

Apple, Inc.: People and Design Create the Future

Over a span of more than 30 years, Apple Computer paradoxically existed both as one of America's greatest business successes and as one of the greatest failures of a company to realize its potential. Apple, Inc. ignited the personal computer industry in the 1970s,¹ bringing such behemoths as IBM and Digital Equipment almost to their knees; stagnated when a series of CEOs lost opportunities; and rebounded tremendously since the return of its cofounder and former CEO, Steve Jobs. The firm represents a fascinating microcosm of American business as it continues to leverage its strengths while reinventing itself.

Corporate History

The history of Apple, Inc. is a history of passion, whether on the part of its founders, its employees, or its loyal users.² It was begun by a pair of Stevens who, from an early age, had an interest in electronics. Steven Wozniak and Steven Jobs initially put their skills to work at Hewlett Packard and Atari, respectively. But then Wozniak constructed his first personal computer—the Apple I—and, along with Jobs, created Apple Computer on April 1, 1976. Right from the start, Apple exhibited an extreme emphasis on new and innovative styling in its computer offerings. Jobs took a personal interest in the development of new products, including the Lisa and the first, now legendary, Macintosh, or “Mac.”

The passion that Apple is so famous for was clearly evident in the design of the Mac. Project teams worked around the clock to develop the machine and its operating system, Mac OS. The use of graphical icons to create simplified user commands was an immensely popular alternative to the command-line structure of DOS found on IBM's first PCs.

When Apple and IBM began to clash head on in the personal computer market, Jobs recognized the threat



and realized that it was time for Apple to “grow up” and be run in a more businesslike fashion. In early 1983, he persuaded John Sculley, at that time president of Pepsi-Cola, to join Apple as president. The two men clashed almost from the start, with Sculley eventually ousting Jobs from the company.

The launch of the Mac reinvigorated Apple’s sales. However, by the 1990s, IBM PCs and clones were saturating the personal computer market. Furthermore, Microsoft launched Windows 3.0, a greatly improved version of the Wintel operating system, for use on IBM PCs and clones. Although in 1991 Apple had contemplated licensing its Mac operating system to other computer manufacturers, making it run on Intel-based machines, the idea was nixed by then-chief operating officer Michael Spindler in a move that would ultimately give Windows the nod to dominate the market.

Innovative Design to the Rescue

Apple continued to rely on innovative design to remain competitive in the 1990s. It introduced the very popular PowerBook notebook computer line, as well as the unsuccessful Newton personal digital assistant. Sculley was forced out and replaced by Michael Spindler. He oversaw a number of innovations, including the PowerMac family—the first Macs based on the PowerPC chip, an extremely fast processor co-developed with IBM and Motorola. In addition, Apple finally licensed its operating system to a number of Mac-loners, although never in significant numbers.

After a difficult time in the mid-1990s, Spindler was replaced with Gil Amelio, the former president of National Semiconductor. This set the stage for one of the most famous returns in corporate history.

Jobs’s Return

After leaving Apple, Steven Jobs started NeXT computer, which produced an advanced personal computer with a sleek, innovative design. However, the computer, which entered the market late in the game and required proprietary software, never gained a large following. Jobs then cofounded the Pixar computer-animation studio, which coproduced a number of movies with Walt Disney Studios, including the popular *Toy Story*.³

In late 1996, Apple purchased NeXT, and Jobs returned to Apple in an unofficial capacity as advisor to the president. When Amelio resigned, Jobs accepted the role of “interim CEO” of Apple Computer and wasted no time in making his return felt. He announced an alliance with Apple’s former rival, Microsoft. In exchange for \$150 million in Apple stock, Microsoft and Apple would share a five-year patent cross-license for their graphical interface operating systems. He revoked licenses allowing the production of Mac clones and started offering Macs over the Web through the Apple Store.

Beginning with the iMac and the iBook, its laptop cousin, Jobs has continually introduced a series of

increasingly popular products that have captured the buying public’s imagination. Upon their release, the iPod, MacBook, Apple TV, and iPhone instantly spawned imitators that mimicked the look of these products, but they couldn’t duplicate Apple’s acute ability to integrate design with usability. Once again, Apple became an industry innovator by introducing certifiably attractive—and powerful—consumer electronics products. Its recent successes have included growing to command approximately 21% of the total computer market⁴ and a 66% of the market share for computers priced over \$1,000.⁵ It also tends to earn more revenue per computer sold than its value-priced competitors.

What Does the Future Hold?

Whenever critics argued that Apple should reinvent itself again, it did just that—and then some. Now it is setting standards with new corporate strategy, taking advantage of the explosion of personal electronic devices. In its first week, iTunes sold 1.5 million songs and captured 80% of the market share of legal music downloads. And now we’re into new generation iPhones, wondering just what Jobs will next bring to the market.

It is Jobs’s hope that making its products the hub of a “digital lifestyle” will cement Apple’s sales and guarantee the company’s long-term security. But can the Cupertino, California, company retain its lead? Although Apple’s designs are widely lauded by both critics and customers, will it ever earn a majority share of the personal computer market? Or, does it really need to? When he was running Pixar and it was struggling, his co-founder Alny Ray Smith says: “We should have failed, but Steve just wouldn’t let it go.”⁶ If Steve Jobs is the key to Apple’s success, what would the firm do without him?

DISCUSSION QUESTIONS

1. Apple sells stylish and functional computers as well as a variety of electronic devices, and it operates retail stores. Which type of organization structure would best help Apple keep its creative edge, and why?
2. Should Apple’s board of directors be expecting the CEO to push transformational change or incremental change, or both, at this point in time? Why?
3. How could organization development be used to help the teams involved with iPhone development make sure that they are always working together in the best ways as they pursue the next generations of iPhones and innovative product extensions?
4. **FURTHER RESEARCH**—Review what the analysts are presently saying about Apple. Make a list of all the praises and criticisms, organize them by themes, and then put them in the priority order you would tackle if taking over from Steve Jobs as Apple’s new CEO. In what ways can the praises and criticisms be used to create a leadership agenda for positive change?