Strategy implementation and execution report apple computer 1992 essay sample

Executive Summary: Apple Computer's implementation strategy in 1992 was to gain market share through the expansion of the Mac business, expand into corporate enterprise computing, and diversify into related technologies that leveraged Apple's strengths in software. According to the Executive Management Team (EMT) of John Sculley, Michael Spindler, and Joe Graziano et. al, gaining market share could be done by lowering prices and costs to attract a larger number of users. By making Apple more " open"-both technically and organizationally – they could satisfy corporate enterprise growth. Furthermore, by moving beyond computers into consumer electronics, the Apple brand could be leveraged for growth. This strategy was to be implemented through the interconnection of existing structures, systems, and people management practices.

Structure Analysis: Bringing a new organizational culture into Apple or any young creative company is very difficult and the evolving structure within Apple in 1992 failed to support the firm's strategy. Perhaps the biggest obstruction to the EMT's strategy was the loose and unstructured way people and units were structured at Apple. The employees at Apple were proud of the fact they did things differently than most companies. They were corporate in name rather than in culture. Work was done in groups and committees and decisions were made by consensus. Naturally, the directives handed down by the EMT in the early 90's were approached with suspicion and uneasiness. This is reflected in the increase of dissonant criticism found on the Applelink message boards.

Furthermore, internal reviews of the quality of work life showed significant spikes in the level of employee dissatisfaction. People were beginning to feel like their company was losing its competitive advantage, its easy style of doing business, and that many of its qualified employees were being passed up for promotions. The people and groups within the company were not well organized. Reorganization was the norm. There was too much emphasis on management hierarchy, culture, and politics, which wasted potentially creative energy on developing new products. The work environment further illustrated this where managers sat in offices while non-managers sat in cubes. People loved the environment, but not necessarily the work itself.

There were also a number of layers of managers within Apple. The EMT made the most significant decisions many times behind closed doors, which seemed to contradict the decentralized culture. The divisions were autonomous, and the managers were functionally and geographically specialized with little mobility. Lastly, the communication flows between people in the organization didn't appear to be conducive to the implementation strategy. As creativity was taken away and more standards were being put in place, communication seemed to be moving away from innovation, marketing, technology, and research and seemed to be centered on debates of current events, social and corporate issues, and how the previous culture was great.

Systems Analysis: No formal reward-control systems, resource allocation systems or information systems were in place at Apple, but the EMT had a vision of injecting a systematic way of doing things into Apple's informal

controls. The EMT felt that the informal rules and processes, autonomous nature of the divisions and existing financial and operational disciplines at Apple would not support the new implementation strategy. For example, to steer lower gross margins at Apple many of the existing company perks were taken away by cutting company cars and lavish parties. Others tactics included the reduction of company cafeteria and fitness center subsidies. This weakened the corporate culture and the will to create.

People Management Practices Analysis: The people management practices of Apple in 1992 did not support the firm's strategy, but an effort was being made to mold these into place. John Sculley as the CEO, at the time took on the responsibilities of CTO, was actively involved and committed to the technology Apple was creating, which was good. However, he didn't necessarily have the full support of the people within the organization, due to the frustration throughout due to layoffs, lack of creativity, severe morale problems, and loss of shareholder value. There was a perception that executive management was not focused on career opportunities for its employees, and that the best people were passed over for promotions.

The execution of the strategy was most difficult in a culture so strong some consider it a ' religion'. When internal discord started brewing, it was hard for executive management to force a new strategy upon its corporate body. This discord was further exaggerated when the new direction was a sharp contrast to that embraced during the golden years of the company.

Sculley and the rest of the EMT did well to make the timetable a little less painless by slowly phasing in such implementations such as " Apple Quality Management". These were made available via the Apple University network and employees were given a generous timeframe in which to complete the appropriate training. However, even this flexible approach was met with unresponsiveness by Apple employees and completion rates were lagging. The reason why self-education was slow was because these new programs did not mesh with the culture Apple had spent 12 years cultivating. The culture was reinforced by the company's success. Who could argue with what was — at the time — a winning formula? Proof of this was Apple's ability to steadily increase revenues from $334 million in 1981 to $6. 31 billion in 1991.

Cultures, however, often fail to see and they sow the seeds of their own demise before it's too late. While the EMT saw implementing formal control systems as improving the company, they failed to realize the cultural impact and organizational resistance of the changes. Likewise, the bulk of the Apple workforce failed to see that their industry had changed to the point that a paradigm shift was desperately needed to avoid absolute failure.

Group Recommendations for implementing the new strategy – 1992

Executive Summary: Apple was on the right track with its new initiatives in creating and developing the proper technologies to implement its strategy. However, there are several changes that could have been made within the

structure, systems and people management practices that would improve the implementation strategy, and help aid in the execution of that strategy.

Structure Recommendation: Within the Apple structure, one change would be to centralize the R&D departments of the Macintosh and new technologies divisions, encouraging the creativity of the existing employees to move into the next generation of Apple. This would allow the leveraging of knowledge gained from their core business to be used to support their new technologies while at the same time continuing to build on the existing corporate culture (instead of trying to change it).

As the integration of R&D begins, Apple could be reconstructed by continuing to encourage creativity and use cross-functional teams as your primary delivery system. When Apple started total-quality management, Spindler commissioned a cross-functional steering committee to develop a plan for using total-quality management throughout Apple, which was an effective approach to implement Apple's strategies. They could embed it in their whole organization while building on the existing Apple traditions & culture. These cross-functional teams should include people of R&D, production, marketing, and finance. Cross-functional teams should be able to implement Apple's strategy from following several aspects:

First of all, develop a sound R&D portfolio. After the centralization of the R&D departments, cross-functional teams can bring back the creativity with a decentralized feel. With finance and marketing people in the teams, Apple management can develop their reasonable R&D portfolio, deciding on a

proper proportion of stepping-stone options, positioning options, platform launches and enhancement launches.

Secondly, create " hit" products to rapidly increase market share. Marketing people in the teams will bring rich information about market needs and when to launch the new products. R&D people can absorb above information to create ideas going beyond Mac: create new " hit" products by taking advantage of Apple's core competitive technology and existing distribution channel. Historically, Apple had a hard time competing with their competitors in volume. Since the simple fact that Mac has small number of users compared to that of PC, they should create new Mac related products, which should not be limited to the Mac but become a PC compatible to take advantages of competitors' existing market platform. In this case, they will have potential to increase Apple's market share rapidly.

Thirdly, effectively control cost and price by continuing an informal communication channel with employees and management. Manufacturing personnel can contribute ideas how to reduce cost from producing process point of view. Marketing have been closely watching competitors price. By using cross-functional teams, Apple can continue to look for ways to increase value and finance people can have better control over cost and price. Historically, Apple lost its market share to competitors due to its high prices. A competitive price is critical for Apple's new products to gain market share.

Another change would be to separate the CEO and CTO positions. John Scully should concentrate on an implementation strategy which builds on what

Apple has been doing the last 10 years. The CEO is too busy to take on a position like CTO. Let a new CTO concentrate on the new initiatives. This way each can focus his/her attention on their specific role within the organization.

Lastly, reduce the management hierarchy from the organizational structure by flattening and creating less management layers. This is in order to help facilitate more group interaction and communication in cross-functional teams and get the employees of Apple feeling young again.

Systems Recommendation: Apple must put in place the proper systems that will create value for the customer. Shareholder value is important, but it can't be accomplished without first focusing and creating customer value. This can be accomplished in part by the strengthening of the internal management and accounting control systems. These internal controls, however, cannot be incongruent with the overall philosophy and culture of the Apple organization. As we have seen with companies such as Ideo, you do not design fresh and innovative ideas in an environment that constricts creativity. Yes, Apple does need internal controls to drastically lower their research and development costs. The commoditization of the PC industry necessitates this. However, Apples competitive advantage is its creative design. Any internal controls must not infringe on this work philosophy because, if it does, it will lead to the continuation of dissatisfaction among the Apple employees. The trick is to integrate change it a way that it maintains the aura of creativity and innovation.

People Management Practices: The people management practices within Apple can be improved with some additional changes. Among these changes are increases in the diversity of the backgrounds of the executive management and board of directors. For example, a greater number of directors from public service, academia, and scientific settings; a greater percentage of executives with ethnic minorities and women.