

BAM321 time-constrained assessment task

The time-constrained assessment task will be undertaken on Tuesday 6 May at 2pm in room F1 in the ICT Centre at BRC. You will have one and a half hours to complete the task. The task will be related to the text below. It will be a closed-book task, with the exception that you will be permitted to annotate this handout and bring it with you into the assessment room. You will not be permitted to access any other notes.

Apple Inc. has recently been named as the world's most admired company by *Fortune* magazine. The following text has been extracted from two articles published in *Fortune* on 17 March 2008.

The Steve Jobs adventure: By now it's one of the most remarkable stories in business. When Jobs returned in 1997 to Apple he arrived with a tarnished legend. He was, of course, the charismatic boy wonder who at age 21 had co-founded Apple with Steve Wozniak in his parents' garage back in 1976. He was worth \$200 million
5 by 25, made the cover of *Time* magazine at 26, and was thrown out of the company at age 30, in 1985.

What he's accomplished in the past decade has not just restored Jobs to the Silicon Valley pantheon but elevated him to the status of superstar. On the brink of
10 bankruptcy when he returned, Apple now has a market value of \$108 billion – more than Merck, McDonald's, or Goldman Sachs; \$1,000 invested in Apple shares on the day Jobs took over is worth about \$36,000 today.

No less an authority than Jack Welch has called Jobs "the most successful CEO
15 today."

Jobs is also among the most controversial figures in business. He oozes smug superiority, lacing his public comments with ridicule of Apple's rivals, which he casts as mediocre, evil, and – worst of all – lacking taste. No CEO is more willful, or more
20 brazen, at making his own rules, in ways both good and bad. And no CEO is more personally identified with – and controlling of – the day-to-day affairs of his business.

Jobs' product introductions are semiannual events, complete with packed houses, breathless blog dispatches, and celebrity appearances – two hours of marketing
25 performance art. Who else could have the nation panting in anticipation of a

cellphone? After watching Jobs unveil the iPhone, Alan Kay, a personal computer pioneer who has worked with him, put it this way: "Steve understands desire."

30 Jobs' personal abuses are also legend: he parks his Mercedes in spaces for the disabled, periodically reduces subordinates to tears, and fires employees in angry tantrums. Yet many of his top deputies at Apple have worked with him for years, and even some of those who have departed say that, although it's often brutal and Jobs hogs the credit, they've never done better work.

35 History, of course, is littered with tales of combustible geniuses. What's astounding is how well Jobs has performed atop a large public company – by its nature a collaborative enterprise. Pondering this issue, Stanford management science professor Robert Sutton discussed Jobs in his bestselling 2007 book, *The No*
40 *Asshole Rule: Building a Civilized Workplace and Surviving One That Isn't*. "As soon as people heard I was writing a book on assholes, they would come up to me and start telling a Steve Jobs story," says Sutton. "The degree to which people in Silicon Valley are afraid of Jobs is unbelievable. He made people feel terrible; he made people cry. But he was almost always right, and even when he was wrong, it was so creative it was still amazing." Says Palo Alto venture capitalist Jean-Louis Gasse, a
45 former Apple executive who once worked with Jobs: "Democracies don't make great products. You need a competent tyrant."

Jobs himself judges the world in binary terms. Products, in his view, are either "insanely great" or "shit." Subordinates are geniuses or "bozos," indispensable or no
50 longer relevant. People in his orbit regularly flip, at a second's notice, from one category to another, in what early Apple colleagues came to call his "hero-shithead roller coaster."

At Apple during his 20s, Jobs served as board chairman and head of the Macintosh
55 division. But he was never given the CEO job. Adult supervision – in the form of professional managers – was recruited to run the fast-growing business, notably Pepsi president John Sculley. "Back then he was uncontrollable," venture capitalist Arthur Rock, an early Apple board member, told *Institutional Investor* last year. "He got ideas in his head, and the hell with what anybody else wanted to do. Being a
60 founder of the company, he went off and did them regardless of whether it ended up being good for the company."

To be sure, many of the gifts that would drive Apple's resurrection over the past decade were already evident in the 1980s: the marketing showmanship, the
65 inspirational summons to "put a dent in the universe," the siren call to talent. Engineer Bob Belleville recalls Jobs recruiting him from Xerox in 1982 with the words: "I hear you're great, but everything you've done so far is crap. Come work for me." Jobs famously seduced Sculley to Apple by challenging him: "Do you want to spend

70 the rest of your life selling sugared water, or do you want a chance to change the world?"

But after two years of working closely with Jobs, Sculley came to liken him to Russian revolutionary Leon Trotsky. In 1985, Sculley orchestrated the firing of Jobs after a power struggle. And in his memoir, Sculley dismissed Jobs' vision for the company. 75 "Apple was supposed to become a wonderful consumer products company," Sculley wrote. "This was a lunatic plan. High tech could not be designed and sold as a consumer product." Of course, Sculley was dead wrong.

80 During the ensuing 12 "wilderness years," as they have come to be known, Jobs started Next Computing and bought what became Pixar from George Lucas. Next was a business failure, burning through hundreds of millions in investors' money. But by the time Apple bought Next in 1997, setting in motion Jobs' return, he obviously had developed the capacity to become a CEO for the ages.

85 Apple was on the ropes. Right away, Jobs dug into the mucky details of the business, creating a sense of urgency, radically reducing Apple's product line, and accelerating a wholesale cost cutting that would shrink the company back to profitability. Jobs had become a far better leader, less of a go-to-hell aesthete who cared only about making beautiful objects. Now he was a go-to-hell aesthete who cared about making 90 beautiful objects that made money. No engineering specification, no design flourish was too small for his scrutiny. "It wasn't like he was some mythical creative genius and leaving the rest of the company to itself," says retired DuPont chairman Ed Woolard, a former director who was instrumental in bringing Jobs back. "It may have been true in the past. It was not true when he came back. He clearly was deeply 95 involved in all the practical operations of Apple."

That's not to suggest that he ever became easy to work for. Jobs is even known to yell at company directors.

100 Often Jobs would suddenly "flip," taking an idea that he'd mocked (maybe your idea) and embracing it passionately – and as his own – without ever acknowledging that his view had changed. "He has this ability to change his mind and completely forget his old opinion about something," says a former close colleague who asked not to be named. "It's weird. He can say, 'I love white; white is the best.' And then three 105 months later say, 'Black is the best; white is not the best.' He doesn't live with his mistake. It evaporates." Jobs would rationalize it all by simply explaining, "We're doing what's right today."

110 Despite all that, Jobs was able to put together a world-class team when he got back to Apple. He assembled an inner circle which included his two top product guys: Avie Tevanian, who ran software, and Jon Rubinstein, who presided over the hardware

team. Phil Schiller, already at Apple, was promoted to head of product marketing, while operations chief Tim Cook (now Apple's COO) was recruited from Compaq. Jobs hired Ron Johnson from Target to launch Apple's retail stores.

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As a condition of taking over in 1997, Jobs had fired most of Apple's board, installing a new one with just six members. Only two directors were holdovers: Edgar Woolard, the retired DuPont chairman, and Gareth Chang, senior vice president of Hughes Electronics. The others were Oracle CEO Larry Ellison, a close friend of Jobs; Intuit CEO Bill Campbell, who had worked at Apple back in the 1980s and was Jobs' neighbor; Jerry York, a former CFO of IBM and Chrysler, who later became CEO of Micro Warehouse, a computer reseller that did extensive business with Apple; and Jobs himself.

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Apple's board has drawn criticism from governance experts for years. In his 2002 book, *Take On the Street*, former Securities and Exchange Commission (SEC) chairman Arthur Levitt complained that Apple's governing body simply failed to meet "good governance litmus tests." Levitt wrote, "It's plain to me that Apple's board is not designed to act independently of the CEO." A self-described "Apple junkie," Levitt had actually been invited by Jobs to become an Apple director in February 2001, only to be "disinvited" after returning from a visit to Silicon Valley. "Arthur, I don't think you'd be happy on our board and I think it best if we not invite you," Levitt recounts Jobs telling him in a phone call. Levitt says Jobs explained that he had come to this conclusion after reading a Levitt speech on corporate governance.

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"Frankly, I think some of the issues you raised, while appropriate for some companies, really don't apply to Apple's culture," Jobs told him. Levitt says he was "floored."

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No question, Apple's culture at this level was out of the ordinary. Jobs accepted a salary of \$1 a year. In January 2000, after the shares had soared and the company's survival seemed assured, Apple announced that it was buying Jobs a jet – not a corporate jet for him to use, mind you, but his own Gulfstream V. Total cost to the company, including Jobs' taxes on the gift: \$88 million. While the plane has long been cast as a board's creative gesture of gratitude, Woolard says Jobs is the one who thought of it. "He brought up the idea: 'What I really need is a plane where I can take my family to Hawaii on vacation, go to the East Coast.' I said, 'All right.'" Larry Ellison declared, "With what he's done, we ought to give him five airplanes!"

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Steve Jobs on Apple's chemistry

150 *Fortune* senior editor Betsy Morris spoke with Jobs in February, on the keys to Apple's success, obstacles along the way, and the prospect of Apple without Steve Jobs.

155 **On the birth of the iPhone** We all had cellphones. They were so awful to use. The software was terrible. The hardware wasn't very good. We talked to our friends, and they all hated their cellphones too. And we saw that these things really could become much more powerful.

160 It was a great challenge: Let's make a great phone that we fall in love with.

165 **On Apple's connection with the consumer** It's not about pop culture, and it's not about fooling people, and it's not about convincing people that they want something they don't. We figure out what we want. And I think we're pretty good at having the right discipline to think through whether a lot of other people are going to want it too.

170 **On choosing strategy** We do no market research. We just want to make great products. When we created the iTunes Music Store, we did that because we thought it would be great to be able to buy music electronically, not because we had plans to redefine the music industry. I mean, it just seemed like writing on the wall that eventually all music would be distributed electronically. Why have all this [cost] when you can just send electrons around easily?

175 **On what drives Apple employees** We don't get a chance to do that many things, and every one should be really excellent. Because this is our life. Life is brief, and then you die, you know? So this is what we've chosen to do with our life. We could be sitting in a monastery somewhere in Japan. We could be out sailing. Some of the [executive team] could be playing golf. They could be running other companies. And we've all chosen to do this with our lives. So it'd better be damn good.

180 **On his demanding reputation** My job is to not be easy on people. My job is to take these great people we have and to push them and make them even better. How? Just by coming up with more aggressive visions of how it could be.

185 **On finding talent** When I hire somebody really senior, competence is the ante. They have to be really smart. But the real issue for me is, Are they going to fall in love with Apple? Because if they fall in love with Apple, everything else will take care of itself. They'll want to do what's best for Apple, not what's best for them, what's best for Steve, or anybody else. Recruiting is hard. It's finding the needles in the haystack. I've participated in the hiring of maybe 5,000-plus people in my life. I take
190 it very seriously. You can't know enough in a one-hour interview. So in the end, it's ultimately based on your gut. How do I feel about this person? What are they like

when they're challenged? Why are they here? I ask everybody that: "Why are you here?"

NOTE

Please note that the *Fortune* text uses American spellings. Students should use English spellings in their work, unless quoting directly from the extract.

Sources

Elkind, Peter, Burke, Doris (2008) "The Trouble With Steve", *Fortune*, Vol. 157, Issue 5

Morris, Betsy, Levinstein, Joan L. (2008) "What Makes Apple Golden", *Fortune*, Vol. 157, Issue 5