

Apple and Strategic Intent

Creating the World's Most Valuable Company

Apple is arguably the most well known company in the world today, with the highest market value of any corporation at over \$600B, the highest brand awareness, and cult-like passion amongst its customers. How did this happen from the point in the late 90's where it was an also-ran with 4% share in the global PC market?

The History

Steve Jobs had come back to Apple in a part time role in 1998 to try and help re-invigorate the company after it tried more "professional" management by having first John Sculley and then Gil Amelio as CEO's in the 90's who did not produce results. Jobs had left due to this direction by the board of Apple, and after having started new companies NeXT and then Pixar, he wanted to restore the luster to the Apple brand. This started with reinvigorating the Mac PC with the iMac in 1998 and the innovations of FireWire for high speed digital data transfer, and the release of iTunes in 1999.

In 2000, Jobs went full time as CEO again, and set the strategic intent for an Apple computer to become the "hub of your digital life". This simple statement, which captured the essence of how Apple could provide value to the consumer in the emerging market for new uses of digital content in different forms, led to a remarkable transformation of the company over the following 15 years leading to its current status.

Following this intent, a steady stream of innovations poured out of the Cupertino, CA based company, starting with the 2001 Genius bars were introduced in Apple Stores to help solve consumer's problems and the first iPod was released to allow portability of music from iTunes stored on the iMac hub. Digital music was truly the killer app and illustrated the way that light devices such as the iPod would leverage the pc hub which held the software and the processing power.

By knowing their customer and anticipating their demand for portable digital music, then delivering a total solution of hardware and software geared to ease of use and ultra-cool design, Apple built an unassailable position with the consumer.

This success was reflected when by 2007 over 1 Billion songs had been downloaded via iTunes supported by continuing innovations such as the iTunes store to buy music in 2003, the iPod mini in 2005 and the iPod shuffle in 2005.

However this was just the beginning of a tremendous hit parade, as the company followed their digital music success with other devices and services that leveraged the digital hub and their software and further cemented their position with their consumers – the cellphone (iPhone 2007), the App ecosystem (App Store 2008), tablets (iPad 2010), payment services (ApplePay 2014) and now wearables (iWatch 2015).

What Apple did Differently as a Result of Aiming for its Strategic Intent

Beyond this steady stream of product and services conception, was the need to create new competencies on a regular basis to stay ahead of their more staid competition of companies like Sony, IBM, Microsoft and Dell. Over this multi-year period, Apple created significant competitive advantages by investing to develop competencies in the service of their intent such as:

- Hardware design based on industrial design (the function had to fit into the form)
- Software design for the user experience
- Digital rights management for music resale
- Iconic advertising and messaging to reflect the lifestyle brand
- Hardware innovations such as the track wheel and touch screens to meet the design concepts

The innovation did not end with the products though, but also was reflected in how they did business. A significantly different approach to managing the company internally was used where there were no strategic business units – the entire corporation ran on one Profit and Loss statement. This avoided the building of any barriers between internal business units to sharing developments as happens often in large corporations

among competing managers. As a result, when innovations such as the touchscreen, software or the Firewire IP were invented, they were readily able to be deployed to different product lines for use in iPods, iMacs, iPads or iPhones.

Another great example of this is how leverage could be gained across product lines to support new products, such as when \$75M in advertising money was taken from iMac to put to the iPod release, because top management knew that the iPod sales would drive iMac sales as well.

Other factors that were notable are how the management used the intent as an umbrella within which to innovate and a challenge to do so. Examples include the Genius bars to help be more consumer friendly and focus more on solving problems than promoting products, the touch wheel to fit the design aesthetic on the iPod and using Gorilla glass first as the way to solve the problem of minimizing the bezel on the iPhone. Often the directional decisions were made without knowing fully how to implement them, leaving the results up to the engineering teams to innovate and find solutions, with a good example being the requirement to use touchscreens for the iPhone before the technology solution was known.

This also required an unwavering commitment to the long term path to allow for the time to create the competency and come up with the innovation.

As Steve Jobs said, "Innovation distinguishes between a leader and a follower", and Apple is the best example of this in the world today, but it is also true that the innovation needs to be focused on a strategic intent to have the maximum impact on the customer and the company's results.

Acknowledgements:

- Much of the data and timeline referenced herein is taken from the book "Steve Jobs" by Walter Isaacson, published in 2011 and various articles regarding Apple's products on Wikipedia.