**Introduction to Management**

**Group Assignment Report**

**Apple Inc.**

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[1 Introduction 3](#_Toc530128256)

[1.1 Company Background 3](#_Toc530128257)

[Product/Services (Apple Inc., 2018) 3](#_Toc530128258)

[History (Richardson, Terrell, 2018) 3](#_Toc530128259)

[Top Management Team (Apple Inc., 2018) 4](#_Toc530128260)

[Accomplishment 4](#_Toc530128261)

[1.2 Mission, Vision, Goal 5](#_Toc530128262)

[2 Mega Environment 7](#_Toc530128263)

[**2.1 Political and Legal Factor** 7](#_Toc530128264)

[**2.2 Economic Factor** 7](#_Toc530128265)

[**2.3 Sociocultural Factor** 7](#_Toc530128266)

[**2.4 Technological Factor** 8](#_Toc530128267)

[**2.5 International Factor** 8](#_Toc530128268)

[3 Task Environment 9](#_Toc530128269)

[**3.1 Organization Structure** 9](#_Toc530128270)

[**Formalization** 9](#_Toc530128271)

[**Departmentalization and Work Specialization** 9](#_Toc530128272)

[**Chain of Command** 9](#_Toc530128273)

[**Centralization and Decentralization** 10](#_Toc530128274)

[**3.2 Organization Culture** 10](#_Toc530128275)

[**Individualism vs. Collectivism** 10](#_Toc530128276)

[**Power Distance** 11](#_Toc530128277)

[**Uncertainty Avoidance** 11](#_Toc530128278)

[**Achievement vs. Nurturing Orientation** 11](#_Toc530128279)

[**Long-term vs. Short-Term Orientation** 11](#_Toc530128280)

[**3.3 Stakeholders** 11](#_Toc530128281)

[**3.4 Financial Resources** 12](#_Toc530128282)

[**3.5 Human Resources** 12](#_Toc530128283)

[4 SWOT Analysis 14](#_Toc530128284)

[5 Strategy Formulation 18](#_Toc530128285)

[6 Strategy Implementation 20](#_Toc530128286)

[7 Strategic Control 22](#_Toc530128287)

[8 References 23](#_Toc530128288)

[9 Group Task Report 27](#_Toc530128289)

# 1 Introduction

1.1 Company Background

Product/Services (Apple Inc., 2018)

Apple products include iPhone, iPad, Mac, Apple TV, Apple Watch, AirPods, HomePod, and iPod Touch. Mac includes laptop and desktop computers. AirPods are wireless headphones. HomePod is a smart wireless speaker. Apple has also created several operating systems for its devices. They are iOS for iPhone and iPad, macOS for Mac, watchOS for Apple Watch, and tvOS for Apple TV.

Services provided by Apple include iTunes Store, App Store, Book Store, Apple Music, iCloud, AppleCare, and Apple Pay. We can download pieces of music, TV shows, movies and podcasts in the iTunes Store. App Store is the place we download apps and games. Book Store is for ebooks. Apple Music is a music streaming service, like a radio, which provides radio stations that will evolve and adapt to the user. iCloud enable the user to store and share files online and locate lost devices. AppleCare provides customer services such as technical assistance and hardware repair. Apple Pay is the company’s cashless payment service.

History (Richardson, Terrell, 2018)

On April 1, 1976, Apple Computers, Inc. was founded by Steve Jobs and Steve Wozniak. Jobs and Wozniak wanted to make computers user-friendly and small enough for people to have them in their homes or offices. They started out building the Apple I in Jobs' garage. With the introduction of the color graphics, their then product Apple II revolutionized the computer industry. Sales increased from $7.8 million in 1978 to $117 million in 1980, the year Apple went public. In 1984, Apple launched the Macintosh. Together with Adobe, they create a desktop publishing market which they were dominant.

Wozniak lost interest in his day job and left Apple in 1983. Jobs then hired PepsiCo's John Sculley to be president. However, Jobs and Sculley developed a power struggle. Jobs left Apple in 1985 and founded his own company NeXT Software. Apple's market share dropped slowly after its peak in 1990, due to cheaper PC clones offer similar functionality to Macintosh.

In 1997, Apple bought out NeXT Software and brought Jobs back. Jobs revamped Macintosh, opened official retail stores, and introduced iPod and iTunes. iTunes has become the company's most profitable sector. Under Jobs leadership, Apple’s stock price increased dramatically. In 2007, Apple introduced the iPhone to a great success, which was a game changer for the industry.

Top Management Team (Apple Inc., 2018)

* Tim Cook - CEO
* Katherine Adams - Senior Vice President and General Counsel
* Angela Ahrendts - Senior Vice President, Retail
* Eddy Cue - Senior Vice President, Internet Software and Services
* Craig Federighi - Senior Vice President, Software Engineering
* Jonathan Ive - Chief Design Officer
* Luca Maestri - Senior Vice President and Chief Financial Officer
* Dan Riccio - Senior Vice President, Hardware Engineering
* Philip W. Schiller - Senior Vice President, Worldwide Marketing
* Johny Srouji - Senior Vice President, Hardware Technologies
* Jeff Williams - Chief Operating Officer

Accomplishment

* World's largest technology company, eighth largest company (Touryalai, Stroller, Murphy, 2018)
* World's 3rd largest mobile phone manufacturer (Mollman, 2018)
* The first public U.S. company to be valued at over USD 1 trillion (Bogost, 2018)
* The company has 123 thousand full-time employees in 2017 (Statista, 2018)
* The company has 505 retail stores in 24 countries as of 2018 (MacRumors, 2018)

1.2 Mission, Vision, Goal

Apple includes the following mission statement in every financial report press release (Apple Inc., 2018):

*"Apple revolutionized personal technology with the introduction of the Macintosh in 1984. Today, Apple leads the world in innovation with iPhone, iPad, Mac, Apple Watch and Apple TV. Apple’s four software platforms — iOS, macOS, watchOS and tvOS — provide seamless experiences across all Apple devices and empower people with breakthrough services including the App Store, Apple Music, Apple Pay and iCloud. Apple’s more than 100,000 employees are dedicated to making the best products on earth, and to leaving the world better than we found it."*

Through "leads the world" and "the best product," we can see Apple's proud. It created Mac, which is one of the best personal computers. It created iTunes, which revolutionize pieces of music and movies distribution. It created App Store, which transforms apps distribution. Besides, the mission statement highlights the company significant products and services. The reasons Apple doing all these are to empower people and to make the world a better place.

Besides mission statement, Tim Cook once gives a notion on company's philosophy (Friedman, 2011):

*"We believe that we are on the face of the earth to make great products and that’s not changing. We are constantly focusing on innovating. We believe in the simple, not the complex. We believe that we need to own and control the primary technologies behind the products that we make and participate only in markets where we can make a significant contribution. We believe in saying no to thousands of projects so that we can focus on the few that are truly important and meaningful to us. We believe in deep collaboration and cross-pollination of our groups, which allow us to innovate in a way that others cannot. Moreover, frankly, we don’t settle for anything less than excellence in every group in the company, and we have the self-honesty to admit when we’re wrong and the courage to change. Moreover, I think regardless of who is in what job those values so embedded in this company that Apple will do extremely well."*

We can see these beliefs in Apple products. For example, the design of the iPhone, its beauty is in its simplicity. Apple's constant focus on innovation is the main reason it leads the industry. The smartphone is not ordinary until iPhone, and tablet is not regular until iPad. Apple's stride toward excellence is what makes its product synonym to high quality. Its product seldom has a problem, and when we face one, we can always rely on its superb customer service.

Apple (2018) stated its goal as:

*“To obtain stellar products and services within tight timeframes, at a cost that represents the best possible value to our customers and shareholders.”*

This goal is concise. It mentions not only the product, but also limitations, i.e., tight time frames, cost, and profitable for shareholders. That makes the goal more realistic.

Steve Jobs once said:

*"To live is to change the world."*

Although not explicitly stated, we think this is also Apple's general goal, because this is what Apple has been doing. After iTunes is born, people don't buy CD anymore. By creating iPhone and App Store, Apple builds an app ecosystem that millions of app developers rely on it. With this goal in mind, Apple may continue to amaze us.

# 2 Mega Environment

**2.1** **Political and Legal Factor**

Apple must operate its business within regulations. Those regulations cover consumer protection, competition, taxes, environment, intellectual property, patents, etc. All these laws will affect Apple. For example, due to the commonality of electrical products, Apple involved in various patent war with Nokia, Samsung, and HTC. Another example is Apple v. Pepper antitrust lawsuit (Robertson, 2018), which Apple issued over anti-competitive behavior in the iOS ecosystem. These lawsuits are costly and may affect Apple's business decisions.

**2.2 Economic Factor**

Economic growth and currency fluctuation are two of the elements that have an impact on Apple. Due to the high price of Apple products, they have been considered luxury goods by some people. Generally, compared to necessity goods, sales of luxury goods are more sensitive to the economy. When global economic growth slows down, iPhone sales drop (Sayed, 2018). Besides that, the value of USD affect sales of Apple's products too. When the value of USD drop, sales of iPhone outside United States rise (Dilger, 2017).

**2.3 Sociocultural Factor**

When buying an electronic device, there are so many brands we can choose. So, besides device specification, customer service and price, the consumer is now taking the corporate value into their consideration. In a society that appreciates originality and innovation, Apple tends to perform better, because of its emphasis on innovation. However, in a community that focuses more on cost-performance instead of branding, Apple product sales tend to lower, because iPhone is too expensive compared to Xiaomi and OnePlus.

**2.4 Technological Factor**

Apple is one of the beneficiaries from the advancement of technology. Every product of Apple is the integration of many technologies. Technology development enables Apple to make its product better and better. However, Apple is not the only beneficiary from the advancement of technology. Other companies can make use of those technologies and create products similar to Apple's too. That is why Apple tries to be an innovator so that it can gain first-mover advantage.

**2.5 International Factor**

Apple is a multinational corporation, 63% of its net sales are from outside the U.S. in 2018 (Apple Inc., 2018). Besides that, it has factories, suppliers, and retail stores in multiple countries. So it is profoundly affected by the international trade agreement. For example, Apple is trying hard to prevent escalation of the trade war between China and U.S., because China is Apple's second largest sales region.

# 3 Task Environment

**3.1 Organization Structure**

**Formalization**

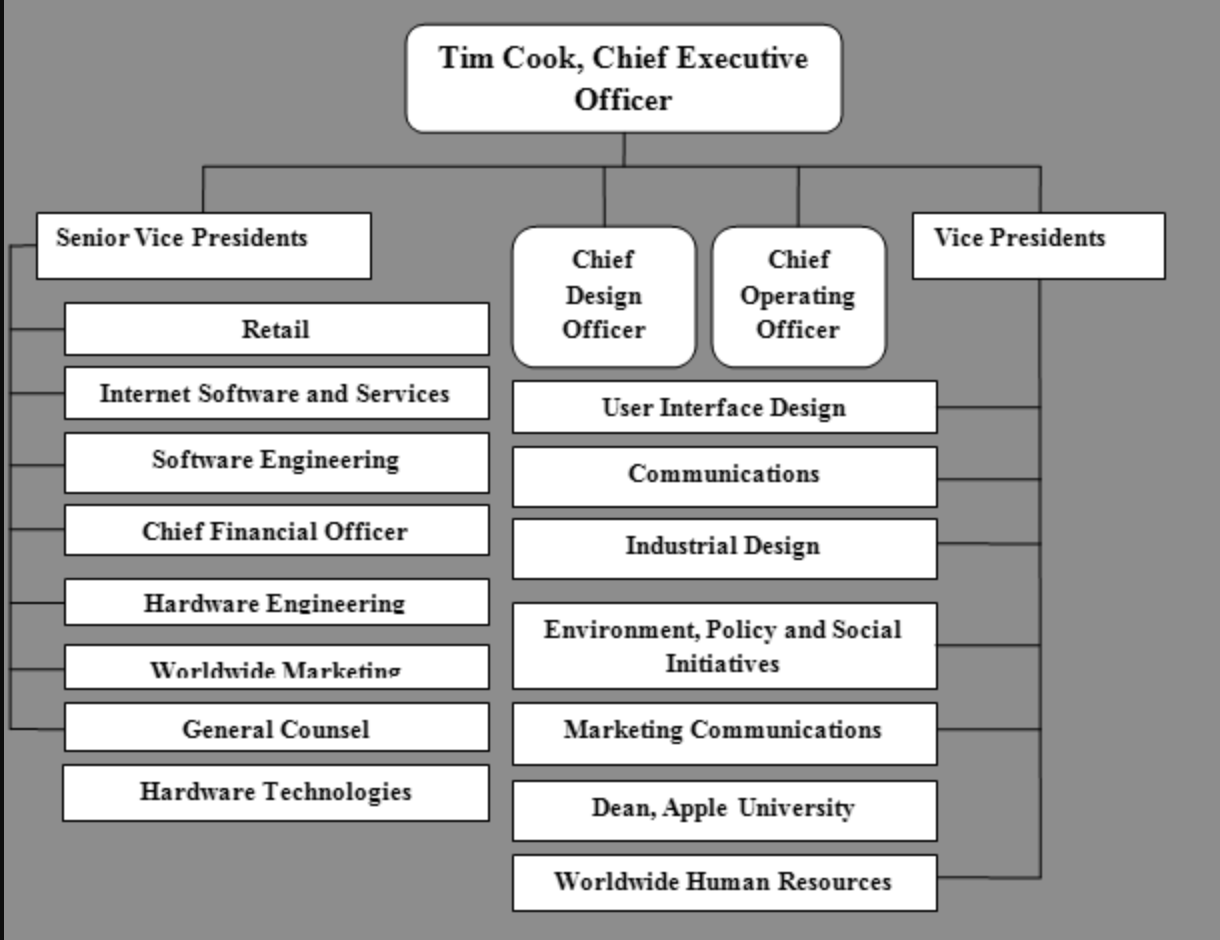
Apple is highly formalized. There are strict rules and standard operating procedures where all employees have to follow. For example, a set of SOPs has been created to assist the employee in serving customers. When a customer needs to repair his iPhone, the employee will ask for purchasing invoice and warranty card, then send that item to the service center, and tell the customer how long it will take to fix. However, for the research and development department, they have more degree of freedom in completing their job.

**Departmentalization and Work Specialization**

Apple has changed from traditional organization structure to matrix organization structure under the leadership of Steve Jobs. There are three types of departments in apple: functional, product, and region. Functional departments include hardware, software, finance, marketing, sales, HR, etc. Product departments include Mac, iPad, iPhone, etc. Region departments include the U.S, great China region, etc. All departments work together to achieve Apple’s goal.

**Chain of Command**

Apple’s current CEO is Tim Cook. He needs to answer to the board of directors. The chain of command starts from Tim Cook, then reach to senior vice presidents, chief design officer, chief operating officer, and vice presidents, which manage different departments of the company. They will then pass the command to various functional managers, product managers, and team leaders. This structure can be seen in the following diagram:



**Centralization and Decentralization**

Apple’s organizational structure is centralized in general. However, there is a shift from Steve Jobs to Tim Cook. Jobs is more toward autocratic, hence centralize. He has more fine control over the company and product. Cook is more toward laissez-faire, hence decentralize. He let his product managers make decisions about the details.

**3.2 Organization Culture**

Apple is an United States company. Its organization culture reflects the culture of the United States.

**Individualism vs. Collectivism**

This dimension is about the degree of interdependence a society maintains among its member. The United States has one of the most individualist cultures in the world. That applies to Apple. For example, Steve Jobs own leadership has defined Apple’s design, focus, innovation, and business model. We view Steve Jobs as the sole hero who saves Apple, the team behind him often being understated.

**Power Distance**

This dimension is about the attitude of the culture toward power inequalities among people. United States has fairly low power distance. That applies to Apple. For example, Tim Cook is known as a leader who will trust the opinions and voices of the team. He asks his employee about their opinion on Apple’s product. He visits Apple Store and engage with his customer.

**Uncertainty Avoidance**

This dimension is about the way that a society deals with unknown future. United States uncertainty avoidance is pretty low. That applies to Apple. For example, Apple has a high willingness to try something new or different. It is a critical spirit that powers Apple’s innovation.

**Achievement vs. Nurturing Orientation**

This dimension is about what motivates people. Is it a competition, performance, and success? Alternatively, caring for others and quality of life? The United States is achievement oriented. That applies to Apple. For example, employees are expected to strive to be the best, and they need to show their importance in the team. Else they may be laid off when the company wants to cut cost.

**Long-term vs. Short-Term Orientation**

This dimension is about how a society maintain some links with its past while dealing with the challenges of the present and future. The United States is more toward normative society, which views societal change with suspicion. However, this does not apply to Apple. Apple takes a more pragmatic approach to reforms. Apple often is the one who brings changes to our society.

**3.3 Stakeholders**

Customers are essential to Apple because they are the source of income. Apple stride to understand its customer needs better than any other company. Shareholders are critical to Apple because they provide funds to the company. Moreover, the share price is one of the leading indexes that shows how is the company doing. Employees are essential to Apple because they are the one who does the works. Apple is very generous toward its employees, from paid leaves to product discount. Suppliers are essential to Apple because without them Apple cannot produce any product. However, because there are plenty of suppliers to choose from, Apple has more power over its suppliers.

**3.4 Financial Resources**

The financial resources in applying they called it net working capital which is means within a year the short-term and cash assets needed to be converted to money already so that the businesses can check the cash flow and it is possible to service debts. It also can be defined as the total of all assets that it used less total all the current liabilities. The primary goals of Apple company using this networking capital first are to increase its current assets by opening the retail stores in certain places that don’t have any of the Apple's brand product (their official stores) that will help the firm increase their profit, stock and the value of their market share. Second is to decrease the liabilities by using the cash of capital to pay rather than reducing the retail spaces.

**3.5 Human Resources**

There are several critical strategic in Apple’s company such as:

**Recruitment and selection**

The company only requires an employee that are hardworking and participate in every company for the processes, and the candidates must be able to fit the firm organizational culture, from that the company can get the right talents to serve the organization.

**Diversity and equal employment opportunities**

The company set in a diversity environment, where all candidates from various race, religion, gender and background, all have the chance to get selected by Apple’s company.

**Employment benefit and compensation**

Apple covers the full cost of private healthcare insurance to its employees. Thus, Apple also matches up 7% of the employees’ yearly salary into the private pension plan. Besides, Apple’s Employee Purchase Plan provides substantial discounts on hardware and accessories purchased for employees, their family members and close friends. Hence, Apple concerns its employees offer fitness and wellness center yet offers professional to assist them.

**Employee appreciation and recognition**

Whoever gives an extra contribution to the firm will be readily recognized by the company, and that person will assign as the leaders. Apples also appreciate and value employees who are committed to the innovation. These aspects will be able to motivate the employees to work hard, give the best and committed talent to the firm.

# 4 SWOT Analysis

**4.1 Strength & Weakness**

**Strength**

In Apple’s case, the following are the strength indicates the influence of organizations on business:

1.     Good customer service

2.     Strong brand image

3.     High-profit margin and stable financial position of business

4.     Sophistication supply chain infrastructure

Apple built an excellent reputation in customer service. Apple able to reach the customer’s problem and solve it within a short period yet improved the image of the company. Since Apple is the most famous company in the world, it launched new products and guaranteed the quality and features of its product is worth its price. Hence, the public tend to use Apple’s products yet helps to promote the profit to Apple. In the meanwhile, Apple Inc. finance is remaining stable among others competitor. Besides, Apple successfully attracts customers due to the sophisticated design of the products and features.

**Weakness**

In Apple’s case, the following are the weakness indicates the influence of organizations on business :

1.     Higher price compared to competitor

2.     Overdependence on iPhone’s sales

3.     Narrow products range

The public has a dilemma to buy Apple’s products due to its cost of products. The price of Apple’s products is higher than its competitor. Thus, Apple will lose its new potential customers who unable to afford its products. Apple focused more on iPhone and neglected other possible outcomes. Hence, the popularity of Apple’s products is different. Since Apple focus and invest only in iPhone, it is limiting its product line and fail to earn extra profit from other products.

**4.2** **Opportunity & Threat**

Political Factor Affecting Apple’s Business

The following points are essential political factors for Apple:

1. Improving free trade policies (opportunity)

2. Expanding the distribution network (opportunity)

3. Stability political in developed countries (opportunity & threat)

Free trade policies create over time, especially with developing countries. Additional free trade policies increase the chances for Apple to distribute more of its products to various markets around the world. Meanwhile, this opportunity directly relates to the weakness of the company’s limited distribution network. An extensive distribution network can help Apple reach more customers in the global market. The stability of the political landscape in many developed countries presents opportunities because Apple can expect minimal political issues affecting its business. Thus, with the high reputation of the Apple company, they ensure their products able to launched successfully without triggered any political matters. Besides, a trade war between two countries can lead the rising price of Apple’s product yet causes the customers unable to afford unreasonable overpriced product in this short period.

Economic Factors Important to Apple

The following economic external factors are significant for Apple:

1. Financial stability in developed countries (opportunity)

2. High demanding from the public (opportunity)

3. The rapid growth of developing countries (opportunity)

4. The high price of Apple’s products (threat)

The economic stability creates opportunities for companies like Apple to expand their businesses. Apple able to sell their product in developed countries due to the demand from the citizens yet the ability to purchase and afford Apple products. However, the market in developing countries which are growing rapidly is more critical. For instance, the high economic growth rates of Asian countries are a significant chance for Apple to increase revenues through sales in these foreign markets. Apple’s products able to afford by the high-end customers and significantly lost new potential customers who unable to provide its products.

Social/Sociocultural Factors Influencing Apple’s Business Environment

The following social or external sociocultural factors are the most significant in Apple's remote/macro-environment:

1. Rising demand for mobile access (opportunity)

2. Increasing demand for social media (opportunity)

3. Growing demand for imitation design products (threat)

Increasing popularity of mobile access is an opportunity for Apple. There is a considerable chance to increase its sales through aggressive marketing, especially for mobile products. The firm has already taken steps to exploit this opportunity, such as through the iPhone, iPad, and Apple Watch. Hence, rising use of social media is also an opportunity because it increases demand for digital devices like Apple products. On the other hand, the public who unable to afford the price of Apple’s products will choose to purchase similar products. Thus, they tend to buy Apple’s competitor brand which is an Android phone run with the operating system.

Technological Factors in Apple’s Business

The following technological external factors are the most significant for Apple:

1. Cloud computing trend (opportunity & threat)

2. Technological integration (opportunity & threat)

3. Growing apps market (opportunity)

Cloud computing is becoming popular among individuals and organizations. Apple can exploit this opportunity by offering cloud-friendly devices and apps. However, Apple face threat towards Amazon and Google since these company have more experience in cloud computing yet will lose to them. The new presence of the iWatch and Apple TV have high demand in the market. Hence, the customers chose Apple brand instead due to the integration and capability of both digital products. On the other hand, iPhone and Mac OS found difficulty to link with other brand’s products. Besides, Apple takes the opportunity to improve and update its App Store whereas the apps market is slowly growing upon the demand of the public.

Legal Factors that Limit Apple

The following are the most significant legal external factors for Apple:

1. Increasing privacy regulations (opportunity & threat)

2. Increasing telecommunications regulations (threat)

Governments realize the privacy issues connected to digital technology use. As a result, more privacy regulations impose on businesses like Apple. However, this factor is also an opportunity for the company to improve product features that protect privacy. Hence, it is a threat to Apple since it creates new challenges for Apple in developing products that involve the transmission of private information. On the other hand, governments are imposing stricter telecommunications regulations, and known as a threat due to the potential limit the usability of Apple products.

Environment/International Factors Faced by Apple

The following environmental/international external factors are the most important for Apple:

1. Green technology trend (opportunity)

2. Product energy efficiency trend (opportunity & threat)

Apple has very high chance and opportunity to invest themselves in this field to attract more customers through more research and development. Since 2014, Apple has started to power their company with 100% renewable energy. Also, the company continually seeks new technological solutions to improve the energy efficiency of Apple products through advanced batteries, processors, and components that emit less heat. Hence, it threatened Apple since the company has to invest money and time in these aspects.

# 5 Strategy Formulation

**Blue Ocean Strategy**

Blue ocean strategy is about producing and taking uncontested market space. Apple with its iPhone was able to create new market space mainly in two ways. First, it looked at multiple industries: the smartphone industry, the portable music industry, and the Internet communication device industry. These industries shared similar functionalities. Apple then integrates the core functions of these three product categories into a single device. Second, Apple looked at multiple services offered by different type devices. Apple wants a tool that can provide all those services, that is, its functions should be extendable. So they create a platform, App Store, for its device. These unprecedented moves result in highly successful iPhone.

**Branding Strategy**

Apple’s products are generally more expensive than others. This premium pricing is a part of its marketing strategy. The premium price can help to maintain high Apple's position in the eyes of the fans. Besides that, Apple's production value is more than the cost of the product itself. It not only deliver high-quality user experience, but it also represents your belief, identity, and status. Apple's product may use the same raw material with other lower price device, but Apple's branded leading technology and design enables it to create a more superior quality product. Apple's brand has become more and more important benefit from its insistence on quality and innovation. That is why Apple can set a higher price while winning the recognition of most customers for years.

**Good Customers Service & In-Store Experience**

Steve Jobs understands the public need guidance to use a new product, even if the product is easy to use. Therefore, Apple trains their salespeople to distinguish its products well to assist the customers. In an Apple Store, salespeople give enough freedom to their customer to explore, yet always be there when customer seek for help. That makes people feel comfortable. Besides that, Apple's customer service is excellent. If customers have any problem with the device, Apple will take care of it as fast as possible without any hassle. Apple value customer's feedback, they listen to it. Their response to feedback is fast, and you can see their improvement. That makes Apple's customer service and in-store experience superb.

**Unique Feature and Characteristics**

Apple believes in the power of simplicity. It does not only present in their product design, such as iPhone, but also customers decision making. Apple makes typically one or two models of iPhone a year while most companies make a lot more. It builds customer decision making more accessible, thus better experience. Moreover, Apple's system security is one of the most critical factors in its success. Both iOS and macOS are more secure than Android and Windows. In this era of information, people are getting more concerned about cybersecurity and privacy. A system that is hard to hack will be more appealing to consumers.

**Strategy outsourcing**

As a multinational technology company, Apple is very clear about its central competitiveness. Apple actively outsourced the production rights of its product parts to the low-cost Asia Pacific region. Besides, Apple outsourced after-sales software technical support to different countries. As a result, their software technical support department can provide services to customers from different countries according to the language of each country. Apple only needs to advise the department to check customers’ feedback. Finally, Apple Store allows software developers from all over the world to submit software, and it only retains the right to review. It gives all software developers an opportunity to succeed. There is no doubt that this is a great decision. These outsourcing strategies allow Apple to spend more money and time to focus on new products.

# 6 Strategy Implementation

**Vertical Integration in Marketing Penetration**

*“People who are serious about software should make their hardware.” — Alan Kay.* Apple designed the hardware and software of iPhone and iPad yet the processors of the device. It is challenging to compete Apple Inc. since it merges hardware, software, service, retail together in one company. In this strategy, Apple able to sell more self-produced products to existing customers by applying the appropriate marketing tools which are lower prices, sales promotion, and advertising to attract new customers to purchase its products. Apple tends to reduce the cost of old model iPhone to customers since the contract’s supply chain does not restrict Apple. Hence, Apple an opportunity to the customers experience the difference between the Android operating system and iOS. However, the competition between its competitor become easier since Apple hit them with heavy promotions and self-produced of the device and processors. On the other hand, Apple introduced Macintosh to compete with Windows and give a significant impact in this technology aspects. Apple present Macintosh runs a better security system than Windows, since Macintosh receives fewer viruses, compared to Windows and most malware is created for Windows. In this case, Apple is more highly to be achieved in the growing markets due to the rising stage of its products.

**Diversified development direction**

This strategy is risky to Apple Inc. since the company is focusing on innovation, therefore, think of new products and introduce into the new market. Apple is facing in coin flip situation if the products did not come up with the expectations of customers, it will have a loss instead of a profit. The introduction of iPad is to target the users refused to own a notebook since iPad is more comfortable to handle compared to a laptop. On the other hand, iPad is known as a bigger screen of iPhone with the combination feature of the notebook. Besides, the introduction of iPhone, the first mobile device from Apple. Apple has to face many competitors since Andriod is dominating the mobile market. With the specific of iPhone, Apple determined to introduce it to the mobile market and hook the attention of the customers. The customers tend to purchase iPhone due to curiosity and lack of experience to this device. However, Apple succeeds in the mobile market with the appropriate marketing and management strategies. Also, an older example is the introduction of iPod, and it was accepted by the public sooner as it released. Thus, iPod is known as a treat to Sony Walkman MP3 Player since it was a strong competitor to the Sony company. Apple first enters to music market instead of the computer market and aiming the new customers to switch from Sony Walkman to iPod yet try the service of Apple. In this case, Apple gives a massive impact in the product development through diversification.

# 7 Strategic Control

Strategic control is about monitoring company performance so that we can know whether our strategy is working. Apple uses the quarterly report and annual report as an indicator of the effectiveness of its approach. Strong growth in sales indicates its plan is working. Stalled growth or even drop in sales indicate its strategy is not working.

In general, Apple stock price has been growing in the last five years, from 75 USD in 2013 to 222 USD in 2018. It indicates that Apple’s strategies have been successful in generating profits.

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# 9 Group Task Report

Intake: UC1F1809IT(IOT)/IS

Group Members:

1) Lau Dian Heng

2) Zhang ZiTeng

3) Leong Soong Jun

4) Junie Halim

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| --- | --- |
| Area of Responsibility | Name and Signature of Member |
| * Task Environment: Stake Holder, Financial Recourse, Human Recourse * SW Analysis * Strategy Implementation: Vertical Integration in Marketing Penetration | Junie Halim |
| * Mission ,Vision and Objectives * Mega Environment: Economic Factor, Technologic Factor, Sociocultural Factor * Strategy Formulation: Branding Strategy, Strategy Outsourcing,Unique Feature and Characteristics Strategy | Zhang ZiTeng |
| * Mega Environment:Political and Legal Factor, International Factor * OT Analysis * Strategy Implementation: Diversified Development Direction | Leong Soong Jun |
| * Introduction and background * Task Environment: Organization Culture, Organization Structure * Strategy Formulation: Blue Ocean Strategy,Good Customers Service & In-Store Experience Strategy * Strategy Control | Lau Dian Heng |

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