

Core competencies and dynamic capabilities of apple business essay



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Apple has been evaluated as most innovative company from 2006 to 2008 because of the development of different product such as iPhone, iMac and iPod. The production of music, video, movie and electronic records helped Apple to gain valuable brand recognition as in 2008 it was recognized as 24th most valuable brand (Basu and Wright, 2008).

According to Sliber and Kearny (2009) core competencies are the skills and capabilities of an organization which makes it unique and gives it competitive advantage over its competitors.

The core competencies of Apple were its innovative designs and technology based on software. The latest batch of Apple products includes iPhones, iPad and iPod with more innovative features and colours. ([www. apple. com](http://www.apple.com))

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Apple is financially very strong company. From 2003 to 2008 it has tripled its sales volume from \$24 million to \$3.5 billion (De Wit and Meyer, 2010). Due to this factor it is possible for Apple to pay a lot of money to its highly qualified people in research and development department to develop such gadgets which are highly technological. These gadgets should be innovative in its nature, smart in its appearance, could store a lot of data and fast in its processing speed.

The core competencies of Apple are robust. It is very hard to imitate the Apple products and this gives it the edge over its competitors. It has a closed proprietary system, which makes sure for Apple that there is no evasion of its skills and its secret recipe. On the other side Apple is very consistent in its product portfolio development. If any company no matter how successful is, divert its business altogether or try to diversify too much in product line than there are chances that it will lose its core competency.

Let us take an example of Kodak the inventor of snap short photography in 1888. For the first hundred years there was monopoly of Kodak in chemical based photography. In 1990 digital photographic technology came in and instead of Kodak competing and entering the digital market, it remained focused in manufacturing of chemicals and pharmaceutical products. Kodak did not bother competing its digital photographic rivals like Apple, Sony, Cannon and Hewlett Packard. Eventually Kodak ended up losing the digital photographic market. (De Wit and Meyer, 2010)

Now if we talk about Apple, it is really strong in its core competencies as well as in dynamic capability. It has always been responsive to any changes

brought in by its competitors. Let us take an example of Dell introduced its tablet in the market and Apple launched its iPad 2. As Samsung developed Galaxy S3 and Apple launched its iPhone 5.

Apple offers a complete range of its products to its customer. If we take an example of Nokia, its user has to use android market to download music, where an iPhone user doesn't need to go anywhere apart from iTunes. Similarly in Nokia you have to create your own backup whereas in iPhone the iCloud is there for the backup.

According to Zolo and Winter (2002) dynamic capability is an ability of an organization of being responsive to address the changes taking place in the environment. In terms of Apple it is very dynamic in its nature as it is very responsive to any changes from its competitors. In recent days Samsung is the biggest rival of Apple in mobile technology but it is equally challenging Apple positively. Due to their competition customers are getting the best quality products from both of them. Before Steve Job's comeback, the Apple was struggling for its survival but it made its comeback after he joined, which shows a high level of dynamic capability of Apple.

Evaluation: It has been observed that Apple has been emphasizing more on developing competencies not limited to technology only. With this approach they were thriving to achieve extreme form of technical development and in doing so customer orientation was also not ignored. Every effort was made to develop their products based on differentiation which is initiated by the CEO Spilinder tenure and then the pace was accelerated in Steve Job's time in 1997. Technical expertise of their concerned staff played a vital role that

was able to take to an extreme end in terms of product features, functions and specifications. This approach of developing competencies remained an area of utmost importance by Steve Jobs which helped to register phenomenal growth in sales and profitability as well. Just due to competency the customer positioned these products in their mind as ultimate unique in functions and no other competitor could produce something closer to this. As Apple's products are highly sophisticated that is why it is exercising the skimming pricing policy and people do not mind opening their wallets and buying the unique feature products they are desperate for.

Core competencies and Dynamic capabilities of Dell:

Dell is known for patching business segments with customer demand as a process of knowledge creation affects performance and technology level. There is an efficient and easy access to platform with common interface point and a core product with web portals manages integration. The supply chain process of Dell had been upgraded with higher turnover rate. The nearest competitors of PC industry are 10 times higher with specific assembly goods and standardized components. Dell infrastructural solutions with XPS 12 and Windows 8 Ultra Book engages target audience with better performance. The fulfillment model of PC industry allows ten times higher upgradation of supplier process. The lower profit margins and optimized PC industry with assemble finished goods for standardized components manage environmental changes. (www.dell.com)

The delivery of short term processes and market environment with dynamic capability is higher. The changes evolved in market manage small and

medium business enterprises (Chopra, 2009). The mass customization of Dell
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to be used by maximum number of people enhances software and hardware experience (Heizer et. al, 2009).

Evaluation: It is found out that Dell was keen to develop its core competencies which have a different sphere as compared to Apple. Dell adopted their core competency based on two factors that is customized product line and cost leadership. Dell has a unique distribution channel which did not contain any intermediary. It is evidenced that this competency achieved by Dell was contradictory with its business growth strategy where it becomes challenging to continue with customization and without intermediary for a larger size of market. Dell changed their approach towards the business and initiated their new competencies by offering customer friendly products compared to customized products previously. Further they also revised or redesigned their distribution channel by involving retailers therein.

Question No. 2

Strategic Alliance

Strategic alliance is a corporative agreement between companies to maximize their eternal skills and technologies while they safeguard against the transformation of competitive advantages to the partners (Verbeke, 2009).

In most recent days we can take the example of the mobile communication networking companies that is Orange and T mobiles. They made a strategic alliance to provide the maximum benefit of network coverage to their customers. They aim to get benefit of the combined resources of both the

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companies but keeping the legal entities separate from each others. In case of Apple it made many strategic alliances in the past. Before Steve, Apple made the strategic alliance with IBM, Novell and Intel but unfortunately it did not work and the market share gone down. Once Steve came back in 1997, he quitted all the alliances and made a new strategic alliance with the Microsoft (De Wit and Meyer, 2010 p681, p685). According to Lim (2011) the reason Steve made this alliance was that they did not had the license for the software but they had the license for operating system. They ex-board of directors and co founder of apple said that if we had the license for the software then we would have been No. 1 and Microsoft company would not exist. Microsoft invested the \$150M in the strategic alliance with Apple for producing the Microsoft office and other products for the Mac.

Merger and Acquisition

Merger and Acquisition is also a good practice to maximize the share holder's wealth. We have seen many successful mergers and acquisitions and one of the best examples is Sony and Ericsson which is called Sony Ericsson. There is a difference between strategic alliance and merger and acquisition. In merger both the companies lose their own entities and give birth to a new company. The main aim of both the companies is same, to make the most profit out of their shared or joint resources.

In relation to Apple, it had made acquisitions. The main aim of Apple is to offer the best possible products to its customers by joining hand to those companies who are the best in their own features. For the same purpose it acquired a German specialist in music software and Emagic as well as Prismo graphic, Silicon Grail and Nothing Real for professional level video creation <https://assignbuster.com/core-competencies-and-dynamic-capabilities-of-apple-business-essay/>

and production. Apple was using Intel chips in 2005 and in April 2008 Apple made another acquisition with microprocessor, a highly sophisticated company PA Semi and its chips were very economical in cost (De Wit and Meyer, 2010 p688).

The corporate strategy of Apple before Steve's comeback was to outsource with IBM and Novel. As soon as Steve made his comeback he suggested that all its departments should be at one place. The main logic behind this idea was to keep its competency secret so that no one could imitate the product. Apple is a risk averse and resource driven company which uses its heavy resources to introduce a new products and make its customers to buy that products because of the attractive features of that particular product. Apples looks into its magic box and then decides that what to create. It uses inside approach to get benefit of its research and development.

According to McMahon, (2009) the corporate strategy of Apple is to think different that is Apple's core competency, which is innovative in design and technology and this is the spirit behind its popularity. Buy different, it means if we talk about any entry level mobile phone, we all know that it is used to receive and make calls but Apple says people wants an integrated product which is used for making, receiving calls, listening music and surfing.

The corporate strategy of Apple to maximize shareholder wealth and position in market manages long term challenges (Schneider, 2003). The corporative business agreements with mutual benefits and strategic alliance engaged different countries with common understanding (Lynch, 2006). All kinds of business strategic alliance including international ones in decades optimized

failure rate. It had been noted that 49 international strategic alliances all over world helped companies to gain 66% of share. The structure, partner selection and alliance with party involvement led to failure (Mintzberg et al. 1998).

The shareholder wealth had been maximized through Apple industry with successful strategic alliance and partnership goals (Lynch, 2006). The higher shareholder value with partner goals managed alliance setting and development. Two companies merge together with one legal entity as 50% of acquisition continues through it. Tax benefits, lower overall cost and improved management with creation of economical values as positive growth sensing had been created (Mintzberg et al. 1998).

The direct market access with global corporate strategy by sharing rewards and risks manages strategic alliance. The corporate strategy of company with strategic alliance provides less chance of risks including managerial and financial risks. The stickiness of company with each other through corporate strategy influence profitability margin. The influence of company to create shareholder value enhances through mergers and acquisition. The higher shareholder value with better results with alliance of good partner manages direct access of Apple to create share holder value. The cost of company lowers through market share with possible concerns and division. The long term involvement and strategic optimization gains share holder wealth. In different countries high demand of iPhone with substantial business practice with international strategic alliance gained 69% of failure. The task orientation for substantial practice organizes 69% of failures (Mintzberg et al. 1998).

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Evaluation: After going through this case study of apple it is quite obvious that Apple is very selective in making decisions regarding the mergers and acquisitions because its share holders are very important for it. Ultimately the effect of these mergers and acquisitions reflects on the value of its share holders. It is learned that Steve Job's always had its reservations to protect his technology and continuous development of competencies to leave other competitors way behind in building the abilities. With this approach Steve always opted to build alliances in a manner whereby exercise maximum of control. It is evident that out of all possible alliance of mergers acquisitions and takeovers, Apple preferred to for acquisition and takeovers and avoids mergers to avoid leakages of technical confidentialities.

Question No. 3

Strategic Leadership

Strategic leader thrives to set up direction of an organization by employing appropriate strategies and approaches in meeting the overall expectations of various stakeholders. Strategic leaders are back bones for meeting the corporate objectives by framing the vision and mission of the organization like Apple. Different individuals as strategic leaders carry an approach which is an outcome of combining different attributes like inheritance, socializing and learning through experiences. The features of strategic leaders are not limited to implementing the broader categories of autocratic, democratic or others but they are more of strategic vision, zeal and zest of different individual endeavor to take up the challenge of bringing success for the organization or company.

From 1985 to 1993 John Sculley was the CEO of Apple. He had a vision of saving costs for the Apple. His approach to Apple was not to develop a strong competency through uniqueness but he was more focused on reducing the cost of its products by arranging some alliances with other market leaders. Less emphasis was given to create some unique positioning of the company and he was more to generate a satisfactory level of profits by cutting costs. We will see here he was relying on their partners in the supply chain even for the operating systems and this leadership style proved less effective as the profit reduced to 34% from 50% (De Wit and Meyer, 2010 p681). Eventually his leadership style did not work.

From 1993 to 1996 another CEO of Apple Spindler was trying to get out of all the alliances with Intel, Novell and IBM. His focus was on international growth and most cost cutting efforts. His strategic leadership approach was a short sighted which was limited to only cost savings and not to develop in house capabilities for integrated manufacturing. With this leadership style he could not demonstrate any phenomenal growth in companies operations which were stayed at similar levels.

Gil Amelio was the CEO of Apple in 1996. He had a different strategic view of the company. With foremost aim on cost cutting he focused on product differentiation and premium prices. Though he was a visionary strategic leader but he could not sustain his market share and finally he had to leave the company. His style could not work out as the company lost 3% market share (De Wit and Meyer, 2010 p681).

Steve Job's made his comeback in 1997 as interim CEO of Apple and he was a real visionary leader with lot of devotion, clarity and determination to make Apple as unique and market leader. On continuum he was more towards autocratic with occasional adoption of democratic and parental approaches. He was able to gain confidence of his research teams with high degree of harmony and understanding where any new perceived idea is understood and implemented to its extreme end of product development. He was really a charismatic leader who could influence his subordinates for achieving the set of aims and goals. As a leader he was a perfectionist with less flexibilities and compromises on given tasks. In brief Steve Job's had a clear vision with high degree of determination to take Apple to that strategic position what he aimed for which enabled him to secure strategic positions of Apple in highly competitive market.

In the nutshell Steve Job's took the Apple as his baby. He got so involved in its cross functional activities and his deep role was recognized by all the stake holders to an extent whereby it was impossible to split them apart. This close association of Steve as leader embedded in the mind of share holders as during the time of sickness the market share went down by 2. 4% (De Wit and Meyer, 2010).

Diffusion and Breakthrough:

Diffusion of innovation is a theory that seeks to explain how why and with what rate new ideas and technology spread through cultures and this approach has been well adopted and implemented at Apple. By developing new technology and taking it across to the target customers. Though the diffusion carries two different approaches of breakthrough innovation and <https://assignbuster.com/core-competencies-and-dynamic-capabilities-of-apple-business-essay/>

incremental innovation but having looked into the market responses against the product of Apple, an approach of breakthrough innovation was quite appropriate in case of Apple. It has been observed that breakthroughs are developed by their research teams not rarely addressing the commercial market applications as these technologies have originated in the supply chain of Apple. For example iPod was developed as a substitute to MP3 player and it could load 1000 songs in just 10 minutes and play music for 10 hours. The integrating with the iTunes 2.0 software also made synchronizing music libraries in a few seconds (D Wit and Meyer, 2010 p687).

Break through Innovation:

The successive business practices and innovation for consumer and competitors surprised operational guidance. In 2010 Apple huge benchmark with i-pad created huge amount of profit margins. The production and development of i-pad and laptop for new feature development and innovation gained consumer attention. The competitor progress with personal computers and laptops like i-pad 2 gained positive features and attention. The digital gadgets and product innovation from 2000 provided innovative business solutions. The innovation created by Steve Job's followed by rapid business development in market provided consumer attention and competitor enhancement. The iPad introduction steered with personal computers and laptops provided innovative business features. Steve Job's product based services and leading positioning managed bankruptcy. The breakthrough and diffusion to value Apple chain with counter rapid rewarding help to accomplish good strategic leadership. The software

created for effective business solutions provided positive guidance and attention.

The value chain entertainment and innovative practices of Apple helped in progress of conversion and selection. The use of product helped Apple to integrate technology with idea generation, conversion and funding. The attention of integrated diffusion and funding managed easy use of innovative procedures (Alhstrand and Lampel, 1998).

Three components identified by Apple included idea generation, conversion and selection and funding diffusion. The integrated technology with product usage before and after rapid placement regulated choices and preferences. The value chain process of Apple is as followed:

Source: <http://issard.wordpress.com>

The service content of mobile me technology with substantial and positive business pattern regulated business development. The aggregation content relevant to performance and relevancy managed iTunes, iBook, application store and successive solutions. The hardware and software content use Mac OS X, I Works and A4 CPU that integrates effective business pattern. The handset and appliance like Mac book, iPhone, iPod and iPad regulate business outflow. The distribution and retail sector for successful business optimization includes app store.

Apple computer moved from computer to technological advancement related to software and technological innovation. The ideas and professional business practices with diffusion implementation and regulation for customer

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database management and amateur managed innovative business solution (Kotter, 1995)

The product and service innovation with new venture and market development with partnership increased sustainability of business (Palmer and Kaplan, 2007). The industry entertainment and game purchasing like online music and game purchasing managed industry insight. The new idea development and innovation of Apple products with slim technology, easy to use and to provide comfortable business services to customers increased its market share. The online audio and video technology with substantial business practice and innovation led to on time significant business responses. The implementation of new ideas and implementation for customer database and personification broadened professional users with positive orientation of strategic leadership (Kotter, 1995).

Evaluation

Since 1977 to 1997 Apple changed its 5 CEOs as they were not successful. When Steve made his comeback in 1997 the Apple was struggling to survive and the company was going to be bankrupt. With his charismatic leadership and broad vision he lifted Apple from scrap to sky through its breakthrough innovations like iMac, iBook, iPod, iTunes, Mac Book Pro, iPhone and iPad. It is observed that if Apple would like to be on the rollercoaster, than it will have to focus the computer market as well as consumer electronics. As the news of Steve's illness was broken in the public, the market share went down. Although the Steve is not there anymore in the Apple but his motivational factor, negotiation skills and creative vision is a code of practice for the following leaders.

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