

How to Innovate Like Apple

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Apple makes it look easy. From the sleek design of its personal computers to the clever intuitiveness of its software to the ubiquity of the iPod to the genius of the iPhone, Apple consistently redefines each market it enters by creating brilliant gadgets that put the competition to shame. What's the secret? Apple has built its management system so that it's optimized to create distinctive products. That's good news for would-be emulators, because it means Apple's method for innovation can be understood as a specific set of management practices and organizational structures that — in theory, at least — anyone can use. This Crash Course outlines the techniques Apple uses to make the magic happen.

Things you will need:

- It may take several years to cultivate new skills and rebuild your product lineup.
- You'll need funding to create a dedicated innovation team and sufficient capital to rethink your product lineup.
- **Strategic clarity:** Innovating effectively means creating your own opportunities in a crowded marketplace to avoid both mediocrity and commoditization.
- **Patience:** Creativity is a fickle thing, and it doesn't always follow the clock. False starts and the occasional flop are part of the process and must be accommodated.
- **Strong leadership:** Innovation doesn't happen by committee. Visionaries with effective management skills are hard to find, but they're a critical ingredient for success.

A yellow sticky note with the text 'step 1' written in black cursive.

Clear Your Mind

GOAL: Understand what it takes to create truly remarkable products.

The word “zen” is often applied to both Apple's products and the company's highly focused CEO, Steve Jobs. And while the compliment usually refers to the beauty of the company's minimalist products, enlightenment is more than skin-deep. “In most people's vocabularies, design means veneer. It's interior decorating. It's the fabric of the curtains or the sofa,” Jobs has said of his product philosophy. “But to me, nothing could be further from the meaning of design.” Design is a “fundamental soul,” Jobs says, that expresses itself through an end result — the product.

What is Apple's fundamental soul? The company's motto, “Think Different,” provides a hint. Apple maintains an introspective, self-contained operating style that is capable of confounding competitors and shaking up entire industries. For example, Nokia, once considered the

undisputed leader in mobile phones, never anticipated that a single product from a computer maker might throw its ascendancy into question.

Internally, Apple barely acknowledges competition. It's the company's ability to think differently about itself that keeps Apple at the head of the pack. Current and past employees tell stories about products that have undergone costly overhauls just to improve one simple detail. Other products are canceled entirely because they don't fit in or don't perform up to par.

Apple's culture has codified a habit that is good for any company to have but is especially valuable for firms that make physical things: Stop, step back from your product, and take a closer look. Without worrying about how much work you've already put into it, is it really as good as it could be? Apple asks that question constantly.



step 2

Build Your Fortress

GOAL: Create the infrastructure you need to innovate.

From the outside, Apple's offices look like those of just about any large modern American corporation. Having outgrown its headquarters campus at 1 Infinite Loop in Cupertino, Calif., Apple now has employees in other buildings scattered across the town and around the world. Size and sprawl are formidable challenges that most companies manage gracefully, either by splintering into disorganized, undisciplined communities or by locking employees into tight, stifling bureaucracies. Apple tends toward the latter, but it does so in a unique way that generally (but not always) plays to its advantage.

At its worst, Apple's culture resembles the closed paranoia of North Korea. For example, one Apple source who agreed to be interviewed anonymously for this story backed out at the last minute. Why? He feared that his employer would examine his phone bill and find him out. Another spoke on background but mentioned the possibility of a lawsuit if he were quoted by name. These are common fears within Apple, and they really do keep the company's employees quiet. The obsession with secrecy is a double-edged sword, however: It gives Apple a vital element of surprise in the marketplace, but the never-ending game of internal spy vs. spy is draining for rank-and-file employees. Indeed, the corporate culture came under scrutiny recently after an employee of a foreign supplier — reportedly under suspicion for leaking the prototype of a new iPhone — committed suicide in Shenzhen, China.

Beyond the secrecy, which affects everyone, Apple's approach is hardly one-size-fits-all. Rank-and-file employees are often given clear-cut directives and close supervision. Proven talent gets a freer hand, regardless of job title.

Checklist

Managing Different

Over time, Apple has built a seasoned management team that's optimized to support bold new product initiatives (and recover from the occasional flop). Here are a few of the techniques Apple's management uses to make the magic happen.

- 1. Ignore fads.** Apple has held off building a cheap miniature laptop to respond to the "netbook" fad, because these devices don't offer good margins. Instead it released the ultrathin, ultra-expensive Air, a product more in line with its own style.
- 2. Don't back down from fights you can win.** Apple is a tough partner and a ruthless enemy. In 2007, Apple pulled NBC's television programs from the iTunes Store after the network tried to double the prices consumers pay to download shows. NBC backed down within days, and ever since, giant media conglomerates have been hesitant to face off with Apple over pricing.
- 3. Flatten sprawling hierarchies.** Companies with extended chains of authority tend to plod when it's time to act. Most of the decisions at Apple come from Jobs and his immediate deputies.
- 4. Pay less attention to market research and competitors.** Most firms develop their products through a combination of touchy-feely consumer focus groups and efforts to imitate successful products from other companies. Apple does neither, and the iPod and iPhone are clear proof of that.

step 3

Cultivate Your Elite

GOAL: Empower your most valuable employees to do amazing work.

In truly despotic societies, both art and science suffer terribly. Apple, on the other hand, reliably churns out the industrial equivalents of da Vinci paintings and Hokusai woodcuts. This has little to do with how the company treats employees in general. Rather, it stems from the meticulous care and feeding provided to a specific group: the creatives. Apple's segmented, stratified organizational structure — which coddles its most valuable, productive employees — is one of the company's most formidable assets.

One former Apple consultant tells of an eye-opening introduction to Apple's first-class treatment of its creatives. The consultant visited Apple's Industrial Design Group, the team that gives Apple products their distinctive, glossy look. Tucked away within Apple's main campus, the IDG is a world unto itself. It's also sealed behind unmarked, restricted-access doors. Within the IDG, employees operate free from outside distractions and interference. "It didn't feel like working at Apple," our source remembers. "It felt like working at a small design firm." Some companies are famous for perks — Google, for example, with its free massages

and gourmet lunches. Apple focuses on atmosphere, nurturing its best designers behind opaque glass in a hidden sanctuary with music playing in the background.

Despite their favored status, Apple's creatives still have no more insight into the company's overall operations than an Army private has into the Pentagon. At Apple, new products are often seen in their complete form by only a small group of top executives. This, too, works as a strength for Apple: Instead of a sprawling bureaucracy that new products have to be pushed through, Apple's top echelon is a small, tightly knit group that has a hand in almost every important decision the company makes.

Case Study

Nurturing Innovation at Cisco

Other firms have also found success by separating innovation from business as usual. Here's what David Hsieh, vice president of marketing at Cisco, has to say about his company's Emerging Technologies Group:

"Big companies have a tendency to eat their own children. They get afraid of disrupting their own revenue stream with a new unit, or someone has a great idea and an executive sponsors it, but the moment the sponsor comes under pressure, they ditch all the little initiatives to focus on their core business. The advantage of a new unit is to insulate it from people who say, 'We can't do it that way because we've done it a different way for years.' You want to enable a group of people to think more broadly and creatively without outside pressures. Cisco's Emerging Technologies Group has been in operation for three years, and it's created a number of businesses. The early ones are all growing successfully, even in a bad economy."

step 4

Don't Rush, Don't Dawdle

Goal: Prevent short-term, cyclical, or competitive pressures from overwhelming an effective strategy.

It's often said that people in particular cultures live life at their own unique paces. Americans are seen as hard-driving and somewhat shortsighted — a side effect of a business culture that takes its cues from the stock market's emphasis on quarterly results.

Apple is different because Apple dances to a rhythm of its own making. Although its rising stock has become a vital part of many portfolios, Apple cancels, releases, and updates products at its own speed, seemingly irrespective of market conditions or competitive pressure. Apple doesn't telegraph its moves, either: The iPod and iPhone, iconic products both, each began as rumors that Apple seemed determined to quash.

Plan B

Staying Cool When the Heat Is On

Your stock price is down, your customers are angry, and investors are banging on your door. Sure, acting like Apple seems like a good idea — until your board starts craving blood. How do you maintain a focus on innovation when you don't have a few successful quarters to back you up?

For a vivid demonstration of how to publicly recover from your errors (in style, no less), check out the video of [Steve Jobs' 1997 Macworld address](#) and an associated BNET feature, [How to Present Like Steve Jobs](#).

step 5

Clone Your Own Steve Jobs

GOAL: If you put a tyrannical perfectionist in charge, institutionalize his thinking.

New adherents to the cult of Steve Jobs may be surprised to hear this: The most iconic Apple laptop, [the original PowerBook](#), was released in 1991, after Jobs had been absent for six years. The smug hipsters who line today's cafes with rows of identical MacBooks are merely updated versions of their counterparts from the early '90s. Yet Jobs was in no way responsible for this enduring innovation.

So does that mean Steve Jobs is irrelevant? Or is Jobs — and his maniacal focus on building insanely great products — a necessary ingredient of Apple's success?

Historians have long grappled with a similar question: How critical are those rare, world-changing "great leaders" whose efforts seem irreplaceable? Most historians now believe that great leaders are made by their circumstances and that their great deeds actually reflect the participation of thousands, or even millions, of people. In the case of Apple, there would be no Mac, no iPod, and no iPhone without the efforts of thousands of engineers and vast numbers of consumers who were looking for products that better served their needs.

That said, Jobs cuts an impressive figure, and if he was "made" by his circumstances, that process took many years. Remember that the first edition of Steve Jobs — the young inventor who, at 21, created Apple Computer — was not the visionary we know today. Instead, after nine years at Apple's helm, the young Steve Jobs was ousted because of his aggressive, take-no-prisoners personality, which created a poisonous, unproductive atmosphere when it pervaded the company.

Today's Steve Jobs seems to have learned how to focus that aggressive, take-no-prisoners personality more shrewdly, and to great effect. While he's still an essential part of Apple's success, the company has also institutionalized many of Jobs' values to such an extent that Apple is now far less dependent on him. Tim Cook, for example, worked well as acting CEO

during the first half of this year, when Jobs was on sick leave. But questions remain. So long as the overwhelming personality of Jobs is present, can anyone really grow into that position? Only when Jobs steps back from his role permanently will we really be able to determine how well Apple has learned the lessons he has taught.

Other Resources

The Apple Bookshelf

Whether or not Jobs is vital to Apple, the company's history is inextricably linked to his life. The books below offer a history, from founding to present day, of the making of Apple.

If you only have time for one:

[Apple Confidential 2.0: The Definitive History of the World's Most Colorful Company](#), by Owen Linzmayer

See also:

[The Little Kingdom: The Private Story of Apple Computer](#), by Michael Moritz

[iWoz: Computer Geek to Cult Icon: How I Invented the Personal Computer, Co-Founded Apple, and Had Fun Doing It](#), by Steve Wozniak

[West of Eden: The End of Innocence at Apple Computer](#), by Frank Rose

[Odyssey: Pepsi to Apple: A Journey of Adventure, Ideas and the Future](#), by John Sculley (with John A. Byrne)

[The Second Coming of Steve Jobs](#), by Alan Deutschman

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