

Bloomberg Businessweek

Available on the iPad

OPENING REMARKS January 19, 2011, 11:01PM EST

Apple, With or Without Steve Jobs

The maker of iPads, iPhones, and Mac computers will prosper even if CEO Steve Jobs doesn't return. Keeping the company's revolutionary edge will be harder

By [Brad Stone](#) and [Peter Burrows](#)

iPods, iPads, and iPhones would have baffled the German social scientist Max Weber, who died in 1920. The father of modern sociology, however, would surely have understood something about the man behind those futuristic gadgets. Weber defined the "charismatic leader" as one whose influence stems from almost preternatural insights and imagination, and who inspires devotional loyalty from his followers—which adds up to an uncanny description of Steve Jobs.

Weber also argued that organizations structured around a charismatic leader are doomed to lose their vigor after the great one leaves the scene. That prediction became relevant on Jan. 17, when Jobs, perhaps the most charismatic chief executive officer in business history, announced yet another medical leave from Apple ([AAPL](#)), the company he has led to breathtaking heights. In a letter to his 50,000 employees, Jobs handed off daily control of the company to Apple's chief operating officer, Timothy D. Cook. He didn't say when he would return or why he was leaving, but the undertones were ominous. He referred to his management team's plans for 2011 and sounded an unusual emotional note: "I love Apple so much and hope to be back as soon as I can."

The announcement triggered speculation about Jobs' health—and minor indigestion among shareholders. It also posed yet again the unavoidable question that now looms over 35-year-old Apple: What happens to a modern company whose innovations and inspirations are so closely tied to the vision of one leader when that leader's influence is in decline? The only thing certain is that the Apple of the future—whether in a year or a decade—will look a lot different from the reliable engine of innovation and profits that investors and customers know so well.

Jobs' health has been an issue for so long that many investors have grown inured to it. In 2004 doctors diagnosed Apple's co-founder with a neuro endocrine tumor, a rare form of pancreatic cancer. He took an undisclosed leave of absence for treatment and a six-month leave in 2009, when he underwent a liver transplant at the Methodist University Hospital Transplant Institute in Memphis.

Apple spokesperson Katie Cotton declined to comment further on Jobs' condition. According to a person with direct knowledge of his health, who requested anonymity because the matter is private, the Apple founder has had trouble gaining weight, and immunosuppressant medications related to the transplant have made him susceptible to colds and the flu.

Jobs' health problems have not interrupted Apple's historic run of successes. Apple devices and online services such as iTunes have, one by one, disrupted the music, mobile phone, media, and video-game industries. Even the Macintosh is on a tear. It now commands 9.7 percent of the personal computer market in the U.S., up from less than 3 percent a decade ago. Along the way, Apple has become the second most highly valued company in the world, behind only ExxonMobil ([XOM](#)) and well ahead of tech nemesis Microsoft ([MSFT](#)). On Jan. 19, Apple announced its latest results: \$6 billion in profits during the last three months of 2010, a record that surpassed the previous high by 40 percent.

With all that momentum, Apple can thrive for years, even without Jobs' daily presence. The company's lineup for 2011 is set. It includes the iPhone for Verizon ([VZ](#)) and, in all likelihood, new versions of the

iPhone and iPad as well as fresh takes on old hits like the iPod and iMac.

Plans are no doubt taking shape for 2012 and beyond. Jobs recently revealed that the company was working on the iPad even before the debut of the iPhone in 2007. Similarly, the Apple skunkworks has probably cooked up new versions of the iPhone and iPad for next-generation 4G mobile networks. Some analysts even believe Apple could be preparing its own high-definition television, with Apple TV software built in, as an alternative to the lightly selling \$99 Apple TV set-top box. "They know what products they are launching at least two years, and maybe even three or more, into the future," says Barclays Capital ([BCS](#)) analyst Ben Reitzes. "They are on autopilot to a degree, at least in terms of the big picture."

Although the product plan may be mapped, Apple without Steve Jobs will be a less interesting company. Jobs, according to the portrait laid out in countless biographies and articles over the years, is a control freak with a compulsive attention to detail. He routinely sends products back to the lab, kills them in their crib, demands new features, or euthanizes old ones, all while keeping Apple's attention narrowly focused on just a few products with potential for high returns. "We're always thinking about new markets we could enter," Jobs told *BusinessWeek* in 2004. "But it's only by saying no, so that you can concentrate on the things that are really important." Jobs' obsession with process and detail even filters down to how he rolls out products. Besides exhaustively rehearsing his own presentations, he often insists that executives from partner companies submit to a week or more of dry runs—and has been known to bounce execs at the last minute if they show signs of nerves that could mar a Jobs keynote.

Jobs commands Apple with the discipline and improvisational confidence of John Coltrane. It's not clear who else, if anyone, at the company can groove with equal flair. Executive grooming, like much else at Apple, is handled in an unorthodox way. Most corporations aim to enhance the leadership abilities of their employees. Some, such as General Electric ([GE](#)), are veritable factories for seasoned executives. At Apple, rather than recruiting or developing the most promising and versatile general managers, Jobs concentrates on hiring the best person in a given discipline.

The result is a team of highly skilled specialists who operate in a system that still resembles a startup. There are no separate lines of business and no business unit chiefs with responsibility for their own balance sheets. Important decisions are usually made at weekly Monday strategy sessions with Jobs overseeing his 10-member executive team. New executive hires—such as former IBMer Mark Papermaster, who joined as a senior vice-president in 2008 and left for Cisco Systems ([CSCO](#)) last year—typically don't last long.

Who will steer the ship when, inevitably, Jobs is gone? Most analysts are unreservedly enthusiastic about the talents of Tim Cook, who is widely viewed as Apple's next chief executive if and when Jobs permanently steps aside. Cook, 50, is an operations genius, adept at cutting costs while delivering complex products on time and coping with staggering growth targets. He's also monastic and incredibly devoted to Apple. He has oversight of sales, customer support, and logistics—meaning much of the company already reports to him. During Jobs' previous two absences, Cook steadied the corporate ship so capably that in 2010 he was rewarded with \$59 million in salary and stock. Still, during those past medical leaves and now this new one, Jobs has remained involved in all major strategic decisions, Apple says. In that respect, Tim Cook is untested as a potential CEO.

The rest of Jobs' team is studded with star role players but not accomplished generalists. Jonathan Ive, Apple's design chief, joined the company during its churning descent in 1992 and is now easily the most famous industrial designer in the world. But he lacks overall business expertise and credibility with Wall Street. Marketing chief Philip W. Schiller is a burly, jovial Massachusetts native and a committed hockey fan. He's known as loyal and effective but isn't considered a tech visionary. Scott Forstall, Apple's software chief, carved out a high profile in Silicon Valley by creating a platform for the iPhone that made it easy for developers to create applications. But the longtime Jobs ally has little experience minting new hardware. Ron Johnson, the head of retail operations, has helped turn Apple into one of the world's most profitable chains—and somehow manages to coach youth baseball at the same time—but he is a retailer, not a

technologist.

Some outsiders fear that Jobs alone can stir this mix of talent. Take him out of the picture and the water goes calm, says a manager who does business with Apple, who did not want to be quoted by name because it would hurt his business relationship with the company. During Jobs' last absence, this person says, the creative tension disappeared, replaced by a play-it-safe ethos. The unavoidable fact is that lots of people can manage the company. Only Steve Jobs could have had the visionary spirit—and risk tolerance—to turn Apple into a mobile phone company.

In the short term, however, the current team might actually outperform in the absence of its mercurial and stubborn mentor. Without Jobs' obstinacy at the negotiating table and unrelenting dedication to simplicity, it's possible Apple could have avoided its rare mistakes, such as waiting too long to move the iPhone to Verizon (which gave momentum to phones powered by Google's [\(GOOG\)](#) Android operating system) and blocking Adobe's [\(ADBE\)](#) popular Flash video format on the iPad. An Apple without Jobs might one day even allow the iTunes media store to appear on devices such as HDTVs made by the likes of Sony [\(SNE\)](#) and Samsung. Or perhaps Apple could introduce a stripped-down version of the iPhone to compete with lower-cost handsets. These moves would likely horrify Jobs; he would see them as muddying the user experience and diluting the Apple brand. Yet they also make some business sense.

POST-FOUNDER SUCCESS

Business history is replete with visionary founders whose companies survived and even thrived after they stepped away. Ford Motor [\(F\)](#) reached its zenith in the 1950s, a decade after the death of Henry Ford. Hewlett-Packard [\(HPQ\)](#) continued to grow after its namesake founders retired. Disney [\(DIS\)](#) foundered after Walt Disney died in 1966 but was revived two decades later under Michael Eisner.

Those founders were 20th century inventors who didn't think much about implanting perceptions of entire lifestyles in the consumer mind. Twenty-first century leaders such as Jobs are holistic innovators of both product and brand, says Warren Bennis, a professor of business administration at the University of Southern California's Marshall School of Business. "There is a different kind of innovation today that has to do with crafting the overall experience," he says.

Jobs may be the best example of a new breed of business leader who can intuit customer emotions. Another is Howard Schultz, the longtime CEO of Starbucks [\(SBUX\)](#), who is selling not just high-priced coffee but also the idea of a "third place" between home and work. Such leaders are not easily replaced. When Schultz retired from Starbucks in 2000, the company went into a steep decline, and he was compelled to return in 2008.

There is also evidence that operations-minded co-pilots fare poorly when they take over the control of companies in rapidly moving industries. Iconic founders such as Michael Dell and Charles Schwab stepped aside at their companies to make way for their operating partners—their Tim Cooks, if you will—and then were forced to return when the successors ran into trouble. "The period after the charismatic leader is gone is always perilous, but in hypercompetitive, fast-moving industries, the loss becomes apparent much more rapidly," says Jay A. Conger, a professor of leadership studies at Claremont McKenna College.

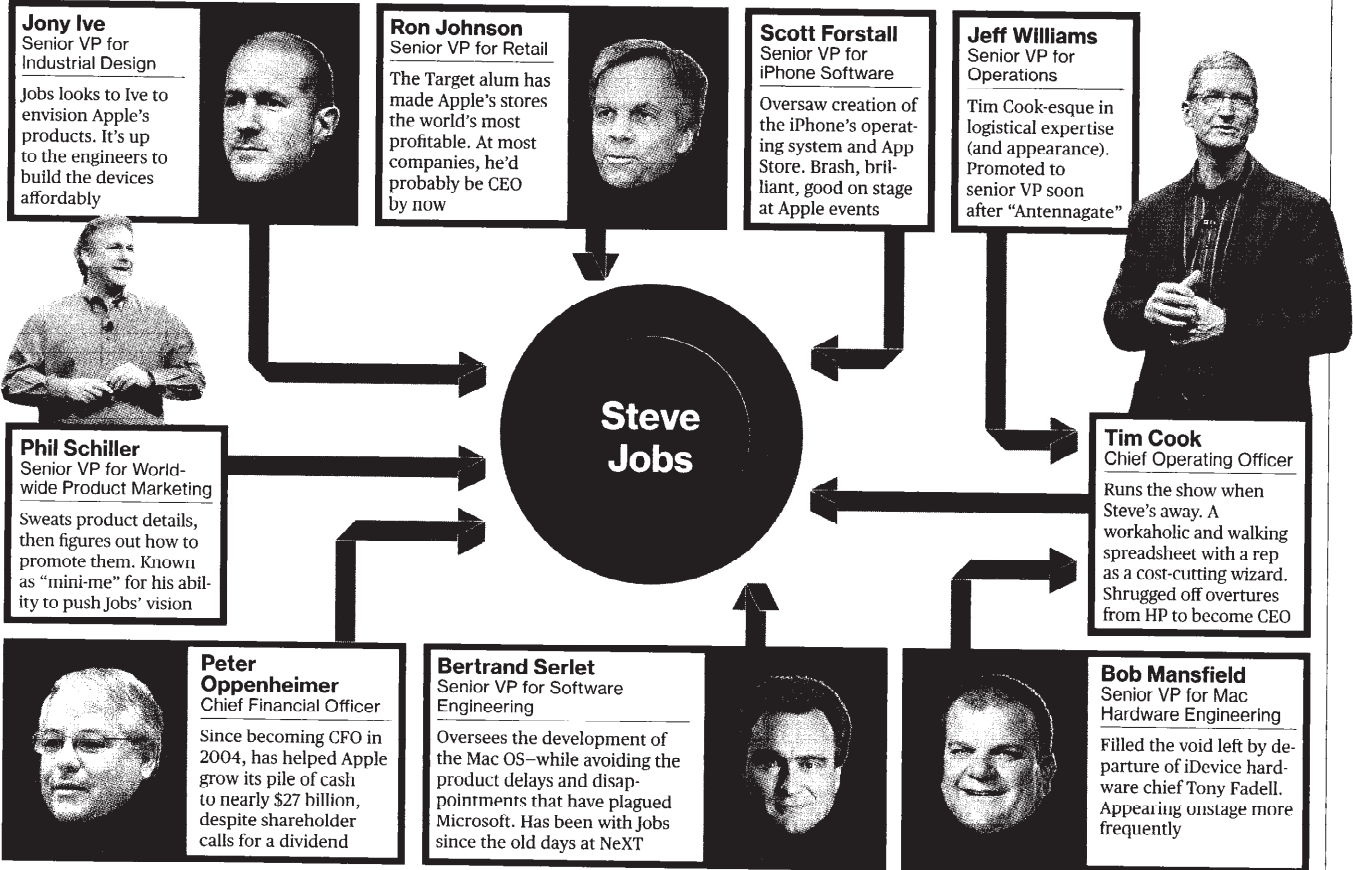
Even without Jobs at the helm, Apple could still deliver satisfying returns for shareholders. It can continue to press its gains in PC and mobile market share around the world, and it could build a sizable business selling to corporations. In that respect, Apple without Jobs could come to resemble a successful, if less sexy, company such as IBM [\(IBM\)](#), moving from a business of generating reliable "hardware hits" to one focused on recurring revenues from online ads, cloud services, and long-term contracts with companies.

All this is speculative, of course, given the uncertainties about Jobs' health. But there is nothing speculative about the eventual mortality of any leader, as Max Weber noted long ago. He saw much of human accomplishment, from the world's religions to the great railroad companies of the era, as the work of revolutionary individuals whose legacies survived only when their wisdom was preserved in institutions.

Those institutions inevitably become less radical over time, as obedient disciples take over and eventually form a less innovative, more risk-averse bureaucracy. It's not an especially auspicious way to look at Apple's future. But it suggests that whatever happens, the spirit of Steve Jobs will live on within Apple, and when it finally has to, Apple will carry on without him.

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Summing Up the Parts



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