly as we started on our transformational journey to a specialty materials company.

We recognize that having a diverse portfolio that serves a number of diverse markets is a huge advantage for us. A great example of that stability is playing out right now as we go through the COVID crisis. Some of our products and end markets are doing very well in a pandemic, such as packaging. Some are more challenged, like transportation. And then others are having mixed results. Overall, this diversity is a source of strength by providing balance, better earnings stability and growth.

BJ: Innovation has been the watchword at Eastman. But innovation takes planning, then execution, and both of those take time. Most companies are constantly looking for ways to become more efficient, but Eastman has needed to create the time to satisfy its existing customers while shifting more and more toward a culture of innovation. Simply put, how have your people found the hours in the day?

MC: To begin with, we have a great team that is creative, resourceful and highly responsible. Finding ways to improve a process and make it more efficient is part of our DNA. But on top of those innate advantages, we have also implemented a number of initiatives over the past several years to help drive focus and behaviors so that we move faster and are more adaptive and agile. And, we have made a concerted effort to stop doing non-essential work to allow more focus on those things that will drive results and accelerate innovation.

It’s been a journey and I won’t deny that our teams have taken on a lot as we transform to an innovation-driven, specialty materials company. But we’re learning as we go and we’re getting faster and more efficient every day. We have also aggressively looked for ways to shift resources to innovation and R&D. When we find ways to make the organization more efficient, we often are redirecting those savings towards accelerating our innovation efforts.

BJ: Some are surprised to hear a Fortune 500 chemical company is so focused on sustainability. Please explain how and why investing in building the circular economy is a pathway to new levels of success for the company, and how you measure that success.

MC: Actually, sustainability is at the core of what we do, and Eastman has a long history of proving that. We have an innovation-driven growth strategy that’s underpinned by sustainability macro trends. And, as an innovation company with world-class technologies, we’re uniquely suited to deliver solutions to some of the world’s most complex problems. One of those big world challenges is the problem of waste, and Eastman is applying innovation to help solve that problem. We launched advanced recycling technologies in Kingsport over the past year that can recycle almost any kind of plastic waste, and already, we have recycled millions of pounds of complex plastic waste.

We call our technologies “molecular recycling” because...
Known as the “father” of Tennessee Eastman Corporation, Perley Wilcox was one of the original organizers of the Kingsport Community Chest and was a charter member of Holston Valley Community Hospital and chairman of the hospital’s board of directors from 1944 to 1951. His generous donation to the facility paved the way for a 50-bed nursing care facility that was named Wilcox Hall in 1961. Today, we continue to invest in community and economic development efforts. We want to ensure this region is a great place for all—now and for future generations.
we have the ability to process hard-to-recycle plastics on the molecular level, and we can do this an infinite number of times with no loss in product quality. The world needs this solution – we need to capture this value in waste instead of just throwing it away and sending it to the landfill. Molecular recycling is a better solution for the environment, and there is market demand, too. Consumers and brands are demanding more products with a better sustainability profile, and Eastman is able to meet those needs now. Our Advanced Circular Recycling technologies are already at commercial scale and scaling up quickly, and we will soon have measurable goals on materials circularity.

BJ: The “now” - or at least the most recent past - has been a story of moving forward against headwinds. As the trade wars transitioned into the era of COVID-19, Eastman had only a few weeks of unfettered forward motion. Please share recent examples of how Eastman teams have employed innovation in succeeding despite these externally created impediments.

MC: I’m extremely proud of how well the Eastman team has managed through this latest crisis. We quickly transitioned to this new world we find ourselves in, embraced technology in ways that we never have before, and continued driving our innovation-driven strategy forward. That’s not to say that COVID hasn’t slowed our progress. Obviously, engaging with customers virtually isn’t a complete substitute to personal interaction, but we have gotten very creative in how we engage so that we can keep moving forward.

One way that we measure the success of our strategy is through new business revenue generation, and I am very proud to say that we continue to make great progress winning new business despite the challenges created by COVID. And one success that I am particularly proud of is the launch of Tritan Renew copolyester in June. Renew offers sustainability without compromise, providing the same durability, performance and safety of original Tritan but with up to 50 percent recycled content derived from waste plastic. Eastman will produce Tritan Renew with our innovative Advanced Circular Recycling technologies that use recycled plastic as a raw material, reduce consumption of fossil fuel and have lower greenhouse gas footprints. This product launch is a significant step forward for Eastman as the first product to market using molecular recycling made possible by our Advanced Circular Recycling technologies. Despite COVID, we have made considerable progress over the past year to create sustainable solutions that convert millions of pounds of waste into new materials.

BJ: As a publicly traded company, Eastman must constantly strive to create new value for shareholders. The company does this with an eye toward corporate citizenship, supporting education, empowerment and diversity and economic development in the communities in which you operate. So, as Eastman celebrates a century of operation, we’ll ask you the same thing we asked Kingsport city leaders when they marked the city’s centennial in 2017: The next time a major milestone is celebrated and Eastman’s leaders look back into the company’s history, how do you hope they will view the current era?

MC: No doubt this will be remembered as a time of great change, not just for Eastman, but for our industry and for the global economy in the way we work and conduct business. I hope this era will be remembered as a time of growth and transformation, when the company began on the specialty journey that would propel and sustain it for the next 25, 50 or 100 years. I also hope that the work that we are doing to strengthen all of those things you pointed out has taken lasting hold and made a marked and measurable difference in the lives of all of our stakeholders.

Our purpose is to enhance the quality of life in a material way. When others look back on this time, I hope they can see evidence of that in society at large through our innovative solutions and products, and more locally through an increase in quality jobs, through the innovative culture that we are cultivating, through more inclusive and diverse communities, through increased economic development across this and other regions where we have a large presence, and through long-term, sustainable growth for our company.
Thank You Eastman, for 100 Years of Innovation!

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Sometimes, it’s better to be second. Just ask Eastman Chemical Co., the second chemical company to call Kingsport home. Eastman is celebrating a century in business this year. By contrast, the first Kingsport chemical company lasted less than five years. But, Eastman would never have had the chance to succeed had it not been for the prior failure of the Federal Dyestuff and Chemical Co.

In 1920, as Federal Dyestuff was ceasing operations without ever having completed construction of its Kingsport plant, George Eastman was in Rochester, New York, looking for a site for a new chemical plant of his own. World War I had interrupted Mr. Eastman’s supply chain to such an extent that he vowed to find an American source for the lumber he needed to distill methanol for Kodak products.

At the same time, J. Fred Johnson was working to develop the land in and around the town of Kingsport, which had been chartered only three years earlier. Johnson caught the attention of Perley Wilcox, who at the time was assistant general manager of Kodak Park in Rochester. Wilcox traveled to Kingsport in the spring of 1920 and saw not only the half-built Federal Dyestuff plant, but also the rich hardwood forests stretching in every direction. Wilcox’s enthusiastic report convinced Eastman not only to purchase the Kingsport property, but also large swaths of forest.
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land in the surrounding states as well. Wilcox was named general manager of the newly formed Tennessee Eastman Company.

At the time, George Eastman viewed the Kingsport operation as an investment in the stability of the Kodak photographic business, and so allowed Wilcox and Tennessee Eastman the freedom to operate at a loss for 15 years. In what looks in retrospect like foreshadowing, it was not until Tennessee Eastman began to diversify its product line that it became profitable.

Methanol production dominated the first decade-and-a-half of Tennessee Eastman’s existence, but it was the company’s entry into the production of acetate products that would begin to propel real growth. Cellulose esters production began in the 1930s as the parent company adopted cellulose acetate in its film production. Soon after, Tennessee Eastman began producing acetate yarn, then Tenite cellulose plastics, rapidly broadening the company’s customer base. The company was taking its first steps into the world of innovation.

World War II came to Tennessee Eastman two weeks before the rest of America. It was in mid-November that Wilcox took a call from the National Defense Research Committee asking if Tennessee Eastman would consider taking a contract to develop a new process for recovering anhydride from dilute acetic acid.

The process was essential in creating a new version of an explosive compound stable enough to be transported, but potent enough to punch through the hulls of Germany’s fleet of U-boats, which were proving capable of surviving the blasts from traditional
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TNT-based depth charges. The U.S. had already begun production of RDX (Research Development Explosive), but the manufacturing process was woefully inefficient, the product was still too unstable, and all the RDX produced in the U.S. was spoken for by the British Royal Navy. The U.S., expecting to enter the war at some point, needed its own supply.

So, two weeks before the attack on Pearl Harbor, Tennessee Eastman received its first shipment of weak acid. Eastman’s people quickly showed they had warmed to the idea of innovation. By Jan. 16, 1942, the company received authorization to build a small pilot plant. Having anticipated the receipt of that authorization, the company had already built the plant’s first unit and had begun 24-hour production three days before the authorization arrived.

The next step was the creation of a larger explosives production facility, which Wilcox was adamant would not be adjacent to the main Tennessee Eastman campus. Thus, a site that had once been a part of the company’s Bays Mountain logging operations was chosen, and the Holston Ordnance Works was hastily built. By March, it was up and running. The Army immediately authorized Tennessee Eastman to double capacity and, “make all you can.” Around 20,000 workers were hired to build the new plant, creating a sudden housing shortage in Kingsport.

SEE EASTMAN, 26
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By the time the war would end, the facility would produce just short of a billion pounds of a potent explosive with no explosive-related deaths despite an almost complete lack of previous explosives experience in the workforce.

The company’s ability to perform large-scale operations quickly, efficiently, safely and securely caught the eye of General Leslie Groves, who was heading up an operation known as the Manhattan Project. Groves was under pressure to build the first atomic bomb before the Germans, so he needed work done quickly and done right. That led him to Kingsport.

On Christmas Eve 1942, Groves placed a call to James C. White, the general manager at Tennessee Eastman. Groves had already hired DuPont and Union Carbide to operate other parts of the secret research and development facility he was building at Oak Ridge, Tenn. He wanted Tennessee Eastman to run the electromagnetic plant.

White initially declined, saying Tennessee Eastman was already stretched too thin, having only 6,500 employees – a third of whom were on military leave. Groves then called Wilcox, who was then president of Tennessee Eastman. Wilcox backed White’s decision, but Groves kept climbing the chain of command. Calls from Groves to both the president and chairman of the board of Kodak produced a face-to-face meeting between Groves, White and Wilcox. Groves assured Wilcox and White the job would only require around 1,500 people, with a hard cap
of 2,500. Somewhat mollified, and with Kodak looking on, Wilcox and White signed on.

As it turned out, Groves slightly understated the human resources required. By the end of the war, the Y-12 facility would employ more than 24,000 people. Under Eastman’s management Y-12 produced around 75 pounds of U235 for the war effort, including the material in the bomb dropped on Hiroshima. In addition, RDX from Holston Ordnance Works was used in the production of the Nagasaki bomb, meaning Eastman would be directly involved in the war effort literally from before America’s official commencement of hostilities until the end of the war.

Once the war ended, the company continued to diversify its product offerings. By the late 20th century, Tennessee Eastman chemicals were being used in the manufacture of everything from apparel and home furnishings to auto parts. The company invented Superglue and the coal gasification process.

Tennessee Eastman also surpassed a significant milestone when it became a player in international commerce, selling more product to outside customers than to its parent company in Rochester.

That nexus became more important as the century drew near its close. By 1993, while the Tennessee operation was profitable, Kodak was facing a debt load of $7 billion and management was unsure how to handle the emerging digital photography market. As early as 1990, Kodak Chairman Kay Whitmore had considered breaking up the Tennessee operations to sell piecemeal. Earnest Deavenport, who would later become Eastman Chemical Co.’s first CEO, argued that the Tennessee operation should be spun off as a whole, and allowed to become a publicly traded company. After three years of deliberation with advisors from Goldman Sachs, Whitmore and Deavenport agreed to make the spin-off happen.


Said Deavenport, “You provide kids with a healthy environment, a good education and the better things in life. But at some point, they need to leave home and be on their own.” Deavenport’s metaphorical kid was already making its way in the world before the spin-off became official. In October 1993, Deavenport received word that Eastman had won the Malcolm Baldrige National Quality Award.

Eastman had risen to become one of the best-respected companies in North America, with growing markets and assets worldwide. And, nobody had thought about Federal Dyestuff for years.
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Eastman Then, Now and Next

Chapter Two: Now

by Scott Robertson

George Eastman created Tennessee Eastman a century ago because he’d grown weary of the supply chain disruptions created by the Spanish Flu and the War to End All Wars. How ironic he might find it to learn that as the company began its second century of operations, Eastman is again dealing with supply chain and other issues created by a war – in this case a trade war between the U.S. and China – and a pandemic.

Despite the unprecedented challenges of 2020, Eastman’s leaders say the company remains driven by innovation. Eastman’s moral purpose is also unchanged: to enhance the quality of life in a material way. And, from a financial perspective, the company is maintaining a focus on maximizing cash generation.

Eastman has announced plans to cut costs by $150 million this year, with $60 million of those cuts already having been made. The company has already divested itself of one Asian facility and is evaluating what other structural changes will put it in the best position for the eventual recovery of discretionary spending in the world economy.

One area where the company is looking to find value is network optimization. Over the years, Eastman’s acquisitive nature has brought onboard a large inventory of warehouses and manufacturing facilities. “As you look at those plants, warehouses and networks of how we do everything, there are opportunities
to optimize all of that,” Board Chair and CEO Mark Costa said after the release of second quarter earnings. “There is headcount reduction as well. So as we optimize our business operating model and our investments about making us more effective, nimble and agile in our commercial operations, all the way through how we improve our effectiveness of operations, especially a lot of lessons learned here in the last four months, we see real opportunity to streamline the organization and take out costs.”

The unanticipated challenges created by the financial, cultural and medical crises of 2020 have given the company an opportunity, Costa said. “It’s a great year to sort of step back and say, ‘how do we complete the transformation to a specialty company, both on the commercial capability and innovation investments which we’re continuing to do, but also on how we become very cost competitive to create value for our shareholders and stay competitive against the people we face in the marketplace?’”

“We will be driving an operational transformation program to remove cost by greater than $200 million by the end of 2022 with a significant impact in 2021,” Costa said. “Altogether, with these actions we’ve taken in 2020, we are well positioned to benefit from the return of economic growth as we look at the future in 2021 and beyond – as we lead from a position of strength with our innovation-driven growth model – it’s the heart of how we win.”

Congratulations on 100 years!

We thank Eastman for its leadership and partnership through support of critical research endeavors and impactful student experiences.
There is a reason publicly traded companies like Eastman put disclaimers ahead of any forward-looking statements they make. As 2020 has shown, economic realities feel no compunction to respect one’s plans, even if one is a Fortune 300 company with 100 years of experience.

That having been said, Eastman’s leadership has made it clear throughout the centennial celebration that the company’s values will remain constant moving forward. Corporate citizenship, support of education, empowerment and diversity, and economic development in the communities in which it operates will remain watchwords for Eastman as it begins its second century of operation.

The company issued a statement of values earlier this year which said, in part, “From maintaining safe and reliable operations to developing insights that benefit our customers to innovating the future, we’re focused on making a difference for the many people who count on Eastman, today and for generations to come.”

In addition, the culture of innovation will remain a hallmark of the company moving forward. “It’s the people that define success in any company,” Board Chair and CEO Mark Costa said. “It’s not the assets or markets. It’s the people who innovate. It’s the people who adapt to challenges and find solutions. And we’re doing it again. We’re going to be one of the forward-leaning companies in sustainability and the circular economy. I can’t tell you how incredibly excited I am about that because it’s an example of how we build a future for the next 100 years.”

While 2020 has presented unprecedented challenges, it has also served as a reminder of Eastman’s ability to adapt, innovate and thrive. Eastman has been weathering challenges longer than 99 percent of the world’s businesses. The company’s rich history suggests a culture ready to meet whatever challenges await, Costa said.

“This (centennial celebration) is an opportunity for us all to appreciate - through a lot of stories and a lot of discussions and remembering history - to remind us of what we can do as we go forward into the future.”