MGMT 20001
ORGANISATIONAL BEHAVIOUR EXAM NOTES

APPLE

Change

Forces initiating change	**External factors:** The personal industry has been changing from 1970 to 2000+. Increasing competitors enter into the market and all ranges of products have begun to compete with Apple. – Technological factors – the technology was not particularly sophisticated – Capital was available and distribution channels were expanding rapidly – Socio-cultural factors – the market was dividing into five broad segments (home, education, small business, corporations and the professional user), where each had different needs **Internal factors:** Change of leadership→Sculley implemented several changes after he became the CEO of Apple. He restructured Apple, implemented several different strategies, which differs from that when Jobs was the CEO. Apple's products (e.g. the Apple II) were losing competitive advantage – rapidly aging, too expensive for many home users and unable to meet needs of professional and corporate segments. Apple also lacked the significant advantages of a "ready made network" and "massive sales force" that IBM had.
Change Agent	**Internal change agent**–On May 1983 John Sculley became president and CEO of Apple. (In a way, Steve Jobs, who was previously the change agent given his position as board of directors/chairman, abdicated the decision to an expert by courting Sculley and bringing him to Apple). **Advantages**: An 'outsider'/fresh perspective to bring about the change; right knowledge, skills and attitudes – had the qualifications and experience as President of Pepsi-Cola Co.; innovative – credited with several innovations; had longstanding interest in technology and engineering. **Disadvantages**: Costly for Apple – compensation package rumored to be nearly $2million.
What types of intervention	Apple needed to improve/upgrade and engage itself in innovation of products – in terms of quality to compete with rivals' products and to satisfy unmet needs of different market segments. In other words, Apple required a new strategy/plan to achieve sustainable competitive advantage in order to gain back its falling market share. In the case of Apple, Sculley adopted new strategies and reformed the company's structure. As a result, the transformation started as a revolutionary change where there was an organisation-wide impact a new equilibrium was sought as the new underlying strategy/vision of the company transformed the entire organisation and the new structure caused shifts in power. However, it is important to note that once the organisation settles into its new pattern and people adapt to their new roles, it does not mean that change has stopped. Rather, the change at Apple then becomes evolutionary and can be thought of as a continuum, as Apple continues to undergo further changes in the upcoming years.
How to implement	After deciding to change (unfreezing), changes in strategy, structure, communication, culture and power all occurred. **Refreezing**: change of reporting duties: 15 management team replaced. General manager report directly to Jobs. Change in key personnel reinforced change of structure and power. The status quo of a decentralized structure around loose product groups was unfreezed to give way to change in Sculley's new strategy of the rationalization of product lines into two product divisions – Apple II Division, headed by Del Yocam, and Macintosh Development Division where Jobs was Vice-President – each with decentralized manufacturing, product development and marketing functions!aimed to facilitate a coherent product strategy. Other structural and processes changes include: – control costs, reduce overhead & rationalize – product lines – centralized reporting relationships – 15 general managers who had previously reported to group vice-presidents now reported directly to him – downsizing – almost half of the 15 member senior management team was replaced or left; workforce of 5300 was reduced to 4600 – generous profit sharing programme was suspended

	– marketing budget increased to $80million from $12million in two years Also, the Macintosh became the mainstay of Sculley's strategy, which was aligned with Job's vision as well. Both wanted Apple to have a basis of a technology- driven, product-oriented strategy and increase sales by not being IBM compatible, but "by making a second industry standard" – achieving for unique and differentiation position in the market.
What types of change	**Mainly revolutionary, new strategy and restructure, which impacted culture, power and communication.** After Sculley become CEO, he changed the structure. Mac and Apple II became separate divisions which each with decentralized manufacturing, product development and marketing functions. The management style were totally different and employees in Apple II believed that they did not receive any attentions. Strictly controlled cost, generous profit sharing scheme was suspended. Sculley centralized reporting relationships where 15 general managers who had previously reported to group vice presidents now reported directly to him, which ensures that he could be aware of what was going on in each divisions. After Jobs went back to Apple, revolutionary products, successfully transformed form computer to cellphone company. **Some evolutionary changes, some minor changes in structure.** With the change of structure, power was changed as well. Each head of product division were in charge of the decision making within each division while the other supporting functional departments were in charge with other decisions. Although it is still decentralized. It gave the heads of two product division more power. Sub-cultures began to surface in Mac and Apple division.

Six Silent Killers	**Management style too top-down:**
	After Jobs left, Sculley adopted centralized management, 15 managers should report to him
	It appears that much of the authority and power for decision making (e.g. company procedures, strict control of costs/overhead, etc.) lies on Sculley, as the CEO
	
	Unclear strategy:
	both Jobs and Sculley had their own strategies, when they were both in Apple, confused employees.
	Jobs and Sculley advocated different strategies for placing Apple on a firmer footing
	
	    – Sculley turned to focus on 'how quickly can we bring down inventories and control expenses', while Jobs wanted the original orientation of 'how fast can we build them' to continue
	    – Sculley was 'sandwiched' between Job's two positions as vice president and chairman of the board: conflicting priorities
	
	Ineffective senior mgmt. team
	Conflicts between Jobs and Scuelly, Jobs overlooked the other department
	Jobs' and Sculley's different perspectives on Apple's strategy and the fact that Jobs was both above and below Sculley (in terms of organisational structure) somewhat made the senior management team to be ineffective, which ultimately forced Sculley to asked Jobs to step down as vice president
	
	Poor vertical communication
	When Jobs as a chief and Sculley both were in Apple, the communication between them caused conflicts. Throughout the change process, little evidence exists to show that Sculley (or the management team) has made efforts in communication towards lower-level employees to incorporate them towards making the change a success. New procedures/organisational processes and structures have simply been 'forced' down their throats for them to accept. Feedback/evaluation of employees' response to the change seemed nonexistent.
	
	Poor horizontal communication
	The new communication under new structure caused conflicts between Mac and Apple II.
	Jobs' dismissive attitude towards the Apple II division and the company's biased attention on the Mac division proved that there was poor horizontal coordination at Apple. The situation suggests that a greater amount of focus and resources were allocated towards Jobs' department, while Apple II employees were 'segregated' from company's annual meetings. A culture that was perceived to becoming increasingly corporate in nature and the difference in treatment may contribute to the reasons as to why several of

	Apple's key personnel left the company. **Inadequate skills at lower levels** Employees in Apple are highly-skilled. No problem
<mark>**Organizational fitness profiling**</mark>	**Engage leadership** Give vice presidents more power to handle communication with other managers. **Clear business direction** Jobs and Sculley should consensus on the strategy of one company **Effective management team** Treat each division equally **Open dialogue** Jobs should consider Sculley's suggestion. **Coordination** Enhance cohesion between each division. Change leader who leads each division. **Lower down leadership**

Recommendations:

Develop a thorough guideline/analysis as a way to establish whether the organisational change is necessary – Looking at the case of Apple, the company has undergone several substantial changes in terms of structural transformations and renewals of organisational processes/procedures. What must be taken into account, prior to the implementation of these changes, is whether they are even necessary in the first place. Although the first two big structural changes in the early 1980s and right after Jobs left the company appeared to be necessary due to escalating external and internal forces and unsatisfactory performance results, the same cannot be said for Sculley's decision to restructure the company again in 1987. The causes leading to this decision needs to be explored as improvements in previous years' earnings and stock prices have already been achieved, and thus, perhaps a substantial restructuring was no longer the most efficient and effective approach to heighten productivity even further. Therefore, it is crucial that management develop criteria in which problems must be diagnosed and interpreted correctly as a way to determine their criticality.

An analytical view of the changes at Apple shows that it has often been right on the spot in terms of knowing who should be responsible of the change and what needs to be changed and the associated interventions required. However, it seemed that Apple had often fell short when it comes to the implementation and evaluation stages of the change process. Below are some suggestions that Sculley should take into account in order to ensure a more cohesive and successful change plan:

Craft a detailed implementation plan – how, specifically, are the different elements of the change going to be achieved? Is there a time frame involved? When developing enabling structures, elements such as remuneration system, recruitment drive and technology must also be taken into account. Sculley must also consider taking preventive measures with regards to possible resistance that may emerge from other employees or management in response to the change plan. Such tactics for dealing with resistance to change that may be helpful in the case of Apple includes:

- Education and communication – Sculley should aim to communicate with employees to help them see the logic of the change to regain back Apple's falling market share, which was caused by both external and internal forces. Hopefully, resistance can be avoided if employees receive the full facts and get any misunderstandings cleared up. This can be achieved through one-on-one discussions, memos, group presentations or reports.

- Participation – Sculley may choose to involve initial key personnels, such as Steve Wozniak, Mike Markkula and/or Steve Jobs himself and use their expertise to make useful contribution in hopes of obtaining their commitment and thus increasing the quality of the change decision.

- Facilitation and support – Sculley (and other middle-level managers that can assist with the change) can offer a range of supportive efforts to reduce resistance, especially when employee fear and anxiety are high due to transformation of processes, culture, structure, etc. Supportive efforts can include counselling and therapy, open forum discussion where feedback is encouraged, etc.

- Negotiation – this tactic requires the exchange of something of value for a lessening of the resistance. For instance, if the resistance is centred in a few powerful individuals, such as Steve Jobs in the case of Apple, a specific rewards package can be negotiated that will meet their individual needs.   During the implementation stage, Sculley should emphasize on frequent use of good communication skills and being honest/forward towards the employees (and perhaps other affected stakeholders) as well as having emotional strength.

- Establish a plan on how results and feedback will be monitored – by what standards or benchmarks will the successfulness of the organisational change be measured? So far, evidence from the case study have only stressed on figures and numbers, such as the increase in earnings/profits and stock prices, as a result of the change. However, it is essential that Sculley uses both financial and non-financial goals, especially in the long run, as a yardstick in which to measure the effectiveness of the change plan. Non- financial assessments may include

- Sculley should also consider setting a timeframe/deadline over the period in which the change program will be assessed, perhaps in a periodic manner to ensure continuous review and where the conclusions of those reviews should be fed back into the plan. For example, previous analysis using the "Six Silent Killers" as a way to diagnose the causes of failure in the change plan reveals that Apple suffers from: