

Abstract

Over the last 12 months, Apple Computer has performed well financially compared to competitors like Gateway, Dell and HP/Compaq. The resurgence has been fueled by Apple's strengths—innovation, design and their GUI, combined with some 'insanely great' strategies. If Apple Computer is considered in the framework of the 7-S model (Peters, T. et al 1980) the soft S's are crucial areas. The Apple corporate culture is designed to enhance creativity, the core of innovation. In these times of leaner corporate staffing, even Apple Computer has had to emulate current cost reduction practices. Thus Apple faces a challenge to be innovative with fewer direct contributors to the idea pool. Some of the strategies Apple has initiated address not only the hard S's of strategy, structure and systems, but also tackle the more esoteric areas of style, staff, skills and shared values.

In recent months, Apple Computer has enjoyed moderate success in the personal computer market, despite the competition they face in an economic downturn. With the return of founder Steve Jobs, Apple has refocused on their roots as a computing innovator. To support the release of products like the iMac and iBook, Apple has launched a new ad campaign featuring people from various fields explaining why they switched to the Apple Macintosh. Though Apple hardware is priced much higher than IBM clones, consumers have responded with increased purchases of Apple desktop and laptop units. Apple has announced plans to integrate speech recognition into the Macintosh operating system (MacOS), an exciting development that enables computing technology for users with certain disabilities. The iPod digital music player is selling well. Apple has reduced their workforce and taken steps to cut operating costs to the bone.

Some of the current successes can be tied to the elements of the Peters and Waterman 7-S model. In the area of strategy, Apple has come out of their cocoon a bit and started using external sources for the design chain. The iPod is a recent example of the new Apple design chain model. Traditionally, Apple has leveraged the abilities of their in-house engineering talent to design every aspect of the technology being marketed. With the iPod, Apple sought the help of PortalPlayer, Wolfson Microelectronics, Linear Technologies, Texas Instruments and Sharp for the various digital audio components. Apple performed the product design in-house, but the components were provided externally. By choosing a design chain in between the opposite spectrums of OEM and ODM (original design manufacturer) Apple was able to get the iPod to market quickly, with lower cost but with the desired features and innovations. Apple's 'open source' design chain strategy for the iPod allows for future enhancements and improvements. In addition, the iPod is Apple's first successful entry into the 'convergent' device market. The Newton was never that popular. The iPod can be used with most any computer and OS. Users are

not limited to interfacing the iPod with only Apple products. Apple's aim is to market their computers as 'digital hubs.' The iMac, for example, can be had with DVD burning hardware and software. Apple markets the excellent Final Cut Pro for digital film studio tasks. Apple desktop and laptop units are well suited for multimedia production and playback. Apple has returned to the earlier strategy of totally proprietary OS and hardware, killing what was a burgeoning Mac clone market. Thus the reason that Apple hardware is more expensive than competing Wintel machines.

The structure of Apple has changed as a reflection of modern business practices. Apple has reduced the size of their workforce to cut costs. The downside is that Apple depends on a large body of people for ideas and innovation. With a smaller design staff, the source of creativity is less rich and so innovation becomes harder. The software division has been spun off into a separate firm, allowing Apple to focus on hardware products. Apple maintains a large R&D department. Manufacturing is fully outsourced.

In the systems segment, Apple has enhanced their supply chain management in an effort to shorten lead times, lower costs and improve overall efficiency. One challenge for Apple is sourcing of components. With sales volumes much lower than competitors like Dell, Apple can not get comparable pricing for raw materials. Apple has started a retail store division. There are over 25 locations in place across the US with more slated to open in 2003. Apple feels that by offering their own chain of retail outlets, they can better market the Macintosh platform through live interaction and educational programs with the public.

Apple Computer carries a reputation as a progressive employer. The strength of the company is innovation, and to foster ideas, the environment must be conducive. One of the goals of Apple is to make computing fun. To inject a fun aspect into their products, Apple has

structured the company in a way that makes working at Apple enjoyable. Employees have flexible hours in a campus-like setting. Dress codes are relaxed and creativity is rewarded. Apple Computer's design and engineering staff are famous for producing innovative well-designed products. While few employees have enjoyed the publicity of founders Jobs and Wozniak, their work and achievements are well known. Apple was the first company to heavily utilize SCSI. Firewire (IEEE1394) was developed at Apple. And, of course, the MacOS is considered the best GUI in the computing world. Apple started the desktop publishing phenomenon. With a reduced workforce, Apple's HR department has the challenge of finding bright, skilled people who not only have the technical abilities but fit in with the Apple culture. As a company, Apple Computer is skilled at developing and marketing innovative computing products based on the MacOS platform. A big shared value at Apple is environmental conservation. Apple has put a lot of effort into making their products energy efficient and using recycled materials in manufacturing.

The future for Apple is uncertain. Though the company is doing well right now, there are many forces at play that are eating away at the Apple market share. Apple has regained some ground in the educational niche. Apple is also a major player in the advertising and publishing segments. Apple must expand beyond the niches in order to generate sustainable revenues. While the new design chain strategy seems promising, Apple's core business is the computer. The Macintosh is a different style of computing, easier and simple to use, but not very customizable. The Wintel market is much bigger and machines that offer comparable features and performance to Mac's can be had much cheaper. Apple strives to convince the public that the Mac is simply better and worth the higher price. The Mac appeals to the creative professionals because the performance excels for audio, visual and graphic applications. Apple still depends on outside vendors like Motorola (CPU) and Microsoft (desktop applications) for key components of their

value chain. To maintain their strategic alliances, Apple will have to generate revenues that make it worthwhile for the relationships to continue.

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