

What's Wrong With Apple?

Even before the threat of President Trump's tariffs, there were questions about the company's inability to make good on new ideas.



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Reporting from San Francisco

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Even before President Trump's tariffs threatened to upend Apple's manufacturing business in China, the company's struggle to make new products was leading some people inside its lavish Silicon Valley headquarters to wonder whether the company had somehow lost its magic.

The tariffs, which were introduced April 2, caused Apple to lose \$773 billion in market capitalization in four days and briefly lose its standing as the most valuable publicly traded company in the world. But investors had already started to sour on the company, sending its share price down 8 percent in the first four months of the year, double the S&P 500's decline.

Apple had hoped to revive its fortunes over the past year with a virtual reality headset, the Vision Pro, and an artificial intelligence system called Apple Intelligence. Sales of the headset have been a disappointment, however, and the signature features of the A.I. system have been postponed because it didn't work as well as the company had expected.

The company's issues underscored how its reputation for innovation, once considered a fundamental element of its brand, has become an albatross, fueling angst among employees and frustration among customers. And company insiders worry that Apple, despite its years of gravity-defying profits, is hamstrung by the



political infighting, penny pinching and talent drain that often bedevil large companies, according to more than a dozen former and current employees and advisers.

Apple declined to comment.

It has been a decade since the releases of Apple's most recent commercial successes: the Apple Watch and AirPods. Its services like Apple TV+ and Fitness+, which it introduced in 2019, lag behind rivals in subscriptions. Half of its sales still come from the iPhone, an 18-year-old product that is incrementally improved nearly every year.

While Vision Pro sales have been disappointing, Apple's issues with Apple Intelligence exposed dysfunction inside the organization.

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In a nearly two-hour video presentation last summer, Apple demonstrated how the A.I. product would summarize notifications and offer writing tools to improve emails and messages. It also revealed an improved Siri virtual assistant that could combine information on a phone, like a message about someone's travel itinerary, with information on the web, like a flight arrival time.

The A.I. features were unavailable when new iPhones shipped. They arrived in October, about a month late, and quickly ran into trouble. Notification summaries misrepresented news reports, leading Apple to disable that feature. Then, last month, the company postponed the spring release of an improved Siri because internal testing found that it was inaccurate on nearly a third of requests, said three people familiar with the project who spoke on the condition of anonymity.

After the delay, Craig Federighi, Apple's software chief, told employees that the company would reshuffle its executives, removing responsibility for developing the new Siri from John Giannandrea, the company's head of A.I., and giving it to Mike

Rockwell, the head of its Vision Pro headset.

“Apple needs to understand what happened because this is bigger than just rearranging the deck chairs,” said Michael Gartenberg, a technology analyst who previously worked as a product marketer at Apple. “If ever there’s been an example of over-promising and under-delivering, it’s Apple Intelligence.” It was the first time in years that Apple hadn’t shipped a product it had unveiled.

Some details of Apple’s changes to its Siri team and challenges were previously reported by Bloomberg and The Information.

The A.I. stumble was set in motion in early 2023. Mr. Giannandrea, who was overseeing the effort, sought approval from the company’s chief executive, Tim Cook, to buy more A.I. chips, known as graphics processing units, or GPUs, five people with knowledge of the request said. The chips, which can perform hundreds of computations at the same time, are critical to building the neural networks of A.I. systems, like chatbots, that can answer questions or write software code.



Apple's chief executive, Tim Cook, at the company's headquarters in Cupertino, Calif., last year. Justin Sullivan/Getty Images

At the time, Apple's data centers had about 50,000 GPUs that were more than five years old — far fewer than the hundreds of thousands of chips being bought at the time by A.I. leaders like Microsoft, Amazon, Google and Meta, these people said.

Mr. Cook approved a plan to double the team's chip budget, but Apple's finance chief, Luca Maestri, reduced the increase to less than half that, the people said. They said Mr. Maestri had encouraged the team to make the chips they had more efficient.

The lack of GPUs meant the team developing A.I. systems had to negotiate for data center computing power from its providers like Google and Amazon, two of the people said. The leading chips made by Nvidia were in such demand that Apple used alternative chips made by Google for some of its A.I. development.

After this article was published, Trudy Muller, an Apple spokeswoman, said the company had fulfilled Mr. Giannandrea's budget request for GPUs over time rather than all at once. She said Mr. Maestri had never asked the team to make its chips more efficient.

At the same time, leaders at two of Apple's software teams were battling over who would spearhead the rollout of Siri's new abilities, three people who worked on the effort said. Robby Walker, who oversaw Siri, and Sebastien Marineau-Mes, a senior executive with the software team, struggled over who would have responsibility for some aspects of the project. Both ended up with pieces of the project.

The infighting followed a broader exodus of talent from Apple. In 2019, Jony Ive, the company's chief designer, left to start his own design firm and poached more than a dozen integral Apple designers and engineers. And Dan Riccio, the company's longtime head of product design who worked on the Apple Watch, retired last year.

In their place, Apple has been left with old and new leaders with less product development experience. Mr. Giannandrea, who joined the company in 2019 from Google, had never led the launch of a high-profile product like the improved Siri. And Mr. Federighi, his counterpart overseeing software, had never led the creation of a new operating system like some of his predecessors in that role.

Mr. Cook, 64, who has a background in operations, has been hesitant over the years to provide clear and direct guidance on product development, said three people familiar with the way the company operates.

"It's clearly a breakdown of leadership and communication and internal processes," said Benedict Evans, an independent analyst who previously worked as a venture capitalist at Andreessen Horowitz.

Apple hasn't canceled its revamped Siri. The company plans to release a virtual assistant in the fall capable of doing things like editing and sending a photo to a friend on request, three people with knowledge of its plans said.

Some of Apple's leaders don't think the delay is a problem because none of Apple's rivals, like Google and Meta, have figured out A.I. yet, these people said. They believe there's time to get it right.

As the clock ticks on fixing Siri, Apple will be defending the assistant's current shortcomings. Last month, customers filed a federal lawsuit accusing Apple of false advertising. Since then, its commercials about Siri have gone dark.

Brian X. Chen contributed reporting.

Tripp Mickle reports on Apple and Silicon Valley for The Times and is based in San Francisco. His focus on Apple includes product launches, manufacturing issues and political challenges. He also writes about trends across the tech industry, including layoffs, generative A.I. and robot taxis.

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