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Case Study: Critically Analyse the Corporate Strategy of Apple Inc Leadership and Innovation

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## Abstract

The paper is about the Corporate Strategy of Apple Inc Leadership and Innovation. I have selected Apple Company to work on, as it is a brand and it is very famous. Apple has one of the major brand names within the technology business all over the world. Apple is focused to improve latest products which will make the implementation of technology simple and additional excellent. Apple presents simple use product to the hand of the customers. Its products are small, light, and simple to carry around which make them additional aggressive. One of the important things about Apple is diversification of product; Apple has a great number of product lines to focus everybody in the world.

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## Critically Analyse the Corporate Strategy of Apple Inc Leadership and Innovation

### Introduction

Apple is focused to improve latest products which will make the implementation of technology simple and additional excellent. Apple presents simple use product to the hand of the customers. Its products are small, light, and simple to carry around which make them additional aggressive. One of the important things about Apple is diversification of product, Apple has a great number of product lines to focus everybody in the world. Apple is one of the healthiest and established IT brands in the World, and has an extremely loyal set of enthusiastic consumers that support the brand (Brad, 2005).

### Discussion

The history of Apple, founded by Steve Jobs and Steve Wozniak on April 1, 1976, is one of the legends of Silicon Valley. Both men made their first computer, the Apple I-in the garage and managed to sell 200 copies with a small computer store on the corner (Michael, 2009). In reality it is just a simple card with various electronic components but the first personal computer was born. With this success, the two men embark on an even more ambitious project: the computer for all. This will be an Apple II in 1977, adds colour, sound, video memory, all in a plastic case. Apple has one of the major brand names within the technology business all over the world, and 54% of their income is from overseas markets (Brad, 2005).

Today, Apple is one of the most admired companies in the technology sector. The firm has managed to create a place among the giants of the multimedia field, but also commercial. Without going back entirely on "The Adventure of Apple" from 1976 to today, one wonders how a company have succeeded in creating a new need. During this project we will analyze this new term need, before devoting the largest part of our study to the field of marketing the company and the various strategies put in place (Michael, 2009).

### Apple's Strategy

Firstly, the specific existing strategy used by Apple Computer Inc. is the differentiation strategy (Innovation and Creative strategy). According to Gustin, (2011), the differentiation strategy is an integrated set of actions taken to produce goods or services at an acceptable cost that customers perceive as being different in ways that are important to them. According to the Apple case, Apple has using differentiation strategy create different and new product over it competitors and gain the first mover advantages such as iPod. This enables to help Apple increase its market share. The creative and innovation is not only use on product but also for internal process and organizational as well (Michael, 2009).

Apple Inc. has established a great in depth planned administration process through considerate of its organization's competitive atmosphere and understanding when to correctly implement their plans. The mission, values, and objectives they have created is actually the reason behind its strategic success which enable them to consider the organization's assets and competencies as well as the external atmospheres competitive chances and pressures (O'Grady, 2008).

Apple was built on innovation, giving products that were different and desirable. They agree to take risks inherent in ensuing their vision, and but their maximum energy to improve leadership products that rise the revenue margins they struggle for. Teamwork is crucial to Apple's victory, for the job is too big that require cooperative between workers and difficult or almost impossible to be done by one person (William, 2008). Workers are encouraged to cooperate with all levels of controlling, to share ideas and recommendations to advance Apple's effectiveness and excellence of life. The working environment is very creative to create innovative work environment by supporting each other and share the successes and rewards together.

Apple Computer Inc. is using a mainly global strategy, which their business initiatives are garnered at providing standardized products across all markets they participate in and all these are controlled by the central office in the USA.

The iPhone is similar across the world, the software, size, colour; applications are all the same towards their markets. This also includes all the other products the company is selling like the iPod and the Mac. Again the price tags of all apple iPod, iPhone, Mac and other products are uniform across markets, all initiatives are bred and approved at the Headquarters in the United States and although the company has production and research facilities in various locations across the world they do not have the power to make strategic decisions as that power is centralized (O'Grady, 2008).

## SWOT Analysis

### Strengths

Innovation is Apple's biggest strength in the PC and consumer electronic industry. Another essential strength of Apple is having strong brand image which took them long time to develop brand recognition and loyalty from the customers through promoting quality products/services that help to attract loyal and enthusiastic customers to support Apple's brand.

Using its brand name benefit, Apple differentiates its products from others by offering convenient, fashion and distinctive style which in turn driven the sales and reputation. This process of creating product differentiation can call for a premium pricing for its products while giving customer satisfaction of value (William, 2008).

### Weaknesses

Due to Apple devoted so much to R&D, they spent much money in this area instead of some other aspect of the infrastructure. While their competitors are cutting cost, Apple could have spending more than them, as a result Apple is outlaying more of their profits and makes Apple difficult to compete, and therefore higher costs could be their major weakness (Lambert, 2010).

## Opportunities

Continuous innovation is one of the main opportunities for Apple. Another main opportunity is to maximize its profits and through this, gaining new business. Besides that, Apple also can create more compatibility with Microsoft products as it would benefit Apple since Microsoft has been too successful in saturating most the market share having computers with Windows OS.

## Threats

A sign of economy slowdown is definitely a challenge for Apple „cause consumers will reduce spending on IT products and will not opt for Apple’s products that appear to be at a higher cost. Then Apple will face the threat of the decline in demand for their products that are subjected to demand. In a fast moving IT technology where the product life cycle is so small, high product substitution effect in the market will happen (Lambert, 2010).

One obvious threat that Apple need to consider is their product pricing, for every Apple’s products, there would have a similar product alternative where consumers would force to go for a lower cost substitute. Also, extensive competition poses a threat to Apple where high rivalry competitors can come from other companies in different markets.

## Core Competencies and Dynamic Capabilities

The firm’s core competencies are marketing, Apple has made it a point that they completely utilize customers’ word of mouth. This is achieved by its pre-announcement of its

upcoming products to create a buzz on the market, this also aims to fend off competitors as they cannot launch the same thing another company is going to launch (Lambert, 2010). Innovation which is based on its timely continuous launching of new products, relationship building/ alliance building which is its ability to foster reliable connections with its suppliers, sellers/partners and customers. This is made possible by the charisma that Steve Jobs exudes and his deal closing ability and brand management.

Apple has put great emphasis on its brand and has made sure that it is only associated with a certain class of stakeholders that can only bolster its reputation. It has based this on it being viewed as an exclusive high end and reliable product. The businesses that Apple has ventured into include personal computers through its Mac and desktops, music products and services, through its iPods and iTunes, mobile communications devices through its iPhone and Apple TV. It is clear to see that this represents a wide array of competitive markets that the company is navigating (Shchipanova, 2009).

#### Porter's Value Chain Model

When you put all this into the Porter's generic strategies you can establish the competitive scope the company faces and the way it navigates it to attain a competitive advantage over its rivals. First the firm has gone through rises and bounds to differentiate its products from those of its rivals. Apple realized that its target customers were not price sensitive and had very specific needs and expectation from a product of the Apple category like the iPhone so the company invested in unique technical expertise and focused on being the pioneers of mobile phone technology (e.g. Pixar animation, touch screen) and the continued focusing in



innovations on its products add to that the sense of prestige the company has managed to market its name (Shchipanova, 2009).

This has brought about the shareholder value model as customers buy the products to gain access to the company's innovative knowledge. Its differentiation strategy is tied to innovation and frequent product launches which is focused on the digital world as you can see its range of products that include the iBook, iTunes, iMac, iPod, iPad, iTouch, iDvd, iMovie, iPhoto. As stated by Jobs himself, "We are going to for digital creation what Microsoft did for the office suite productivity" (Keillor, 2011).

## Operations

Second Apple competes in the low cost zone by achieving low direct and indirect operating costs. Instead of appealing for cost conscious customers it offers high volumes of standardized products. You get the same iPhone anywhere in the world, it does not differ market to market and also the limit product and service customization/personalization. This means same components are used to produce products and that reduces both production an operation costs. Also this is possible through its alliances with other businesses like Sony Entertainment, BMG for its music deliverance, the partnership like the one it has with China Unicom whose is contracted to be the exclusive seller of iPhone in China (Keillor, 2011).

These partnerships are strategically placed to ensure that the company has steady reliable supply of inputs for creating new and different product and outlets were it can sell its products to ensure that is always has a market to tap into and these reduce its operation costs because a

company of Apple's magnitude can negotiate beneficial deals with supplies and outlets to get price cuts.

### Customers

Apple's Business Philosophy is strongly following to the loyal customers and ever-increasing fan bases that can credit to the company's strive to continually "Think Different," as their slogan. The company's business strategy influences on their exclusive capability to design and create their own functioning system, application software, and hardware (Shchipanova, 2009).

### Human Resources

Apple has a unique spirit in innovation and an open-minded approach to business, Apple's primary focus is given that powerful and user-friendly merchandises and answers. Collective of these components drive Apple to continue as a world leader on the leading-edge of business technology. Not only does the corporation reflect the design-and-texture of their merchandises and facilities significant, but also the appearance and impression of their workplaces and staff!

In cooperating Apple's main business philosophy to prospective workers, Jobs designates everyday life at the company headquarters: The strategy is success, and Jobs displays no signs of shame to the ways in which Apple now achieves its most unique and respected resources—its HR. Changes can be implemented in the business, and the internal process may change but worker

will never go out of business that what Steve jobs philosophy created toward his business (Lambert, 2010).

### Strategic Alliance and Mergers and Acquisitions

Others than Differentiation (Innovative) Strategy, the existing strategies that used by Apple Computer Inc. that enable them to gain competitive advantage over its rivals is the strategic alliances. According to Gustin, (2011), the strategic alliance is collaboration between firms competing acting together, while remaining independent both financially and organizationally. There are strategic alliance if there is a sharing and a combination of know-how between the partners. It is the association of two or more natural or legal persons in order to generate, with input from each-projects of different types.

The Strategic Alliance is one of the main instruments to be used by organizations to address successfully the challenges of Globalization and Competitiveness. The Strategic Alliance is an understanding that occurs between two or more different social actors, who through dialogue and consensus target detection can define an action plan together to achieve mutual benefits of convenience (Hitt, Duane and Hoskisson, 2011).

In order to achieve these objectives, firms must select the right partners and develop trust. So, firms attempt to develop a network portfolio of alliances in which they create social capital that affords them flexibility. Because of social capital, they can call on their partners for help when needed.

In order to enhance and improve the capability and the resources to create unique core competency, Apple also made use of Acquisition strategies. According to Gustin, (2011), Mergers and acquisitions have become popular in every corner of the world, thanks to globalization, free trade, technological developments, generational changes in business and an intensely competitive environment in the business world (Harry, 2009).

### Success and Failures of Strategic Alliance and Mergers and Acquisitions in Apple Inc

For the case of Apple, this strategic alliance had become one of the core competencies that help Apple to achieve competitive advantage over competitor and achieve above average return. Below, we are going to further discuss the partner that Apple choose for the strategic alliance and what kind of resources and capabilities that gain through the alliance to become their core competencies to achieve competitive advantage and above average return.

Firstly, we are going to discuss the Apple's alliances in the mobile field. According to Gustin, (2011), most of the Apple's alliances have been with wireless carriers worldwide. The first alliance that apple make is with a wireless carrier, Cingular and also involved a handset maker, Motorola. By going through this alliance, that was the first attempt for Apple to enter the mobile phone industry, but it doing not prove successful. Others than Cingular and Motorola, in the field of mobile phone, apple is alliance with many different partners.

By going through those alliance with handset maker and operator would give apple access to highly complementary resources, help reduce the risk of venturing into a new business by sharing development cost, and the learning coming from the joint development process would help apple to narrow the competence gap. Besides that, the operator would help Apple access to

its distribution network. In this case, Apple is able to expansive relationship throughout external environment (Lambert, 2010).

Since year 2007, all the alliance between Apple with operators have been dedicated to distributing the iPhone to worldwide markets. Besides that, after alliance, Apple had more to do with access to distribution and entering new international markets. Apple also had been working together with Google and Yahoo on some of the phone features which included the Google popular search engine, Google Map, Google You Tube application and Yahoo Email service. In this case, this have added value to Apple coming product which is iPhone for their customers. The iPhone was revealed in January 2007. In summer 2008, Apple came out globally with a 3G version of the iPhone with in- built GPS (Harry, 2009).

For Example, Apple has just acquired with SIRI. By having SIRI, it help apple to increate the ability and capability of their product through add SIRI into iPhone 4S. This enables to bring more benefit and value to customers (Johansson, 2006).

#### Revenue Earned by the Apple in the Category of Mobile Phone

This significantly show us that the iPhone help Apple to gain a lot of revenue or gain above average return. Meanwhile, this also shows us that the alliance strategy is another core strategy that help apple to achieve above average return and fully provide support and assist to make the innovative strategy successful by bringing in the more resource and capability that currently do not exist in apple to create more innovative products (Shane, 2010).

Others than mobile field, Apple also alliances with others partner in order to improve its current products. Like MacBookPro. It totally helps Apple to enhance and improve the ability and capability of the current products and help Apple to achieve greater revenue and return.

#### Assurance to Innovation

Innovation can be fragmented down to 3 division ranges: invention of the merchandise, internal process, and corporate classical innovation. Invention of the merchandise does exactly as its name proposes; develops features of existing merchandize and facilities. A major model to that are Apple's iPod and its overwhelming impact on its rivals (Hitt, Duane and Hoskisson, 2011). Internal process innovation comprises reengineering internal business processes by constructing completely different markets to encounter new customer wants and desire as clarified by Kim and Mauborgne's Blue Ocean Strategy. Internal process innovation includes announcing a completely new worth proposal to the marketplace. A crucial example of internal business model innovation is the mixture of Apple's iPod and iTunes media store. The worth of these merchandises cannot be understated, as they shaped the first workable music-downloading business perfect of its generous (Johansson, 2006).

Furthermore innovation is one of the greatest approaches to stay competitive over phase, as it generates a lifelong competitive benefit. Companies who lack improvement and innovation will likely and simply continue with their old knowledge till what they know become cruelly disadvantaged in the competitive open market (Hitt, Duane and Hoskisson, 2011). There are mainly two innovation approaches: supporting and inventing. Supporting innovation deals by making some improving to the existing product enactment, facilities, and structures and

providing better performance from the earlier model but available for a certain product or service. In difference, inventing approach represents applying an absolutely new line to the current product or service's model and manufacture process (Shane, 2010).

## Conclusion

In conclusion, all the discussed strategies are main important role in helping Apple to achieve Competitive advantage over competitor and above average return. Besides that, the strategies used by apple are interrelating. Differentiation strategy only can be achieve during the existing of Acquisition and Alliance strategic which able to help it to get new capability and resource to create new and different product over their competitors. Apple is a company focusing on a strategy of differentiation from the top. Its success is not related to the search for the lowest cost, which does not mean that cost control is not an issue. Apple is committed to bringing the best personal computing experience to students, educators, creative professionals and consumers around the world through its innovative hardware, software and Internet offerings.

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