

Few companies get a second chance. Apple Computer has fought back from the brink of financial failure several times.

Apple Computer was the creation of Steve Jobs and Steve Wozniak. When they introduced the Apple II in 1977, the personal computer moved from being primarily a desktop tool for businesspeople to a computer that individuals could afford and use. It was a one-box computer and monitor that was easy to assemble and simple to use. They developed their own easy-to-use and reliable operating system rather than relying on the established Microsoft software used on most computers. Since Apple was reluctant to license the operating system to other companies, it never achieved the widespread use of Microsoft Windows.

Apple received recognition for continuing innovation with a series of unique products including the Lisa computer, the Newton handheld computer, and the PowerMac G4 Cube. They also refined their operating software resulting in OS X, a faster, more flexible, easy-to-update operating system. However, the company struggled with operations and management issues. Steve Jobs was replaced as the head of Apple in 1985 and left the company. A series of CEOs worked on marketing, new product development, partnerships with other companies, and other strategies, but failed to return the company to its original success. Many business and financial experts predicted that the company would not survive.

Jobs was rehired by Apple in 1996 and soon was reinstated as CEO. He recommitted the company to a narrowly focused set of innovative products and concentrated on exploiting the growing popularity of the Internet. In fact, he often used the title iCEO to demonstrate his belief in the importance of the Internet focus. The first new company success was iTunes, a software system that made it easy to download, manage, and listen to music on the computer. That was quickly followed by the iPod, which has become the world's most popular portable media player. Apple opened the online iTunes Music Store, selling individual songs as downloadable music files inexpensively.

The company's financial condition has rebounded with a rising stock price, excellent cash flow, and a return to profitability. Additional new product plans including partnerships with companies such as Nike and Disney suggest Apple has been able to reinvent and reestablish itself.

THINK CRITICALLY

Handwrite your responses in the space below; 2 sentences each.

1. How could Apple Computer be a leader in innovation yet financially unsuccessful?

2. Do you believe that Apple continues to focus on innovative ideas? Give examples to support your belief.

3. If you were an investment business looking for new companies that held a great deal of promise for growth and financial return, what would you have thought about the strengths and weaknesses of Apple Computer in the late 1970s? Do you think Apple Computer provides a more or less risky investment opportunity today than it did in the first few years of its existence? Justify your opinion.

4. If you analyzed current balance sheets of Apple Computer and compared them to the balance sheets of the first few years of its operations, what differences would you expect to see other than a much larger business?

5. One of Apple's unique competitive strengths has been that it has concentrated on being innovative rather than providing products that are similar to its competitors. Why do you believe that strategy resulted in some of the past financial problems for the company? Why have products like iPod and iTunes improved the company's financial health?