

# Change Management - Written Report

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## Executive Summary

This Report is intended to function as an analysis of Apple's choice to expand their business in the service sector. The report achieves to lay out why it is sense-full to pivot their (*Apple's*) aims towards a service providing future, diverging from the path of mass-market products. Knowing that there is value in focusing their efforts on the service sector, it is clear why the change was triggered. The fact that these changes have happened, enables the analysis of success and performance, thus how it was handled, which is vital for reporting.

## Introduction

A business finds itself inside certain environments, we consider the internal environment, only including everything within the company, as a collection of entities and as such the external environment only excluding what's within the company, now we also consider such as the industry, the geographical position and how certain attributes of the business are overlapping in environments. Within these environments, changes happen constantly, varying in scope and nature, thus exerting more or less *force*. Change management deals with these changes, forces originating in the business environment. It is the structural/systematic process of translating an entity from one state to another. An entity of such example could be a team, organisation or an individual and the state translation can be seen as the movement from one, current, given state to a desired state. The important realisation is that it is a process to steer developments into a desired direction. The desired objective set, needs to be followed in a structured/systematic order, as said objective is communicated individuals with subjective perceptions. Change is as said naturally occurring, varies and exerts/is a force (considering moving from a to b, from an equilibrium position requires a force to act) thus, that force has an equal and opposite reaction, in this case *the resistance to change*. It is extremely important that change only occurs as far as the resistance to change is less than the force of change. *Ceteris paribus*, change cannot occur as long as the resistance to change is equal or greater to the force driving change. *The force driving change* can be seen as the source/origin of the change,

as actors are required to enact a force in the first place. Lewin's Force field analysis is a good reference for understanding what is meant with forces and change. As the restraining and driving forces of change can only originate within the stakeholders of e.g. an organisation, Stakeholder analysis can be used for identifying the entity exerting the force. Now, given that said change has an effect on given organisation, it is for the organisation to react. Said organisation can not only react to a stimulus, but also proactively anticipate changes. *PESTEL*, *SWOT* and *Porter's Five Forces* are thus relevant models. These models are relevant as they are tools that ease the process of identifying a stimuli such as a change or force. They help analyse in which way the organisation might be perceptive to stimuli or in the case of wanting to drive change, they help identify and effectively use the organisations' existing circumstance, such as can be leveraging existing assets or a competitive advantage for driving change. Wanting to drive change, as above said opposes resistance to change, relevant models for solving an unwanted imbalance or toeing towards a unwanted direction can be *Kotter's 8 step-plan for implementing change* or *Lewin's unfreeze, change, refreeze Model*. They are hands on systematic approaches for steps that need to be taken and considerations that need to happen, before change should be driven. Such a consideration would be the resistance to change or the proper communication of change by considering Stakeholder mapping or why some stakeholder would be resistive or supportive of a proposed change. All of the mentioned is incredibly important as it ensures the proper implementation of change and preparation or reaction to change.

This report lays out a change that has been implemented successfully so far, and hopefully will in the future, as it is a change still in the process for a well known company, Apple. Apple Inc. is known for the iPhone, the iPad, the Mac and much more, but most of what they are known for are products. That has been changing in the recent years increasingly to a more diverse portfolio of services offered, complementing an ecosystem for their products. The report first states the reason of wanting to drive the change to pivot the company towards a service heavy organisation. Then the actual steps and considerations taken towards implementing the change are laid out, followed by a projection of the process towards a possible future state the company desires to be in.

## **Apple - Migrating from being a product to a service provider**

The smartphone market has seen growth unlike most, but is by now pretty much saturated. It turned into a red ocean market leaving developed firms competing for developing countries' markets for growth. As domestic alternatives enter the competition it becomes obvious that the situation is not sustainable. Everybody had to get one, but as the marginal benefit from *upgrading* a phone declined, due to a lack of innovation and technological limitations, so did the sales. The accessibility of technology allowed many new entries into the market and the

oligopolistic smartphone market has become one of monopolistic competition and finally more homogeneous in terms of the product.

Apple, as a smartphone selling company, has experienced mentioned changes in the smartphone market environment first hand, was influenced by them and based changes, to be made, that concern the internal company, on such *macro* trends. Their struggles with the Chinese market indicate the urgency for an alternative strategy for revenue streams, as share prices dipped and public concerns were raised after *bad* sales/revenue reports were made public. Furthermore, Apple “*The world’s most valuable company will no longer tell investors and analysts how many iPhones, iPads or Macs it sells.*”(FT.com, 2019) The disclosure of such data results in the public no longer knowing whether or not they sold more or less, thus base their hypotheses on sales. The financial times describe Apple’s move as wanting to hinder the public from knowing they’re being exploited by high prices. And in fact, iPhone prices have increased notably, but not for the reasons FT states. Apple knows that their market is saturated and may not to be able to compete dominantly in the last remaining growth potential for the market. But they are a profit maximising company which can only ensure higher levels of revenue from either higher sales or less sales and higher prices. Henceforth, the trend of very technologically advanced, high-end iPhones. These devices pack as much technology as they can, come in at a higher price (and should thus have a longer product life-span). Now, that sales are dropping and prices are rising, Apple needs an alternative strategy, especially when considering that the iPhone is their main product. Apple could simply *innovate* or push another product in their long list of products or introduce new products to other markets. And they did in fact do so, having entered the loud-speaker market or the headphone market. (in which they have been very successful so far, considering their *Airpods* wireless earphones) It has also long be rumored for apple to be working on an electric car, smart-glasses and other products for blue ocean markets. But those actions taken are not the change Apple has been driving so carefully and deliberately over the years.

Introducing the change Apple is driving to further grow their business, *becoming a service provider*. They have a very competitive and coherent ecosystem, all their products and services work and integrate seamlessly and effortlessly. Thus, leveraging their most valuable and widespread, market overlapping, asset, the ecosystem in their customer base. Apple has been building their software service portfolio since a long time. Let it be *iTunes* which has been one of the earliest, most influential and one of the longest successfully running music and TV content providing service. With the release of the second iPhone around 2009, *the App store* debuted, which can even be classified as a monopoly. Then came *iCloud*, a personal data storage and content delivery network architecture built by apple with extreme security and privacy intentions. Following came *Apple News*, *the Apple book store* and finally, the newest and most prominent service of all, *Apple Music*. Apple music is a direct competitor to *Spotify*, but not to *iTunes* and has seen rapid adoption within the market. The reason for all of these services’, but especially *apple music’s* success is the ecosystem and the integration of

these services into the existing devices. All of these services were tailored for the IOS ecosystem and thus integrate better than other services such as *Spotify* do. *Spotify* has actually publicly stated that apple is not playing fair in the music streaming service industry, for reasons listed in their statement, which include that they have to pay a commission to apple for every sale they do, because *Spotify* is using the *App Store* platform to distribute their service and extent their reach to the whole Apple ecosystem, potentially all iPhones (Time to play fair, 2019). In my opinion, apple does play fair, under consideration, that the creation, maintenance and continuous optimisation of the *App Store* is an investment that should pay off one way or another. Apple's decision to not out these costs onto the consumer but to other companies using their platform to gain sales is completely adequate. Apple has positioned themselves in a very good position in terms of interconnecting their services to benefit each other.

### **Implementing Change**

To examine how apple implemented the stated change to diversify their service portfolio, *Kotter's plan for implementing change* is useful.

#### **The sense of urgency creating reasons for change**

As above mentioned, apple identified the urgency for change given the saturated market. The sense of urgency created itself by reflecting the sales in their reports.

#### **Accumulation and correspondence of change-drivers**

Apple is such a big company, that departments within can be seen as entities forming coalitions. These coalitions are constituent of the services they already had up to the point of realising the need for change to occur, the stagnation.

#### **Formulation of strategies for achieving new defined vision**

*CES* (consumer electronics show) 2019 included some unheard of and very much surprising turn of events, in which many companies like Samsung, Sony, LG, and others announced to support Apple's Airplay and bring iTunes to their TVs (Apple is putting iTunes on Samsung TVs, 2019). Apple now not only has their own ecosystem to leverage for their already existing and upcoming services, but also the ecosystems of their competitors. Additionally, Apple doesn't sell TVs due to the low margins on them and the product life cycle and production cost, which leaves customers integrated into the apple ecosystem without any option to bring Apple's content to the *big screen*. Apple has been building their services such as iTunes over a long time and thus have a significant advantage to anyone wanting to compete with them. The plan though is not only to leverage the ecosystems of their competition but also become a viable alternative for the

services offered by the competition, e.g. the creation of original content. The reason for them having a chance at becoming an alternative is not only due to the product itself, which can seem homogeneous, but the underlying principles that these services follow, like privacy, which is a primary principle for Apple.

### **Communicating the new vision**

The communication throughout the organisation has happened behind doors, but what we know from interviews directly. “*Eddie Cue is Apple’s senior vice president of Internet Software and Services*” (Apple Leadership - Eddy Cue, 2019) and said:

*“We look forward to bringing the iTunes and AirPlay 2 experience to even more customers around the world through Samsung Smart TVs, so iPhone, iPad and Mac users have yet another way to enjoy all their favorite content on the biggest screen in their home.” (Apple is putting iTunes on Samsung TVs, 2019)*

Thus, it can be concluded that communication has been successful, given that horizontal as well as vertically aligned departments are on the same page about the future of Apple’s service sector. Important to notice at this point is the fact, that all these competitors and stakeholders automatically impose a risk associated with plans to change, as any of the stakeholder may possess a resistive force to the change proposed.

### **Removing barriers to change and empowering change driven**

This has been done by opening up the software, as the change is software service dependent. The *Software development kits* Apple made available for developers, makes the integration of their services and the integration of other services into Apple’s services easy. The empowerment to act on the vision in Apple’s case is far greater than restraining itself to the internals of the company. Developers are playing a *huge* role in Apple’s success in the service sector. An example would be the *Siri* integration possibility, which make third-party services work as if they were one of Apple’s.

### **Reviewing implementations and acting upon the implementation process All**

approaches of services have been successful so far for apple and especially the long-term wins can be seen in the leadership of Apple having changed lately, such an example could be the installation of *Eddie Cue* at leadership level (Apple Leadership - Eddy Cue, 2019), which not only clearly indicates their seriousness about services, but also shows the successes of their plans to implement the change labour.

### Further adjustments to the original implementation process

*"Cook said that third-party video subscriptions available on the App Store provide another opportunity for Apple that could"accelerate in the future" as customers are likely to buy multiple services, and finally, Cook pointed towards Apple's own work on original content." (Tim Cook Says Apple Plans to Participate in the 'Breakdown of the Cable Bundle' With AirPlay 2, Original Content and More, 2019)*

The above shows how apple thinks about doing necessary adjustments and new additions to grow. The interrelatedness of their services becomes obvious and their intentions of becoming somewhat resemblant with a media company.

### Conclusion & Recommendations

Apple's desire to change, urged by the change in market which comes in form of low-sales due to the saturation of the market, has been successful in process for the last years. The fact, that they have been expanding in the service sector even before the urge to change has become evident, lays out the advantage that Apple has in the service sector already and may be partial reason for their success so far. The change has been envisioned, planned and integrated over a comparative long period of time, even before the change that urged Apple to perform changes within the company occurred. Big companies don't always successfully integrate change, considering examples like Nokia. Henceforth, Apple's progression so far thanks to the wide spread implementation combined with the many change drivers associated, has been extraordinary and will seemingly not reduce momentum, expanding and optimising their offered range of services.

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