

Apple's organizational structure



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This report provides a reasoned and academically underpinned critical analysis of what is good and what is detrimental to the organisational culture in terms of Human Resource strategy and practice in Apple Inc.

The introduction contained a brief on Apples background from inception to its position in present day. The second section describes general underpinning theories on organisational culture while Sections three and four present a critical look at Apple's organisational structure and Leadership and how it relates to the culture. Section five is an in-depth look at Apple's corporal culture in light of academic models. It discusses what is good, bad and needed to be changed. Sections six and seven summarise the main conclusions of the report and make recommendations with regards to how changes can be implemented.

1. 0 BACKGROUND OF APPLE INC.

Apple computer was established on April 1, 1976 by a three man team in the likes of Steve Jobs, Steve Wozniak and Ronald Wayne. Few months after the establishment of Apple, precisely on the 3rd of January 1977, Apple was incorporated as Apple Inc. In 1980, Apple launched its initial offering (IOP) of stocks to the public, a stride that gave Apple a huge success. (Harrison and Rose 1998)

Apple Computer Inc. is known for its innovative and proprietary hardware and software and has made great achievements in recent years. In 2009, a study by Qumer (2009) revealed that, Apple topped Fortune Magazines' most admired companies list for the second consecutive year and also has received a top rank in innovation and people's management. In the same

year, it was reported that Apple posted revenue of \$8.34 Billion and a net profit of \$1.23 Billion (Qumer 2009).

On the 24th of June 2010, Apple launched its new product, iPhone 4 and barely four days after the launch has reported a sale of over 1.7 million of this product. This new iPhone 4 has amazing features and the highest resolution display ever built into a phone. iPhone 4 is said to be the most successful product launched in Apple's history. The demand of this product was more than supply, a consequence that led Jobs to apologise to customers who were unable to get the product.

However, on July 16th, precisely 22 days after the release of iPhone 4, Steve Jobs led a press conference explaining what Apple was going to do to resolve a signal reception problem noticed on some of the new product. In the conference Job portrayed antenna problems as common to the entire phone industry and offered free bumpers or cash refund to anyone who wanted them. Although this was a generous offer, most customers were still disgruntled as Job was seen to appear arrogant.

2.0 CULTURE IN GENERAL

In a popular study, Bunge and Ardil (1987) argued that culture is a social matrix within which we are born, grow and live and therefore gives meaning to human action. Drennan (1992, p. 101) states that 'culture is how things are done around here'. Culture is what is typical of the organisation and thus the practice of people's management is linked to organizational culture (Argyris 1999).

As a lead up to the discussion on corporate culture in people's management, it is important to consider Deal and Kennedy's contribution. Deal and Kennedy (1982, p. 15) suggests that ' People are a company's greatest resource, and the way to manage them is not directly by computer reports, but by the subtle cues of a culture'

Deal and Kennedy's model on corporate culture incorporates five critical elements; the Business environment; Values, Hero, Rituals, and the Cultural network. The model described four types of culture as follow:

- Tough guy culture

This type of culture is characterised by high innovative as well as high risk taking individuals, with a low level of teamwork. Such companies or individuals tend to follow a cycle of boom and bust.

- Work Hard play hard

In the work hard play hard culture, work is fun and there are plenty of actions with low risk and quick feedback on success. Such companies are characterised by high volume of sales. The individuals work alone but have supportive team.

- Bet your company

This is a high risk, long term industries and usually requiring significant technical expertise, such as oil companies and aerospace business.

- Process culture

This group is rather a low risk and a low feedback organisation. Examples are the public industries and Civil services. In this kind of culture, status issues and the use of graded titles are of paramount importance.

(Deal and Kennedy 1982)

An organisation is described as one with both informal and formal entity and cannot be based on its structure alone (Bakke 1950). According to Mayo (1933) in his Hawthorn studies, informal groups within an established organisation and work place have a very strong control over the work habit and attitudes of individual worker.

Furthermore, a study by Price (2004 cited Wilmot 1993) suggested that if culture is strong, people do not need orders or directives. Employees in strong organisational culture know what is expected of them whereas employees in weak organisational culture waste time to discover what is required and expected of them. Thus, it has been shown that successful companies are usually companies that are clear about their culture and value and take steps to publicly reinforce them (Peters and Waterman 1982).

It is apparent to say that the culture of an organisation is directly linked to its strategy, structure, leadership and performance. Any change to one of these components will affect the others.

To this effect, when planning a change in strategy, it might be necessary to consider how it might affect the culture, organisational structure and other elements of the organisation, a requirement essential when looking at the critical analysis.

3.0 APPLE'S ORGANISATIONAL STRUCTURES

In the 1970's when apple inc. was formed, it drifted from the traditional corporate structure that is been practiced in most companies at that time and continued in a different and unique method of managing its organisation. The company operated based on the concept of informal corporate culture within the technology industry where it favoured a seemingly flat organisational ad hoc structure than the tall structure.

Mintzberg (1983) suggests that administrative adhocracy occurs when an organisation has a special need to be innovative, due to intense product competition or dynamic technology. This is the case with Apple. They adopted adhocracy as it is the only structure suited to solving complex problem and can match its sophisticated innovative culture.

Apple's corporate culture is a unique corporal style that is only suitable for Apple. Measuring against the traditional classical organisational culture, it can be said that Apple's ad hoc approach is out of date. However, when measured against the post classic, modern information generation as supported by Hewlett et al. (2009) it can be argued that Apple is in line with today's requirement for success.

In contrast to the tall hierarchical structure, a flat organizational structure is characterized by relatively few layers or just one layer of management. As a result, the chain of command from the top to the bottom staff is short.

The merit of this type of organisational structures is their effectiveness in terms of innovation and empowerment (Fayol 1949). Policies are easier and quicker to implement and there is increased coordination. This explains why

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Apple inc. is famous for distinctive competence in product design and innovation.

However, a major drawback is that if there is a change in leadership or culture, they may be faced with damaging repercussions as other aspects of the strategic structures may not fit. This was the case when Jobs was dismissed and all other successors struggled with the organisation until he was later reinstated.

The organisational structure in Apple is also a functional structure as the company is organised along functional lines (Torrington et al. 2005).

In functional structure, people are grouped on the basis of their common expertise, experience and resources. Employees within the functional divisions of an organisation perform a specialized set of tasks. This results in operational efficiency within the group. However, it could also lead to lack of communication between the groups in the organisation as is the case in Apple.

4.0 APPLE'S LEADERSHIP

Shackleton (1995, p. 2) suggests that ' leadership is the process in which an individual influences other group members towards the attainment of group or organisational goals'. The component that characterises leadership as put forward by Northouse (1997) is that leadership is a process that involves both influencing a group and attaining a goal. This corresponds with Shackleton's definition which suggests that leaders in some way motivate others to achieve group goals

Based on an earlier work by Weber which was later developed by Burns and extrapolated by Bass, Bass (1985) suggests that transformational leadership should be defined based on how the leader influences or affects his followers. Bass contests that charisma alone is not sufficient to define a transformational leader. Transformational leaders should be able to stir up strong emotion that will cause identification of the follower with the leader.

In contrast to Bass who sees transformational leadership as amoral and even attributes transformational skills to leaders such as Adolf Hitler, Burns (1978) sees it as been linked to higher values and believes that only moral leaders can be transformational. He believes that leadership must be in line with purpose and objective and that effective leadership is judged by the ability to make social changes. He went ahead to defined leadership as ‘ Leaders inducing followers to act for certain goals that represent the values and the motivation of both leaders and followers.’ (Burns 1978, p. 19)

Apple’s CEO, Steve Jobs is a charismatic leader who possesses a very strong passion for creativity and motivation. Based on the models put forward by Weber, Burns and Bass, Steve Jobs can be described as a transformational leader since he was able to motivate and influence the employees at Apple to be able to attain the highest degree of efficiency. It is believed that the rise of Apple was immensely aided by Jobs amazing energy, compelling personality and persuasiveness.

Transformational leaders are believed to use their authority and power to fundamentally reform, thus changing the old ways of doing things (Bass 1985). This is what Steve Jobs has done as analysts believe that he inspired

the employees at Apple to come out with unconventional products by thinking differently. It is also said that he inspired the employees to 'change the word' (Qumer 2009)

In line with transformational leaders' characteristics as seen in the models, Jobs was able to attain the highest degree of efficiency by demanding commitment, determination, courage and selflessness from his employees.

However, the drawback to this kind of leadership style is that, duty is placed over personal consideration. This is reflected in the report that, Apple employees see it as a club rather than a family and that Apple view task accomplishment more importantly than the process or relationships formed. (Qumer 2009)

Furthermore, another drawback to the transformational leadership style is the indispensability of the leader as it is a leader centric system (Burns 1978) Analyst has suggested that the biggest challenge facing Apple is their strong attachment to its charismatic leader, Jobs. A man accredited for inspiring Apple to a greater height. However, stakeholders are concerned about the company's future in his absent.

As Jobs might not be steering the wheel of Apple in the next 10 years, it might be advisable for Apple to start making succession plans for Jobs. Failure to plan for any eventuality in the near future might simply mean 'planning to fail'.

5.0 APPLE'S CORPORATE CULTURES

‘ Theory Y’

‘ Theory X’

McGregor (1960) in his study on human side of enterprise linked management style and leadership to motivation. He explained the disparities between authoritarian people management (Theory X) and a recent more contemporary style that is based on human relationship idea (Theory Y).

McGregor (1960) argues that effective leaders do not give orders or discipline their staff. They have the ability to draw out the best from the people they manage through encouragement, support and their personal charisma. He believes that if people are treated as responsible and self motivated, they will act in a responsible and motivated way.

Based on McGregor's theory, it could be argued that Apples management style is a participative management style based on the theory Y as it is able to motivate and draw out the best from its employees.

However, Apple can also be said to be using the threat of no rewards or even dismissal to force employee to work toward the organisation's objective. This is consistence with the authoritarian management style of theory X. Again Apple is in its own class and has not fitted completely with any side of McGregor's theory.

5.1 Work Hard Play Hard

Apple employs only people who are hard working and committed. This has enabled it to foster a culture of dedication and hard work. Apples work hard

play hard culture is consistent with Deal and Kennedy's model as described above where work is fun with plenty of action and individuals work alone.

The problem with the hard work culture is that it centres on been seen to work hard and typically being in the office for long hours (Brigg, 1991, p. 41). Apple imposes long gruelling working hours on its employee. A typical Apple employee on an average works for sixty or seventy hours a week with no overtime pay.

This system is dual facial. It is on one hand good for the company and the stakeholders as they are able to post a profit of US\$ 1. 23 Billion and on the other hand detrimental to the employees who are not able to maintain a good work life balance. The workers in the long run may fall sick or even commit suicide as it is the case with some Chinese workers. This would be in the long run detrimental to the organisation (Qumer 2009).

The positive side of Apples work ethics is its relaxed and casual work culture. Jeffery (1998, p. 12) argues that ' if you create a toxic or dysfunctional work environment, you are going to get toxic behaviour from your employees'. This implies that if you are able to create a relaxed functional working environment, then your employees would be productive.

Deal & Kennedy (1982) in their model on corporate culture describe the work hard, play hard work ethics as a style in which work is fun, risk is low and there is quick feedback on success. At Apple, fun was an integral part of the culture. The company organises after work hours parties, magic shows and promotes playfulness at work. Apple does not require employees to wear formal attire but they can freely work with their casual clothes.

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This trait says a lot on what kind of corporate culture they have and differentiates them from their competitors. Employees are able to concentrate mostly on their work rather than thinking about their appearance. This has enabled apple to achieve a high degree of employee's commitment to work.

Having said that, there is a believe that people will only take you as serious as you are 'dressed'. In the light of this, Apples casual dress culture may be detrimental as it may be signalling a nonchalant and laid-back attitude at first impression. This is to say that, they may appear unprofessional to business partners.

Business Ethics

Price (2007) describes value as the heart of corporate culture that is made up of key believes and concepts shared by an organisation's employees. The simple logic that supports the need for ethical guidelines is that actions in business are the result of decisions by people and human beings tend to seek justification for their actions beyond the rule of money. (Torrington et al. 2005)

Business ethics are a set of believe which an organisation stands for. In general terms, it covers its responsibility to its stakeholder, shareholder, employee, customer and the society in general. It is also concerned with the economy, politics and the environment. (Redman and Wilkinson 2001)

The fundamental principle of Apples Business ethics is said to be 'Use good judgment'. In its mission statement, Apple stated that it is committed to

protecting the environment and ensuring health and safety of its employees and the global community (Iliev et al. 2004 p. 44).

Although Apple has developed consistent code of business ethics, it hasn't been successful in implementing them and has not fostered a sound ethical organization culture. Their fundamental principle and mission statement is not reflected in the way they do business.

It is unethical for Apple to maximize the returns to its shareholders at the expense of its employees work life balance. Making money is not wrong in itself, but it is the manner in which Apple conducts its business by exploiting its workers that is wrong.

In Apple, the expendability of employees is justified for the “ great merit” in a free market system. Employees were made to feel that their experience in Apple is a guarantee for employability when eventually they are laid off by Apple. This is simply a strategy aimed at increasing shareholders profiting through making workers into ‘ willing salves’ (Levinson 1972).

Secrecy

Friedman (1963) suggested that the only social responsibility of Business is to use its resources and energy in activities that are designed to increase profit as long as it stays within the rules, engaging in open business and without deception.

In contrast to Friedman's suggestion, Apple operates a closed business information policy. They maintain a culture of secrecy and impose harsh punishments on employees who violate the rule by sharing information. It is

said that Apple's culture of secrecy had led to the suicide of an employee in china, an event which occurred when he was suspected and questioned for leaking companies' secret. (Qumer 2009)

Apple's culture of secrecy might earn them criticism on their lack of transparency and raise questions about their sincerity. Its obsession with maintaining security could hurt the company and its brand in the post modern era of transparency.

Having said that, it is important to note that the strict information protection policy implemented by Apple has enabled it to preserve the confidentiality of its proprietary and protect its trade secret information. However the element of secrecy that has enabled this has incurred an increasingly costly price and has become morally and ethically unsustainable.

Benefits and Reward

Benefits and Rewards is an important element of an organisation and is the main reason why people work. It is a return in exchange between an employer and his employees as an entitlement for a job done. This view has been supported in the work of Newman and Milcovich (2001, p. 6).

The trend in recent times has been towards the development of performance related pay system. It simply means that people are paid according to their contributions. Wolf (1999, p. 48) sums up the common view on pay for performance by stating that ' Pay for performance is the holy grail of modern compensation administration'.

This is the case in Apple. Apple operates a performance based reward system. However, it employs the ' Carrot and Stick philosophy; a principle of using both rewards and punishment to induce behaviour (Levinson 1972).

Apple offers attractive incentives and rewards to employees they feel have demonstrated their skills and capabilities at the work place by producing results. Employees do not get rewards if they have no results and may even be dismissed if they are seen as unproductive.

Performance related pay system might benefit both Apple and its employees. Apple may benefit from higher productivity as the system emphasizes importance on efficiency and effective job performance. Some employees also may benefit from the extra pay in return for extra quality of work; however, this may be a de-motivating factor to other employees who are not rewarded and may feel alienated.

The concept of do it or get nothing may not work for everyone. There are employees who are goal oriented and may want to work based on set goals rather than rewards. Rewards may motivate some people but the strategy of punishment if you don't perform is an extreme and may dissuade some talented individuals.

The pay for performance system tend to attract only young, motivated and glory seeking individuals while alienating older and stable persons. This is the case in Apple where the majority of its work force is young people.

Analysts argue that unfairness in promotion and employee treatment exists in Apple and top executives were said to only promote their favourite

(Qumer 2009). This is a huge de-motivating factor for other employees. If such issue keep occurring, some employees may resort to working against the organisation. This will have long time devastating effect on the organisation. Furthermore, the Carrot and Stick philosophy is a corporate culture that is over 100 years old and is not compatible in today's organisation culture.

6.0 RECOMMENDATION

It could be recommended for Apple to replace their individualistic work approach to a more inclusive team approach where teams and not individuals are responsible for work done. Individuals are appreciated for contributions but the whole team or group would benefit from any reward.

This will help foster unity within the organisation and reduce rivalry among employees as well as eliminate ill feelings that might result from unfair promotions. Blau (2002) supports this idea as he identifies team working as an aspect of post industrial society and the new norm at work place.

Apples, work hard culture is not sustainable as it imposes long gruelling working hours on employees. A more sustainable shift system or flexible working hours could be advantageous for Apple, as it ensures work productivity while workers enjoy good work-life balance. Work-life balance practices have been shown to reduce absence, raise morale and increase levels of job satisfaction (Torrington et al. 2005).

Considering Jobs condition of health, it might be appropriate for Apple to start making succession plans. To lend credibility to Jobs claim that he had groomed executives who were sold to his value and management style, it

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might also be good for Jobs to temporarily step aside for a period or consider a leave of absence to give opportunity for others to lead. This could build confidence that management could still function when Jobs eventually leaves.

7.0 CONCLUSION

Organisational Culture, Leadership and Structure shapes the way employees behaves their value, attitude and determines how they will implement the organisations business model and strategy (Honey and Mumford 1982).

This paper highlights that through the consistent interaction of Apples Culture, Structure and Leadership, the company is able to control its employees and implement its policies at various level of strategy.

The paper applies theoretical knowledge and Human resource models in the area of organisational culture to get a deep insight into a company which fascinates us due to its exceptional history, innovative ability and unique structure.

Finally the paper pointed out areas in Apples corporate culture that is dysfunctional and proposes areas of change that could enable the company to remain sustainable and competitive in this modern, post industrial generation and recession plagued economy.