

An Organizational Analysis on Apple

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Abstract

In this article, Apple's bureaucratic, political, contingency and cultural aspects were analyzed. Primary data is collected through an interview with an APPLE employee and this is compared with secondary data to get a broader perspective. Apple's bureaucratic analysis reveals that the organization has a flat, organic structure centralized from the top. The organization shows a good structural fit to technology and environment to deal with contingencies. Apple culture is unique with the elements of accountability, secrecy, and innovation and embraces the paradox of "command and control". The high amount of power imbalance exists in the organization which affects in open communication and decision making authority. Apple is famous for its secrecy, and for this reason, internal organizational information is not publicized widely, which is a limitation of this article. Nevertheless, the secondary data collected from journals, articles, reports are used for this article. As part of the conclusion, a word of recommendations is also given.

Keywords: Apple, Culture, Organization, Technology

Introduction:

Ranked in 3rd position in Fortune 500 list, Apple is one of the largest influential companies in today's world. Apple is known for its innovative products and its unique Design and Marketing strategies. The organization has a large numbers of loyal consumers and it never fails to amaze them with their products and services.

Primary data for this study is collected through an interview from an APPLE employee. Identity of primary data source is not disclosed due to privacy reasons and will be kept anonymous in the report.

The whole article is divided into four main parts, bureaucratic, political, contingency and cultural which deals with four different perspectives. At the end recommendations are detailed which aid to survive in the fast growing business sector.

Viewpoint on APPLE's Bureaucratic aspect:

An organization is characterized to be "Bureaucratic" when it has a hierarchy where tasks flow downward and accountability flows upward, clear division of labour, well-written rules, and impersonality in the positions held in the organization. (Jones, 2013).

Organization Structure of Apple:

Note:

After the death of Steve Jobs, Timothy Cook was appointed as new CEO of Apple in August 2011. (Fortune, August 29, 2011).

Distribution of Authority, Division of labour:

According to Apple organization structure, the organization is headed by CEO along with executive team. At the second level the authority is distributed to CFO, COO, Legal, Retail, Software engineering etc. The executive team comprises of all senior VPs and report directly to CEO. At 2nd level the functions are further divided into sub departments and the senior VPs further distribute authority to VPs in the 3rd level. All the important decision and actions are taken by CEO's intervention.

The organizational operations are divided into a number of subunits. In Apple the organization responsibility is headed by CEO while the operations are divided into several sectors such as Control, Global Outsourcing, Apple Online Store, Apple Care, Education, Internet services, Marketing, Communication etc. This way the entire organizations is divided into several functions and headed by the senior executives in each functions. All of these operations reports to the CEO. All the employees are aware about their job responsibilities, management expectations and they are specialized in their jobs.

Apple's organizational structure: formal vs. informal

Organization structure can be classified into two types formal and informal. Formal structure directs employees to do things in specific manner, obey orders from designated individuals and cooperate with other. (Wordpress.com, 2012). Formal organizations systems do coordinated and controlled activities embedded in complex networks of technical relations and boundary-spanning exchanges. But in modern societies formal structures arise in highly institutionalized contexts. (Meyer, J&Rowan, B 1977).

Apple's organizational structure has got the characteristics of both formal informal structure but largely it can

be identified as formal organization. This argument is supported by the following organizational facts:

According to organizational structure, it has a clear division of labour, horizontal and vertical differentiation and span of control. The CEO has all authority and important decisions are made by him. The organization has well defined goals and authority, responsibility and accountability of individuals which are well defined (Fortune, Aug 25,2011).Also, Apple is well known for secrecy and very less written rules and procedures exist in the organization. This indicates some elements of the informal organizational elements also exist in the organization.

Differentiation and Integrating Mechanisms of Apple:

Horizontal Differentiation is the way an organization categorises organizational task into roles and roles in subunits (Jones, 2013).From Apple's structural view point clarifies that the organization is more horizontally differentiated as it has several sub and functional units and less vertically integrated as it has fewer levels.

In Apple each employee knows whom they have to report to, and every department is having employees specialized in their fields (Fortune, Aug 25, 2011). So, the main integrating mechanism used in Apple is hierarchy of authority, where ranking of employees integrates by specifying who reports to whom. Manager meets face to face to coordinate activities through direct contact. Other mechanism is that employees are working in teams, sharing their ideas and responsibilities.

Decision making authority:

Apple has a centralized structure in which the entire authority is in the hand of the CEO and managers at the second level reports directly to the CEO .Even though Apple has a flat structure, all the important decisions come from CEO or his close associates. The overall structure can be viewed as a "command and control structure" from top. (Fortune, August 25, 2011)

Mechanistic Vs Organic:

The term organic and mechanistic describes both culture and organizational structure. The core of Apple's business is "Design" and this department has an organic structure. Employees' decisions, ideas are respected, they have the freedom to utilize their ideas in their projects and innovation and creativity are encouraged. All the important products in Apple is designed by a small design team comprising of 12-20 numbers of individuals in the team where designers take their own decisions. (eWeek, Aug 2010).

Overall Apple has a more organic structure while some departments like Retail, Operations, Sales and have more mechanistic characteristics with centralization, where all the significant decisions are taken by VPs, senior VPs or CEO. Employees cannot take their own decisions. (Ronda F. Reigle, 2001). In analysis, in broad perceptive Apple have an organic structure while some departments like sales, operations etc function in mechanistic fashion.

Analysing Apple's Organizational form:

Matrix organization is a mixed form in which traditional hierarchy is overlaid by some form of lateral authority, influence or communication (John A. Kuprenas, 2001).Apple's organization doesn't have a matrix structure, dotted lines, committees, or separate lines of business it's the organizational personification of the firm's simple product line(Fortune, May 9, 2011).Apple operate its business through network partners as contracts most its business of to Thaiwan's Hon Hai Precision Technology (CNBC, Jan 26 2014).

Viewpoint on Apple's Contingency aspect:

A contingency is a possible event or occurrence that happens during an organization's life cycle. The ability of any organization to identify contingency at an early stage and deal with it leads to high performance organizational effectiveness and existence.

Apple's Classification of Technology:

Technology is the combination of skills, knowledge, abilities, techniques, machines, people use which convert raw materials and new ideas into valuable goods and services (Jones, 2013).Charles Perrow in his typology framework used task analysability (the extent to which an exception encountered) and task variability (extent to which search is required) to classify four types of technologies used in organization: routine, craft, engineering and non-routine research technology.

Apple's core is design and the organization develops high tech software, hardware products with emerging electronic technologies. This task involves high task variability and low task analyse ability. Hence, according to Charles Perrow's classification of technology, Apple's uses the most complex and least routine, non-routine research technology to come up with its products. In non-routine technology category, there are no pre-packaged solutions; management makes decisions in a highly uncertain and unstable context with respect to environment.

Apple's Technology and Structural Fit:

This technology affects the structure of an organization. According to Perrow, routine technologies function best under mechanistic structures, while non-routine technologies call for more organic structures. The advantage of this type of organizational structures is their effectiveness in terms of innovation and empowerment (Fayol, 1949). Apple operates in a very unstable environment has a relatively flat structure with organic characteristics, with some elements of centralization. In this environment, policies are quicker to implement and there is increased coordination. The Apple org structure has a centre and two concentric circles. CEO at the centre, senior VPs around CEO, and each of SVPs having one to five or six executives comprise a 3rd outer circle. This is where Apple's speed comes from. "If the executive team decides to change direction, it's instantaneous," said one former senior executive. (Forums, 2013). This explains why Apple is famous for distinctive competence and make and implement fast decisions, including technological corrections in the past.

Apple's Formal Structure and its Environment:

An organization does not exist all alone instead it operates within an external environment. It is part of a larger system with other elements which mutually influence each other.

Apple organization is into the business which includes PCs and laptop, tablets, smart phones, music devices and other gadgets. The environment in which Apple operates is highly unstable with the emerging technologies and fierce competition. The elements of changes in the environment are low cost substitute products, intense competition, ease of entrance of competitors into the market and new emerging technologies. The elements of stability are the brand name, quality standards maintained, the constantly innovating culture, the culture of secrecy which gives a complete advantage over other manufacturers in the same industry.

Match between Organization Environment and Structure

Organizations experiencing fast changes with a turbulent environment are effective when they have more flat and organic structures. This provides flexibility for changes with organizational environment. The flat commanding structure enabled Apple to shift its gears and grab opportunities quickly. For example Apple has changed its product pricing just 48 hours before launch to the market. The flat structure has enabled Apple to implement the changes spontaneously and maintain constant "course of correction" (Fortune, Aug 25, 2011). This shows Apple's structure has a by and large good fit with the external environment.

Apple's Structural Issues:

Steve Jobs once said "You have to be run by ideas, not by hierarchy". This highlights the importance given by the organization for innovation rather than a building systematic structured organization.

Specialization is key norm in Apple as at they perform specialized task and are not trained outside their functional area (Business Insider, 2013). Former CEO Steve Jobs believed that specialization created best in class employees for each job (Fortune, Aug 25, 2011). The structure is "command and control from top" rather than a decentralized and a collaborative approach (Adam, L 2011). The lacks of collaborative approach and mutual specialization have resulted in different department act as silos. So in brief, APPLE structure is individualistic and specialized work approach rather than a inclusive team approach.

Viewpoint on Apple's Cultural aspect:

Organizational culture is a set of basic assumptions shared by the organizational members that is reflected in attitude, expectations and behavior of employees (Jones, 2013). Apple has a unique organizational culture built on former CEO Steve Jobs' strategy, vision and goals.

Cultural Analysis:

The overall culture is based on the principles of motivated teams working together, responsible employees, innovation and excellence. According to **Tim Cook** current CEO regardless of who is working for the company the "embedded values in the company made it perform extremely well" (Earnings Hall, Jan 2009).

Innovation, accountability and secrecy can be identified as the key element that influences apple's organizational culture. Apple's slogan "**Think different**" says all about the importance of innovation and creativity in the organization. Apple is famous for maintaining its secrecy. The Apple employees are ordered to maintain secrecy inside and outside the organization. Many of the employees does not know for which products they are working on and employees are not allowed to talk about the projects they are working on to the outsiders. In Apple every employee is held accountable for their respective actions. "Direct Responsible Individual "(DRI) is a very popular term in apple which identifies the person directly responsible for each project (Fortune, Aug 25, 2011).

Apple's culture is unique from other organizations. They believe in doing things differently, give much attention to detailing and Apple has a culture of domination; the organization simply does not want to beat the competition

but destroy the competition. (eWeek, 8-10-2010).

Apple's obsession to secrecy, attention to detail and attitude creeping into the organizational culture are often come into focus. Steve Jobs has once fired an employee in the elevator for not having a satisfactory answer for "What have you done for apple recently?" This undesirable and unconventional culture has often drawn many criticisms, but it is hard to argue with the results the company has produced (Business Insider, Jan 2013). Former employees in apple reveal that there is high tension working culture with paranoid management and long working hours in apple and all the communication is in one direction. (Business Insider, April 2014). The interview with the primary source reveals that Apple has a strong culture based on innovation, diversity and perfectionism. Overall it can be viewed that Apple has a strong unique culture embedded with principles of innovation, secrecy and accountability.

Communicating Values, Goals and Norms:

The culture of innovation is well communicated to the employees by the famous Apple's slogan "Think Different". One of the principle Steve Jobs constantly said is "Communicate to your employees as adults". He often rebuked his employees publically for the mistakes. (Forbes, March 2012). Apple communicates priorities values and principles through regularly engaging team members in activities. The potential talents are invited to attend Apple's top 100 strategic meeting where the company's vision and strategies are shared to next generation (Fortune, Aug 25, 2011).

Primary data support the fact that Apple employees embrace the values more than anything else and the organization is keen in brewing new talent. They feel it is inspirational place to work and do not find any blocks in communicating values, goals and norms. However from secondary data it is concluded that, obsessive secrecy and one directional communication are the main impediments that Apple faces for its effective communication of goals and norms.

Socialization:

The culture of secrecy starts even before employees' were appointed to the organization. Prospective candidates go through a series of interviews take a dummy position till the hires are fully trusted. The new employees are given shiny i-Mac, but they themselves have to figure out how to connect it to network. This way the new employee gets a chance to speak and socialize with others (Business Insider, Jan 2012). In the sales, the new recruits are trained extensively and shadowed by a senior person for initial weeks. (Forbes, June, 17 2011). The primary data confirms that all new comers go through orientation programs and basic training and most of the hires have "mentors" or "buddies". Also these services are available anytime on request. Overall Apple's socialization program can be viewed as formal and informal, individual, random, variable and serial.

Structure vs. Culture:

Structure and culture in organization, perform overlapping function which reduces task complexity, task uncertainty and information sharing. (O' Neill, Beauvais, School, 2001)

Compared to other flat structured of organizations, "specialization" and "command and control" is key feature in Apple. While most of the companies have a vertical chain of authority, Apple's most important decisions has come from Steve Jobs and his close associates. (Fortune, Aug 25, 2011). The primary source reveals that the culture and structure combination is well-organized and maintained optimally. From secondary data it can be concluded that the culture of secrecy are innovation maintained by commanding through a flat structure.

Sub-cultures and Role orientation:

A subculture is a different section of a main culture in the organization which has different values, goals and norms due to different job requirement or geographical area. (Luqman, Shabbier&Khan 2012). Among the various departments, marketing is the dominant over others in Apple. An anonymous employee reveals that everything in Apple is decided by marketing (Business Insider, April 2014). Unlike other department, designers make their own decision and report directly to CEO (eWeek, Aug 2010)

Apple promotes institutionalized role orientation as it expects the employees work hard, be accountable and maintain the code of secrecy. Jobs institutionalized the Apple culture by creating an "Apple University" in the organization (The Guardian, May 2011). Any employee challenging these written norms would not survive in the organization. In an innovation perspective Apple encourages an individualized role orientation as it want their employees think differently and come up with creative and innovative ideas.

Viewpoint on Apple's Political aspect:

Structure and distribution of power

Apple has a flat organizational structure comprises limited levels and many functions reports directly to CEO. Earlier Apple was led by a single decision maker (Steve jobs) and this has benefited the organization as a single

decision making centre negatively impacted by slowing down the decision making process.

According to secondary source,(Forbes, 2012) Apple faced Bottleneck because all important decisions taken by Jobs and due to his focus on specific issues or products the other issues suffered. Thus we can clearly state that Apple has a clear centralized system where very minimal power is given to departments and all important decisions are taken by CEO. However after the demise of Jobs, the organization is led by Tim Cook and he is making efforts to change the “command and control” system to a collaborative one.

Mechanisms by which managers and stake holders obtain power and use that Power to influence decision-making.

Apple’s decision making solely depends on the two important criteria’s; w the consumer wants needs and the shareholders interest. As, it is mentioned the organization does not easily trusts employees and distribution of power is less among employees same is the case in managers and stakeholders. Power and authority is given to those individuals who the CEO believes

1. Is capable of working towards the achievement of organizational goals.
2. Has the required knowledge skills and abilities to work within the framework
3. Is capable to control uncertainty and has a control over resources (stakeholders)
4. Control over information: as mentioned extreme importance to secrecy thus not ever manager and stakeholder is trusted and given equal power and authority.

Distribution of power influence decision making within the organization:

Today’s organizations act as political systems in which power and conflict are the defining characteristics rather than rules and authority (Ranson, S. et all 1981). Decision making in massive organization is a complex with the steps including the recognition of a problem, investigation collect relevant information and to generate solutions and selection of the course of action based on an analysis of the available information and solution.” (Blankenship, L & Miles,R)

Steve jobs the former CEO and co-founder took decisions from product design, product development, marketing, distribution and wholly built up the organization. As stated, Apple gave extreme importance to the design and marketing which report directly to the CEO. Minimal power was given to departments and sub-division and inequality in distribution of power exist as the department heads cannot make decisions they are expected to look up to top management and follow the decisions. This type of centralized system inhibits employees to utilize their creativity and knowledge skills. (Business insider, 2014).

Structural and cultural change to balance power

After closely analyzing the organization it is evident that there is little communication between departments and along with high level of secrecy. This prevents open communication and employees are allowed to share information even within their groups. Lacks of information sharing inhibit power imbalance between employees and functions and also cause uncertainty. To balance the power, culture of open communication, sub-unit cross functions ties and decentralization need to be focused more.

Structural changes required to balance power is to delegate authority and responsibility to make and implement their own decisions. At the initial stage, the management can provide the departments with a specific framework within which each can take their decisions and operate. Delegation and decentralization within the structure would help to distribute the power more even in the organization.

Conclusion

In this study it is concluded that Apple has its unique combination of flat, centralized organic organizational structure which has enabled the organization to perform an exceptional way. The culture emphasizing on technological innovation and flexibility have created momentum to act in a faster way to grab the opportunities. We recommend Apple to delegate some power and decision making authority in all hierarchical levels to achieve a balance between power and existing structure and culture. Also, Apple should encourage the employees to communicate and share information and knowledge which will be useful for each other and the organization as well later on.

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