



Inside Apple

How America's Most Admired – and Secretive – Company Really Works

by Adam Lashinsky
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Take-Aways

- Apple co-founder Steve Jobs imbued his company with his own personality.
- He was a “productive narcissist,” a leader with a quest to “change the world.”
- Most businesses strive for transparency. Apple obsessively encourages secrecy.
- Instead of avoiding silos, Apple purposely keeps large segments of its employee population in the dark about what is happening.
- This fosters the impression that employees are working for a small, new company instead of the world’s most successful corporation.
- Apple’s PR operation resists imparting information and actively seeks to protect it.
- Apple is stringent about communicating its messages simply, clearly and repetitively.
- While other companies may adopt some of Apple’s business methods, they would be unable to imitate Apple completely – and may not want to do so.
- The coming years will show whether Apple will survive the loss of Steve Jobs; no one now at the company is his brand of entrepreneur.
- Although new products are in the works, without Jobs, Apple may cease to be an “insanely great” company.

Rating (10 is best)

Overall

9

Importance

7

Innovation

9

Style

9

Relevance

What You Will Learn

In this Abstract, you will learn: 1) How Apple's business methods differ from those of traditional firms and 2) What could be in store for Apple in its post-Steve Jobs existence.

Recommendation

As English essayist Walter Bagehot once cautioned the British monarchy, it is dangerous to "let daylight in upon the magic." Apple co-founder Steve Jobs and his small, loyal band of executives applied this concept with a vengeance. But in the wake of Jobs's death, more of Apple's business methods are coming to light – and they're the polar opposite of what you'd learn in management school. Contrary to current business trends toward transparency and flatter hierarchies, Apple has fiercely encouraged secretiveness, silos and a start-up mentality, even though it is the most profitable company on Earth. *Fortune* senior editor Adam Lashinsky explains how it all works. By the time he's finished, you'll probably still want to buy Apple products, but you may not want to work for the firm. Even if you're not fascinated by the machinations of the corporate world, *getAbstract* thinks you'll find this page-turner highly entertaining. It will leave you wondering how the world's leading device maker will fare, now that its legendary creator has left it to its – well, to its own devices.

Abstract

A Company in His Own Image

Apple co-founder Steve Jobs died on October 5, 2011, after years of battling cancer. His death brought an outpouring of grief and countless tributes. His passing prompted fresh looks at Apple's business methods, most of which remained secret over the years. Jobs's firm reflected his personality and broke many "good management" dictums. Business leaders now ask if they should follow Apple's example, or is its modus operandi unique to Jobs and, thus, something they should strictly avoid? Under Jobs, Apple dramatically changed four overarching areas of technology: "computers, music (through the iTunes Store and the iPod), film (through Pixar, which pioneered computer animation), and communications (with the iPhone)." Apple and Jobs accomplished these breakthroughs by bucking several respected business trends:

- In an era when companies strive for transparency, Apple is secretive.
- Instead of empowering employees and broadening their scope of expertise, Apple assigns its workers to "narrow band[s] of responsibility" where they "follow orders."
- Jobs relentlessly micromanaged rather than delegating tasks.
- Apple is relatively uninterested in making money for investors.
- Rather than embrace its large size, Apple fosters "the vibrancy of a start-up."
- Instead of buying competing companies and expanding its product line, Apple focuses on doing only a few things extraordinarily well.

Breaking these tenets reflects the essence of Jobs's sometimes-thorny temperament. Like other business legends, he was a "productive narcissist," willing to take big chances because he could see the future and wanted to "change the world." This attitude determined his leadership style and, in the last 14 years of his life, changed the firm's

"The way Apple does business and the way its executives manage the company fly in the face of years of business school teaching...Is Apple's success unique, or is Apple on to something the rest of the business world ought to be emulating?"

"I don't want to let anybody know our magic because I don't want anybody copying it." (Tim Cook, CEO)

"If power corrupts, then success enhances: It makes the qualities of a leader appear in sharp relief."

"All companies have secrets...At Apple, everything is a secret."

"Outside, Apple is revered. Inside, it is cultish, and neophytes are only entrusted with so much information."

"Apple's culture may be cooperative, but it isn't usually nice, and it's almost never relaxed."

direction. Before Jobs famously left Apple for 12 years and after he returned in 1997 to spearhead a turnaround, he baked his personality into Apple's structural cake. What will happen now that this gigantic personality is gone?

The Secret Society

Apple is famously tight-lipped about its next product rollouts, which resemble Hollywood premieres. But the firm's penchant for secrecy permeates its inner organization as well; it even sometimes hires people without fully telling them the parameters of their new jobs. Current staffers can find their access to parts of corporate headquarters suddenly restricted. Executives never brief employees on all aspects of a project, only on their own areas, ensuring that they work in silos. Rumor has it that security is so strict that workers are "scared silent." This policy fosters anxiety and suspicion. People work collaboratively, but under high pressure to perform flawlessly. Recognition is restrained. Apple is not a service-award culture. As Jobs once said, "People love [working at Apple], which is different than saying they have fun. Fun comes and goes."

Magnificent Obsessions

Apple's culture is distinctive in its close attention to specifics and its emphasis on design, a touchstone for its clientele. Elegant design often outweighs buyers' cost concerns. But Apple has never convened a marketing research group to arrive at its superbly designed products. Its product developers don't ask customers what interests them. Jobs's team members create products they want. At other firms, "the folks in manufacturing" give designers their orders. Not at Apple.

Every Apple product begins with its design and a point-by-point handbook called "the Apple New Product Process" (ANPP), which outlines the product's path from inception to completion. The ANPP assigns specific roles to everyone in the process and sets a timeline. Apple conceives, creates and tries out the same products over and over, an exercise the company can manage due to its "vertical integration." Keeping its tools and expertise "under one roof" enables it to control every phase of product development; Apple is never dependent on outside vendors. The company also is strict about what it chooses "not to make." It restricts itself to creating a few things very, very well. Current CEO Tim Cook once claimed that all Apple products would fit on a single meeting-room table. This "art of refusal" is crucial to Apple's insistence on "simplicity." The corporate culture frowns on the concept of doing something just to make lots of money; executives believe that if they build the devices they like, the money will follow.

The Never-Ending Start-Up

When Steve Jobs returned to Apple after his 12-year-long hiatus – during which the company grew cumbersome and unsuccessful – he shifted the corporate structure to a start-up mind-set. Jobs disbanded "standing, task-oriented groups" and focused Apple solely on its products. He reintroduced the concept of the "Directly Responsible Individual" (DRI), the person in charge of an assignment who the company would hold accountable for any pitfalls or mistakes. He also abolished any managerial ownership of a profit-and-loss statement. Only the CEO has that responsibility. This lets workers be creative without worrying about costs. Apple does not expect its leaders to be outstanding administrators. It values employees with specific knowledge, not those with "general management" skills. This approach enables leaders to make quick decisions. Keeping employees sequestered in their silos – without mass internal communication – further fosters a start-up atmosphere, even inside an enormous corporation.

“Obsessing over details and bringing a Buddhist level of focus to a narrow assortment of offerings sets Apple apart.”

“The key to Apple’s design philosophy is that design is where Apple’s products start.”

“It is not just Apple’s products that are fiercely simple, but also the way it deploys its brand.”

“The world’s most discussed company may well be the least observed, at least from the inside.”

Apple’s way of doing business allows it to follow its core principles: “clear direction, individual accountability, a sense of urgency, constant feedback” and “clarity of mission.” Apple values concise communication. While it outsources manufacturing to China, its workforce at its Cupertino, California, headquarters carries out all other operations.

Always on the lookout for new talent, Jobs tended to hire people who ended up serving long tenures at Apple. But because of its culture, employees don’t usually climb the corporate ladder or even move laterally much within the organization. Apple hires people to do specific jobs well; employees generally yield their egos and ambition to the greater mission of creating Apple products. The firm does not encourage networking in the business or philanthropic worlds, so people who leave Apple after many years often find themselves isolated and with few contacts.

Jobs met regularly with managers in confidential conferences called the “Top 100.” He personally invited people based on whether he liked them rather than on their titles. He would tell meeting participants about the company’s plans for the next year or two. The Top-100 sessions also fostered collaboration among people who – toiling in silos – normally wouldn’t work together. But the meetings did not offer special training or organizational development. Unlike other firms, Apple wants to keep people where they are, doing what they do best, in “their perfect jobs.”

The “Disciples”

Jobs chose an executive team of people who “could function as extensions of himself” and yet were individually influential. CEO Tim Cook came from IBM after Jobs’s return to Apple. Cook streamlined neglected operations. Apple can thank Cook for its current “operational excellence,” but speculation remains about whether he is charismatic enough to be Apple’s post-Jobs face. Jonathan Ive is head of design and Scott Forstall runs the software division. Some observers see Forstall as a possible future CEO if Cook stumbles. Other significant players include Eddy Cue, head of Internet software and services; Bob Mansfield, head of software engineering; and Jeff Williams, operations chief.

Jobs built Apple’s six-member board of directors as an extension of himself. No one really chaired it. Its members are top-drawer, but its activities remained tethered to Jobs’s priorities. Business observers will watch the board carefully as Cook’s tenure continues.

Communications

Apple’s communication policy calls for “coordinated messaging” that appears relaxed and comfortable but is, in reality, tightly scripted. As with its product design, the company stresses simplicity and clarity when it imparts information, but it meticulously tailors its message to each audience. With customers, Apple uses repetition and storytelling to make its saga understandable and uniform. These approaches help it maintain customers’ loyalty and interest in new products.

The firm communicates through “keynotes,” or rollouts of new devices, which Jobs made famous. Apple plans the smallest details of these debuts to control and reinforce its brand. Apple’s approach to advertising is similar; the company is stringent about the use of its logo. Before he retired, Jobs personally managed Apple’s advertising. His favorite strategy was to buy the back covers of popular magazines and use his considerable PR skills to land his picture on the front cover. Apple’s PR department does not let high-ranking executives speak to the press. PR staffers talk publicly only about their individual “product areas.” They are stingy with information and don’t cultivate journalists like most corporate PR professionals do. In short, they are “undiplomatic.” The only two tech

"When Steve is gone, the competition still will not have Steve Jobs." (Avie Tevanian, former Apple executive)

"The fact that a company worth \$360 billion is embraced as revolutionary and not derided as 'the man' or 'the establishment' is directly attributable to Jobs and the bond consumers felt with him."

"Over the next 15 years or so, the business world will [see]...whether Apple truly has found a way to cheat the hangman's noose or if the period between 1997 and 2012 or so was a golden aberration driven by one extraordinary individual the likes of which we'll never see again."

reporters who receive regular favorable treatment are Walt Mossberg of *The Wall Street Journal* and David Pogue of *The New York Times*.

Tough Customers

Apple has a reputation for assertiveness and even aggression in its relationships with other companies. It fought Cisco hard and successfully for naming rights to the iPhone and the iPhone OS. Because Apple prides itself on "having pioneered the personal computer," it tends to ignore, or even "redefine," standards that apply to others. Its treatment of outside vendors is similarly tough. Apple competes fiercely with Microsoft, as epitomized by the clever "Mac vs. PC" ad campaign, portraying the Mac as trendy and easy-going but showing the PC as complex, virus-prone and fuddy-duddy. Apple "entraps" consumers into doing business only with it and urges them to upgrade to more expensive gadgets. But consumers don't resent Apple because it trains its sales force to address users' needs before they themselves even discover what they want. Apple emphasizes "the best consumer experience" possible, not affordability.

The Future of Apple

While Jobs personified Apple, succession planning was not his priority, though he created Apple University to assure continuity of vision. He hired Yale and Harvard academics to teach the company's history to Apple executives, and he commissioned internal and external "case studies" to prevent managers from repeating strategic errors. This program is fairly new, so no one can measure its influence on the company's culture just yet, but speculation on Apple's direction post-Jobs is rampant. Will Apple expand its focus to businesses as well as individual consumers? Will it create new products to serve "financial management"? Or has the late CEO so imbued the company with his personality that it won't significantly change? Observers asked the same questions about the Disney Company when Walt Disney died in 1966, but Apple may fare even better than Disney simply because Apple's competition is weak.

Several former Apple execs have launched their own start-up businesses, applying Apple's values. Others – including former head of Apple retail Ron Johnson, who now leads JCPenney – have moved on to other firms. Facebook creator Mark Zuckerberg is following Apple's example of running a "founder-driven company." But while many corporations have been skittish about trying to emulate Apple, several may try to imitate methods such as communicating clearly, doing "what's best for the product" and keeping employees focused on internal goals rather than "extracurricular pursuits."

Apple has changed since Jobs stepped down during his final illness. In fact, new CEO Cook gave a disappointing keynote address the day before Jobs died. Cook introduced the iPhone 4S instead of the anticipated iPhone 5. The absence of Jobs's inspiring entrepreneurship deflated the event. Apple may encounter some difficulties post-Jobs because its high-level executives don't fit his entrepreneurial mold. However, the culture of secrecy, command and control also may loosen somewhat in Jobs's absence. If his successors persist in asking, "What would Steve do?" that may shape the company's future, but on his deathbed Jobs himself ordered, "Never ask what I would do; just do what's right." The coming years will reveal how Apple responds to that last order.

About the Author

Adam Lashinsky writes for *Fortune* magazine, where he is a senior editor.