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# STEVE JOBS AND APPLE, INC.

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## CASE DESCRIPTION

*The primary issues in this case involve business startup and management, and are appropriate for entrepreneurship and management courses. A secondary issue demonstrates how personal drive and motivation are critical components of successfully managing and growing a business, thereby making this case appropriate for discussion on the topic of strategic management. The case chronicles the life and passion of entrepreneur, Steve Jobs – illustrating the rise, fall, and current state of the Apple Computer Company. The case has a difficulty level 2 and is designed to be covered within one (75 minute) class period. The required preparation time is about 2 hours. It is appropriate for small business, entrepreneurship, or management classes. The purpose of this case is to illustrate to students how individual passion, determination, and innovation is a critical element in business start up success and also to stimulate critical thinking in terms of future direction for a company in a struggling economy.*

## CASE SYNOPSIS

*The Apple Computer Company is arguably one of the most innovative technology companies to emerge in the last three decades. Apple, Inc. is responsible for bringing to market such products as the Macintosh computer and laptop, iPod and iTunes, and most recently, the iPhone. The success of the company can be traced primarily to a single individual - founder, Steven Jobs. Jobs and his friend, Steve Wozniak founded and built Apple into a 32 billion dollar company. The company enjoyed much success during the past decade with its stock price hitting a high of \$200 in 2007. More recently, the stock has retreated to around \$90 causing a massive decline in shareholder wealth. Today, Apple CEO Steve Jobs is faced with the challenge of resurrecting his once dominant company in light of weak economic conditions and sub-par personal health. The case chronicles the life of Steve Jobs, the rise of Apple, Inc. and his personal challenges as CEO of the company to continue to provide innovative products to a marketplace of technology avid consumers.*

## INSTRUCTORS' NOTES

### Case Overview and Recommendations for Teaching Approaches

Students will find the case very interesting as most of them will have used one of Apple's products. Students will combine the facts presented in the case with their own perceptions and experiences with Apple's products to answer the discussion questions. The case makes valuable contributions related to the historical background of one of the most successful companies in the world and consistently voted the most innovative

company. Furthermore, the case examines the psychology of an entrepreneur, Steve Jobs, and takes the student through the entrepreneurial process of starting Apple along with Steve Wozniak. A unique aspect of this case is that Apple products are so ubiquitous that most students will have experienced the technological innovativeness of the company through personal ownership of an iPod, iPhone, or Apple computer product (MAC or laptop). This aspect should make the case both relevant and interesting to students. The following questions are recommended for discussion.

### DISCUSSION QUESTIONS WITH SUGGESTED ANSWERS

#### 1. **Discuss the attributes that contribute to the success of Steve Jobs.**

Students should draw from facts presented in the case highlighting various attributes that could be argued to be related to his success. Evidence of this may include the following:

##### Passion –

Job's introduction to the world of electronics came during High School with the discovery of electronic hobby kits. He realized that the electric world was not as complicated as it first seemed and that electronics was an interesting field. It quickly became his passion. He began attending lectures conducted by the Hewlett Packard Company (HP) and audited classes at Reed College. This further fueled his appetite for the field and eventually he found summer employment at HP.

Jobs (and Wozniak) attended meetings of the Homebrew Computer Club. The club consisted of other electronics enthusiasts who presented news of new innovations in the electronics world and discussed updates of the progressions made by members in creating their own computers.

##### Intelligence and Confidence -

Early on, he found school to be so easy that he was able to skip 5th grade and move directly into Middle School. Later, while working at his job at Atari, some of his fellow workers viewed him as arrogant and overly confident. Although, this was not necessarily an attribute conducive to a collegial work environment, it did provide Jobs the opportunity to work the night shift where it was easier for him to befriend Steve Wozniak who assisted Jobs with the technical aspects of his work. Others described Jobs as “referring to most people as bozos”. Although this was a condescending way of viewing his future customers, it did serve to ensure that Apple products were developed in a user-friendly and understandable manner.

##### Resourcefulness -

Atari invited Jobs to develop the circuitry that would transform the popular game, Pong into something more innovative (Breakout), however he was given only four days to complete the task. Realizing that this project was beyond his capabilities, he contacted his friend, Steve Wozniak who helped him accomplish the task. This event, turned out to be the motivation for starting the Apple Computer Company.

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### Visionary and Opportunistic –

Jobs recognized an opportunity to pitch a working model (developed by Wozniak) of a computer that could be viewed on a TV (as opposed to a costly monitor) to HP and Atari. Although neither company chose to invest in the production and marketing, Jobs persuaded Wozniak that this creation was good enough that they should try to produce and market the computer on their own. They raised \$1,750 to begin this venture, which turned out to be the start of the Apple Computer Company (Young and Simon, 2005).

After leaving Apple in 1986, Jobs bought the majority share of a puttering computer graphics company, called Pixar, for \$10 million from George Lucas. Lucas, the famed creator of the *Star Wars* movies, was looking to sell of some of his assets to fund his divorce. Jobs saw a lot of opportunity in Pixar and led the company to produce animated commercials for some leading brands (Tropicana, Life Savers and Listerine were some of the first brands to contract Pixar to produce commercials). Later, Disney agreed to a new five film agreement leading to box office mega-hits such as *Toy Story* (I & II), *A Bug's Life*, *Cars*, and *The Incredibles* (Linzmayr, 2004).

Jobs' vision to see the potential in technology allowed him to take full advantage of these opportunities. Without Jobs' vision he could not have seen the potential in the first computer that Wozniak built or other companies that he was involved in running.

With the introduction of such innovative products such as the iPod, iTunes, and iPhone, Jobs demonstrated the vision to understand how consumers would find communication and entertainment devices convenient, cost effective, and cutting edge.

### Driven and Hard Working –

Jobs, from a very young age, had a tireless work ethic, particularly toward his passion and electrical engineering. His work ethic was the motivation that led him to learn about the advanced technical knowledge of the inner workings of the computers that Apple has been building for decades.

Upon being removed from Apple in 1985, Jobs immediately founded another computer company, NeXT. In 1996, Apple bought NeXT and asked Jobs to return to Apple as interim CEO. He became the permanent CEO in 2000 and currently still holds that position.

Job's drive for perfection sometimes had a negative effect on the people he worked with. According to Alan Deutschman (2000), Jobs was described as a "control freak", "egomaniac", and "fearsome tyrant". Kahney (2008) also writes about Steve Jobs as frequently turning from a charismatic leader to an "ego and emotion destroying tyrant."

### Willingness to take Risks –

Jobs demonstrated his willing to take a risk early on by selling his Volkswagen van for start-up capital for Apple. Later, he invested capital to start new companies (like NeXT) and existing companies like Pixar. Although all of his risks were not rewarded (e.g., NeXT was ultimately dissolved), he was able benefit from his investment and effort to make Pixar a success.

### Charismatic and Persuasive –

Jobs is described as having great skills at persuasiveness and salesmanship and is reported to be highly charismatic. Early on, he was able to convince his friend, Steve Wozniak, to start up the Apple Computer Company.

Later, people in the film industry felt that the deal between Pixar and Disney was made possible because of the charisma, confidence and negotiating talents of Jobs. Pixar executive Ed Catmull said *“It took somebody of Job’s stature to get us a parity deal with Disney”* (Linzmayr, 2004). Former Pixar Marketing Director Pamela Kerwin said *“He had the brains, energy, and chutzpah to protect Pixar’s interest. He enabled us to negotiate as equals”* (Linzmayr, 2004). Jobs investment and financing of Pixar was rewarded handsomely. Through his investment he was awarded 30 million shares of Pixar worth around \$1 billion.

### High Need for Achievement –

Upon leaving Apple in 1985, Jobs immediately founded a new computer company (NeXT) and later grew animation film company (Pixar). Upon his return to Apple, he aspired to make Apple a leader in the information technology industry. Through innovation leadership, he was able to set trends in productivity, entertainment, and communication products. He attributes the sustaining qualities of his energetic and entrepreneurial leadership to being able to work at the things he loves to achieve his goals.

## **2. Discuss the attributes that contribute to the success Steve Wozniak.**

Students should draw from facts presented in the case highlighting various attributes that could be argued to be related to his success. Evidence of this may include the following:

### Passion -

Steve Wozniak’s passion for electronics stemmed from his father’s career as an engineer at Lockheed Martin (Wozniak, 2006). Wozniak formally studied electrical engineering at the University of Colorado at Boulder and De Anza College. Upon withdrawing from college, he began building computers with a friend. To help fund his interest in building computers, Wozniak designed, built, and sold (illegal) phone calling devices to students in dorms and door-to-door for \$150.

Wozniak was enthusiastic to help his friend, Steve Jobs develop the circuitry that would transform the popular game, Pong into something more innovative (Breakout) in an accelerated timeframe of only four days. Although he was paid a share of the \$700, to Wozniak the real compensation was the sense of accomplishment and excitement realized by completing the task. Looking back on this experience Wozniak claims, *“I would have done it for a quarter”* (Linzmayr, 2004).

Wozniak (and Jobs) attended meetings of the Homebrew Computer Club. The club consisted of other electronics enthusiasts who presented news of new innovations in the electronics world and discussed updates of the progressions made by members in creating their own computers. During

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one of these meetings Wozniak presented an apparent working model of a computer that could be viewed on a television set, as opposed to a costly monitor.

Intrinsic Motivation and Pride in Work -

Wozniak was very proud of his work. His accomplishments created all the gratification that he desired. Jobs, on the other hand, had a vision and a plan for this innovation created by Wozniak. Jobs envisioned exchanging the blue print for Wozniak's computer for cash, as opposed to showing them off for bragging rights. Wozniak was never motivated by the money. The idea of making money off of his passion never did not drive Wozniak to create his computer nor did he envision selling it after it was complete. Only after Jobs convinced Wozniak that his creation was good enough to sell did the two decide to produce and market the computer on their own.

**3. Is Steve Jobs an entrepreneur? Is Steve Wozniak an entrepreneur? If not, what are they?**

Students should draw from facts presented in the case to distinguish between characteristics defining of an *entrepreneur* versus an *inventor*.

Jobs is without a doubt a driven entrepreneur. Many of the characteristics from the first question are defining entrepreneurial traits. He has the ability to find opportunity and gather resources to take advantage of opportunities (e.g., having Wozniak develop the new Breakout circuitry for him). He is driven, works hard, and has a high need for achievement. He is willing to take risks (first exemplified by selling his Volkswagen van for start-up capital).

Wozniak, on the other hand, is an inventor. He makes no claims about producing or wanting to make money off of his inventions. He does these things for fun and passion. Without Jobs vision and passion, Apple would never have existed as Wozniak did not have the entrepreneurial instincts to create a company and make money.

**4. What did Steve Jobs do to make Apple Inc. so successful? What grade would you give him as an entrepreneur?**

Students should draw from facts presented in the case highlighting various attributes that could be argued to be related to his success. Evidence of this may include the following:

According to Jobs, the reason why his companies have become so successful is because they hire the very best people. While this strategy is definitely a huge part of the success of Jobs and Apple, it definitely is not the only reason. Jobs, from a very young age, had a tireless work ethic, particularly toward his passion, electrical engineering. His work ethic was the motivation that led him to learn about the advanced technical knowledge of the inner workings of the computers that Apple has been building for decades.

Jobs' vision to see the potential in technology allowed him to take full advantage of these opportunities. Without his vision he could not have seen the potential in the first computer that Wozniak built. Eventually Jobs envisioned a revolutionary process that involved a unique bond

between the world and computers. His understanding of human behavior and motivation helped him to accurately speculate what people will see as revolutionary and desirable products.

He is very persuasive and has advanced negotiation skills. This was demonstrated while he was running Pixar and negotiating terms with Disney on production of their animated films.

Jobs also made Apple successful because of his business and social foresight and because of his love of the products his company creates. A good salesman believes in his products and espouses them with high enthusiasm. Jobs believed in his technological innovations and sold them aggressively throughout his career. His ability to develop and deliver superior business strategy has kept Apple in the forefront of the industry.

Steve Jobs deserves an A for his ability to build the most innovative company in the world. Apple is constantly innovating with former and current products like the Mac I, Mac II, Mac III, Lisa, Macintosh, MacBook, iPod, iPhone, etc. Unfortunately, Job's volatile personality could be argued to drop his overall grade down to an A-.

**5. How do you as a consumer of Apple Inc. products view the company? How do you view the products that they sell? How are these views the same or different relative to how you perceive other product from other technology companies (e.g., Dell, Sony, Microsoft)?**

For this question, students will draw mainly from their personal experiences. Most students will have either owned or used an iPod and downloaded music from iTunes. Some students will own a Mac laptop. Few may own or may have used the new iPhone. For comparison, students may have a MP3 player from a competing company (e.g., ScanDisk, Sony, Samsung). Rival PC or laptops may include Dell, HP, Acer (mini laptops). Competitors to the iPhone are Blackberry, Palm, LG, Nokia (among others). As a suggestion for facilitating in-class discussion, the following table could be filled out as students volunteer answers:

| Apple Products | Comparable Product (Other Companies)                        | Which Prefer / Why                                                       |
|----------------|-------------------------------------------------------------|--------------------------------------------------------------------------|
| iPod           | ScanDisk Sansa, Microsoft Zune, Sony Walkman, Samsung, etc. | Size, price, capacity, easy to use, considered cool/stylish, etc.        |
| iTunes         | Napster, Rhapsody, etc.                                     | Price of a song/album, compatibility with MP3 player(s), selection, etc. |
| iPhone         | Blackberry, Palm, LG, Nokia, Samsung, etc.                  | Functionality, price, ease of use, stylish, features, etc.               |
| Laptop         | Dell, Acer, Sony, HP, etc.                                  | Size, capacity, features, price, etc.                                    |

The most interesting point of this discussion may be which products students prefer and why. Answers will include physical or tangible attributes such as: size, price, storage/memory capacity, compatibility, style, color etc. Other (more interesting answers) may include the emotional or intangible aspects of the product/company such as: ease of use, use of product that is considered "cool" or mainstream, feelings of "fitting in" or being on the cutting edge of technology. The reasons

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provided for this latter category (of intangibles) are harder for companies to replicate and could be the basis for a competitive advantage. For example, any company can produce an MP3 player that is competitively priced with ample storage and conveniently sized. Only a single company will win the favored perception of the consumer as being cutting edge, easy to use, innovative, and the coveted title of being “cool”.

**6. What were the major problems and/or opportunities facing Apple, Inc. in 2008 and what recommendations would you make to Steve Jobs? Why?**

Students should draw from facts presented in the case to identify potential problems and opportunities. Evidence of this may include the following:

Apple was facing the worst economic environment since the Great Depression. The current critical opportunities facing Apple are the continuation of product innovation and growth of existing products into new markets and the integration of existing products with new products. The modularity of its operating system enables it to function in new and existing products that allow Apple to move into new areas of technology beyond computers.

In order to increase its profitability and market share Apple must have products that the consumers want to purchase. Apple must have cutting edge, technological products that make a person's life simpler that can be purchased at a reasonable price. This strategy meshes with Apple's past practices. Critical success factors for Apple include: innovation, flexible operating system, visionary foresight, cost management, and competitive pricing.

There is a temptation to list the “Apple culture” that Apple's PC customers have created as a critical success factor; however, it is a double-edged sword. To some, Apple may be viewed as a superior product for only desk top publishing and creative arts applications. This view serves to force Apple into a niche that has potentially limited its sales. Apple has yet to shed that image for its personal computer products. However, with the advent of enhanced server capabilities, the Apple computer is beginning to broaden its image.

In the light of the recent financial success and technological diversification, Apple has created a springboard for its products. For example, they have recently gained public favor with respect to improvements in the iPod and iPhone. During a June 8, 2009 world wide developer's conference, Apple announced size and price improvements of the new Apple iPhone. Furthermore, according to Microsoft, the Office 2008 for Mac is the hottest selling version of the productivity suite in nearly 20 years. Apple must do everything it can to continue this wave of popularity.

Apple did commit some marketing mistakes with the release of the iPhone in 2007. The initial high price and commitment to only one phone service carrier may have harmed sales. Apple must leverage its new public awareness and continue to market and to innovate. Innovation is their true core competency along with another critical success factor, its operating system. To maintain industry leadership, Jobs must continue to innovate. Apple should continue to add or improve features on its products and develop new uses with which to apply its operating system.

A differing approach to innovation could take the form of “green products.” Apple has made efforts to improve some of its components so to provide cleaner energy use. Its efforts to place solar

power in portable devices can dramatically extend the lives of the batteries, making the devices less expensive to own and better for the environment. Another avenue for green improvement could be its shipping and packaging containers – to take advantage of their “Green Apple” concept.

Jobs and Apple must also continue to negotiate partnerships with other technology companies. A good example is AppleTV where they should leverage relationships with entertainment providers in the most cost effective way. In addition, Apple’s competitors are currently making deals with Intel and other microprocessor manufacturers. Apple could position themselves strategically by leveraging long-term contracts with the best suppliers and materials companies. Should any of Apple’s strategies for future growth not be sustainable, they would have to operate as in a mature industry, by emphasizing better cost and service and move further into overseas markets.

If fortune prevails, technology will continue to be ever-evolving and Apple will be able to continue its success. With its powerful culture of entrepreneurship and innovation, Apple has the financial health and tools to boost it into a future with superior products and marketing.

### EPILOGUE

As of January 2009, Jobs announced that his illness was more complicated than he thought and he was taking a leave of absence until June 2009. During a June 8, 2009 world wide developer’s conference, where the company announced size and price improvements of the new Apple iPhone, CEO Steve Jobs was noticeably absent. Tim Cook is now in charge of Apple and rumors are abundant about the future of Apple without Jobs. Some say that without the long-term vision of jobs they will never be the same. “*Steve is terrific at attracting and retaining people, creating an agenda and getting people to stick to it,*” said Stephen G. Perlman, a Silicon Valley entrepreneur who was a principal scientist at Apple in the 1980s. “*It’s very hard to find somebody who is so credible, and who has such a strong following that he is able to cut through corporate politics*” (Stone 2005).

The questions about Apple’s future remain uncertain. The company has enough products in their pipeline to withstand the next 5 years, but what about 10-20 years? What will happen to Apple? The last time Jobs left for a long period the stock price dropped to \$2 a share. On the day they announced his complications and temporary resignation, the stock price dropped to \$83.00. Despite what happens to Jobs the company needs strong leadership to move forward. The future will remain interesting for one of the best companies in the world.

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