

**Building a Company the Steve Jobs' Way:
A Positive Deviance Approach to Strategy**

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Abstract

This article proposes that the success of Apple is embedded in Steve Jobs' strength-based approach to the company's strategy. This approach concentrates on creating positive deviant performance -- the achievement of extraordinary success beyond the expectations of both stakeholders and outside observers. The pillars of Steve Jobs' strategy are built upon a core of capabilities, the seizing of opportunities, and an organizational culture that enables the attainment of Apple's goals. Furthermore, through the execution of strategy Steve Jobs has created a learning organization that is results-oriented.

The majority of strategic planning involves starting with a problem, analyzing the root cause of the problem, developing solutions to the problem, and then formulating a set of initiatives to address the problem. This approach can work for many organizations, but it will not result in a state of positive deviant performance – the achievement of extraordinary success beyond the expectations of both stakeholders and outside observers. In other words, a state of positive deviance is when the organization is flourishing at its best functionally and achieving optimal performance. When organizations embrace positive deviance as a goal, it demands a strength-based approach to strategic planning. Focusing on strengths does not ignore the organization’s problems or threats, but energy is channeled into organizational members digging deep to truly understand the organization’s core capabilities that have the potential to generate and sustain positive deviant performance.

To achieve positively deviant outcomes from the strategic planning process, leaders form a different mindset supported by value-creating processes that make it possible for organizational members to achieve excellence. Steve Jobs, CEO of Apple, is an example of a leader who has built a company around a strength-based strategy that has achieved positive deviance. In 2000, when Jobs returned to Apple, the company was worth about \$5 billion. Today Apple is valued at approximately \$170 billion.¹ Financial performance is not the only indicator of Apple’s success. Although the company’s market share in the personal computer industry is only 9%, which is a substantial gain since Jobs’ return, it also has 73% in the United States MP3 player market and 11% market share in the worldwide smart phone market.² In addition, Apple has won “best company” awards for innovation, marketing, and management.

In this article, I propose that Steve Jobs’ ability to combine a generative set of “ingredients” into Apple’s strategic planning process produced positively deviant results. The next sections of this paper delve into Jobs’ recipe for strategic planning by exploring his skill set for framing Apple’s strategy through storytelling, formulating a strategy around seizing opportunities, and creating core capabilities that differentiate Apple in the marketplace. In addition, this article examines the role that organizational culture played in Jobs’ leadership as a prop for executing strategy and creating a learning organization focused on results.

Steve Jobs as a “Strategic Storyteller”

Throughout Jobs’ tenure at Apple he received accolades for this ability to frame the firm’s strategy as story. This is because Jobs crafts a compelling, coherent narrative that interweaves the organization’s implicit mission and value proposition as a dominant theme of Apple’s strategy. For example, Apple, in its 2009 Annual Report, states its formal strategy as:

“Bringing the best personal computing, mobile communication, and portable digital music and video experience to consumers, students, educators, businesses, and government agencies through its innovative hardware, software, peripherals, services, and Internet offerings.”

¹ Lashinsky, A. & Burke, D. (2009). The Decade of Steve. *Fortune International*. 160(9): 7-10.

² Dalrymple, J. (2009). Apple doubles its iPhone market share. Cnet News, http://news.cnet.com/8301-13579_3-10245339-37.html, Accessed, December 2009.

This strategy may not sound different from other firms in the electronics or computer industry. However, Jobs and his management team have brought Apple's strategy to life by adopting narratives that incorporate metaphors, images, and rhetoric. In some instances, these narratives have been birthed by marketing campaigns, such as the series of "Think Different" advertisements. Symbolically, the "Think Different" marketing campaign gave Jobs a platform for distinguishing Apple from its competitors by making it cool to be different as described in the commercial sound bite:

*Here's to the crazy ones.
The misfits. The rebels. The troublemakers.
The round pegs in the square holes.
The ones who see things differently.
They're not fond of rules.
And they have no respect for the status quo.
You can quote them, disagree with them, glorify or vilify them.
About the only thing you can't do is ignore them.
Because they change things.
They push the human race forward.
And while some may see them as the crazy ones,
We see genius.
Because the people who are crazy enough to think they can change the world
are the ones who do.*

Icons accompanying this marketing campaign represented Apple's strategic story and included historical heroes and politicians who were known for breaking barriers and thinking differently, such as civil rights activist Rosa Parks and Jimmy Carter, the former President of the United States, founder of Habitat for Humanity, and Nobel Peace Prize Recipient. These historical figures allowed Jobs to represent Apple in a positive light by aligning the company's values with their social identities.³

However, Jobs' use of strategic stories was more than marketing gimmicks. The strategic stories created by Jobs informed employees and stakeholders of Apple's actions by setting a stage that provided both insightful and futuristic descriptions of how Apple would compete in different industries and respond to its macro-environment. Jobs' strategic story defined Apple strategy. For example, early on in Apple's history Jobs set to create a strategic story that portrayed the firm as a company committed to bringing user-friendly and aesthetically designed computers to "ordinary" people and prophesized that the personal computer would change lives similar to the automobile and telephone.^{4,5} In 1981, Jobs' strategic story was infused with a mission to put "An

³ Harvey, A. (2001). A dramaturgical analysis of charismatic leader discourse. *Journal of Organizational Change Management*, 14(3): 253-265.

⁴ Harvey, A. (2001).

⁵ Westley, F. & Mintzberg, H. (1989). Visionary leadership and strategic management. *Strategic Management Journal*, 10:17-32.

Apple computer on every desk.” To bring this story to life, Jobs started internally by issuing a memo to Apple’s employees:

*"EFFECTIVE IMMEDIATELY!! NO MORE TYPEWRITERS ARE TO BE PURCHASED, LEASED, etc., etc. Apple is an innovative company. We must believe and lead in all areas. If word processing is so neat, then let's all use it! Goal: by 1-1-81, NO typewriters at Apple... We believe the typewriter is obsolete. Let's prove it inside before we try and convince our customers."*⁶

Over time, Jobs’ strategic stories evolved to include a dramatic tension between Apple and its competitors so that stakeholders would rally around its products. For instance in 1984, the villain was IBM; and to motivate Apple’s sale staff Jobs made the statement, “IBM wants it all. Apple will be the only company to stand in its way.”⁷ Similarly when communicating in the company’s 1984 annual report, Jobs’ narratives portrayed a David versus Goliath battle between Apple and IBM to encourage MAC users to rebel against IBM. The goal of this war was for the user-friendly Mac computer to win over the blandly functional IBM PC.⁸ Later on in Jobs’ strategic stories, Microsoft became the villain, such as discussed in this PBS documentary, *Triumph of the Nerds*:

The only problem with Microsoft is they just have no taste. They have absolutely no taste. And I don't mean that in a small way, I mean that in a big way, in the sense that they don't think of original ideas, and they don't bring much culture into their products... I am saddened, not by Microsoft's success — I have no problem with their success. They've earned their success, for the most part. I have a problem with the fact that they just make really third-rate products.

As can be surmised from Jobs’ narratives features in this article, strategic stories help organizational members develop the capacity to lay out paths for the future by painting a clear picture that defines the organization’s identity and the journey it plans to take. Moreover, strategic stories implicitly explain the purpose and objectives of a given strategy. Hence, Steve Jobs’ ability to craft strategic stories empowered him to collectively create a market and to convince investors and consumers of the “worthiness” of Apple’s products.⁹ These strategies set the tone for how Apple would interact with its external environment and leverage its strengths in the marketplace.

Steve Jobs as a Leader Who Seizes Opportunities

A positive deviance approach to strategic planning challenges a leader to identify opportunities in its external environment and to position the organization to seize these opportunities. Fundamentally, this requires a leader to think not only about what are the needs of stakeholders,

⁶ Ditlea, S. (1981) An Apple on Every Desk. Inc. magazine. Accessed from <http://www.inc.com/magazine/19811001/2033.html>, December 2009.

⁷ Gallo, C. (2009). The Presentation Secrets of Steve Jobs. New York: McGraw Hill.

⁸ Mayo, A. & Benson, M. (2008). Bill Gates and Steve Jobs. Harvard Business School Publishing, Case # 9-407-028.

⁹ Westley & Mintzberg (2009).

and how these needs will change, but also how the organization can reinvent or create new markets, products, customers, and services. The skill set to seize opportunities is a function of a leadership's ability to make sense of external trends and forces, and then take this knowledge to build scenarios and formulate a strategy that differentiates the organization from others.¹⁰

To position Apple for seizing opportunities, Steve Jobs aligned the firm's strategy with insights into external opportunities. He acknowledged that Apple had a very small niche in the personal computing industry. However, Jobs emphasized that the company had a longer-term strategy beyond personal computers, and that he was waiting for the next big thing, which turned out to be such technologies as the iPod and iPhone.¹¹ Jobs succeeded at seizing opportunities because he is adept at recognizing and initiating trends.

Furthermore, Jobs' strategic solutions embraced an opportunistic perspective because he pushes organizational members of Apple to create the future. Jobs perceives his role as a leader to innovate by creating products that consumers do not know they want. He perceives himself similar to Henry Ford who, when commenting on the design of the automobile stated, "If I'd have asked my customers what they wanted, they would have told me 'A faster horse.'" Therefore, Jobs' ability to seize opportunities has succeeded because he is a risk-taker. He embraces creative disruption by changing the rules of the game in an industry. Jobs' description of the iPhone captures this creative disruption:

*We all had cell phones. We just hated them, they were so awful to use. The software was terrible. The hardware wasn't very good. We talked to our friends, and they all hated their cell phones too. Everybody seemed to hate their phones. And we saw that these things really could become much more powerful and interesting to license. It's a huge market. I mean a billion phones get shipped every year, and that's almost an order of magnitude greater than the number of music players. It's four times the number of PCs that ship every year.*¹²

Note, though, that seizing opportunities is more than creating markets. It also entails the ability to understand industry dynamics and the key success factors that drive performance. It involves context mapping of the macro-environment to analyze the implications of the economy, demographics, socio-cultural trends, and the global marketplace. Furthermore, knowledge of competitors' strategy is useful because this helps leaders to identify where the potential "white spaces" are and attain first mover's advantage for seizing opportunities. Jobs is known to obsess about the strategic action of Apple's competitors and encourages his employees to do the same so that the company does not become complacent.¹³

¹⁰ Stavros, J. & Hinrichs, G. (2009). *The Thin Book of Soar: Building Strengths-based Strategy*. Bend, Oregon: Thin Book Publishing Company.

¹¹ (McKinsey, 2007). McKinsey on Strategy – Interview with Richard Rumelt.

¹² (Fortune, 2009). American's Most Admired Company: Steve Jobs Speaks Out. CNN Money.com - <http://money.cnn.com/galleries/2008/fortune/0803/gallery.jobsqna.fortune/>, Accessed December 2009.

¹³ Hartung, A. Value Creating CEO - Steve Jobs, Innovation and Apple. The Phoenix Principle Blog, <http://www.thephoenixprinciple.com/blog/2009/11/value-creating-ceo-steve-jobs-innovation-and-apple.html>. Accessed December 2009.

Steve Jobs and Apple's Core Capabilities

Central to the plot of a positive deviant approach to strategy is the organization's core capabilities, which are the essence of its collective DNA that explains how it uniquely creates value and achieves superior performance. Core capabilities are the proven strengths that differentiate one organization from another organization because of tacit knowledge, historical investments over time, relationships, human capital, and its culture. Examples of core capabilities include customer service practices, brand equity, strengths of products, work processes, human capital, and financial assets.

Since Jobs' return to Apple, the firm's core capability has expanded from innovative and easy to use computers to a digital lifestyle product line designed to "wow" consumers. As illustrated in Figure 1, this core capability is leveraged through Apple's value chain to include the development and sales of hardware, operating systems, and software for computers, cellular phones, and MP3 players. Jobs depicts Apple's core capability as a chair supported by three legs with maybe one day the Apple TV representing the fourth leg.¹⁴ Sealing the core of Apple's business model is a closed system of technology since Jobs will not license Apple's operating system, allow for iTunes music or video to be played on other MP3 players, and so far Apple has only partnered with AT&T for sale of iPhones.

Although technology is an essential asset in Jobs' strategy for Apple, the real value generated from its core capability is the "wow factor" that consumers feel about Apple products. Several components contribute to this "wow factor." Dominating this is the design of Apple's products. In the eyes of a typical consumer, the design of Apple products is technologically state-of-the-art and fashionable. Yet, in contrast to other firms in Apple's industry, its technological advantages are rooted in a holistic process that starts from the outside and works its way to the inside.¹⁵ After product architects and industrial designers figure what the product should look like and designate its features, then Apple engineers configure the electrical and mechanical work that brings the product to life. This process has resulted in Jobs being compared to fashion designer Marc Jacobs because Apple products are exquisitely wrapped with a user-friendly interface.¹⁶

Another contributing component of the "wow factor" is how Jobs has diffused Apple's core capabilities into the ultimate brick and mortar and virtual retail experience. The Apple Store has become the ideal retail experience with features such as glass staircases and contemporary architectural design. Beneath the structural design are all of Apple's products under one roof coupled with stellar customer service. The customer service encompasses product tours, consultations on the right product for a consumer's usage, workshops, and Apple "geniuses" that are on-site and will help you troubleshoot hardware and software problems. Likewise, the iTunes store is a virtual retail experience focused on the consumer through a library of videos, music, and podcasts with the ability for customization. Interestingly, iTunes is one example of Jobs allowing partners to create applications for Apple's mobile devices and MP3 players. Hence, this

¹⁴ Penenberg, A. (2008). All eyes on Apple. *Fast Company*, January/February: 83-87; 133-135.

¹⁵ Burrows, P (2005). Apple's blueprint for genius: Handling its own design work is one reason for best-sellers like the iPod and Shuffle. Steve Jobs is the other. *Business Week*, http://www.businessweek.com/magazine/content/05_12/b3925608.htm. Accessed January 2009.

¹⁶ Penenberg, A. (2008).

alliance expanded Apple's core capability to create a superstore of games and productivity tools while Apple pockets 30 percent of the revenue earned for any App program. This revenue has been estimated at billions of dollars a year for Apple.¹⁷

Organizational Culture as Steve Jobs' Leadership Prop

So often when we think of a company's strategy, organizational culture is the missing puzzle piece. Instead, attention is focused on customers, competitors, and financial resources. The neglect of organizational culture is unfortunate since leaders are responsible for so many other demands, but an understanding of the organization's culture and its potential for enabling a positive deviant strategy is important.

Organizational culture is the shared beliefs, principles, values, and assumptions that shape behavior by building commitment, providing direction, establishing a collective identity, and creating a community. It manifests as the organization's behavior that has endured over time and allowed the organization to adapt to the environment. Therefore, culture is the glue that holds together an organization's strategy and becomes institutionalized as members repeat patterns of successful behavior.

The effectiveness of culture depends on its alignment with the organization's environment, resources, values, and goals. Moreover, it requires leaders to understand how the culture can be a vehicle for creating positive deviance. Steve Jobs excels at aligning Apple's culture with its strategy. Jobs has built a culture that is driven by a vision to make great products. Innovating is the dominant value of Apple's culture. Employees are rewarded for experimenting, risk taking, and creativity. As Jobs describes in an interview, the challenge to innovate is a norm of Apple's culture:

It was a great challenge. Let's make a great phone that we fall in love with. And we've got the technology. We've got the miniaturization from the iPod. We've got the sophisticated operating system from Mac. Nobody had ever thought about putting operating systems as sophisticated as OS X inside a phone, so that was a real question. We had a big debate inside the company whether we could do that or not. And that was one where I had to adjudicate it and just say, 'We're going to do it. Let's try.' The smartest software guys were saying they can do it, so let's give them a shot. And they did.¹⁸

Going beneath the surface of Apple's culture, Jobs has infused the quest for excellence as a mantra. Jobs has purposely created a culture where employees are encouraged to treat their work as a calling that is worthwhile and to pursue excellence in their endeavors. Therefore, a large role for Jobs and his leadership teams is creating processes to recruit and socialize employees into Apple's culture. When recruiting for Apple senior positions, Jobs contended that intelligence is

¹⁷ Wortham, J. (2009). Apple Game Changer, Downloading Now. *The New York Times*, http://www.nytimes.com/2009/12/06/technology/06apps.html?_r=1. Accessed, December 2009.

¹⁸ Fortune (2009).

the baseline. More important, however, Jobs recruits employees who can fall in love with Apple because if an employee has love for Apple, they will do what is best for Apple.¹⁹

Steve Jobs, Apple, and the Learning Organization

Finally, I propose that Steve Jobs has formulated a positive deviant strategy because of his talent for building a learning organization. Learning organizations are skilled at creating, acquiring, transferring, and retaining knowledge so that collectively members can use knowledge to produce results.²⁰ In learning organizations, knowledge not only is used to react and adapt to the organization's external condition, but also is employed as a double-loop feedback system to inform the organization's actions for holistic, reflective thinking and experimentation.²¹ Learning organizations are resourceful in their approach to strategy because organizational members can reconfigure knowledge to achieve organizational goals.

As illustrated in Figure 2, the spokes of Jobs' brain are constantly churning to craft strategic stories that engage, inspire, and provide directions for stakeholders. His transformational leadership positioned the company to seize opportunities and build a positive core of capabilities that produced results that exceeded expectations of its stakeholders. At least for the next couple of decades, students of business will study Jobs' leadership strategy, because it is an exemplary case of a how a leader revived a company with more than fixing problems or conventional solutions. Steve Jobs envisioned possibilities in the marketplace by expanding Apple's value proposition from the status quo to connecting with consumers beyond their imagination. Thus, through a strategic leadership lens, we will all remember Steve Jobs for his ability to create "aha" moments in business history.

¹⁹ Fortune (2009).

²⁰ Garvin, D. (2000). *Learning in Action: A guide to putting the learning organization to work*. Boston, Massachusetts: Harvard Business School Press.

²¹ Barrett, F. (1995) Creating appreciative learning cultures. *Organizational Dynamics*, 24(2): 36-49

Figure 1: Apple's Positive Core

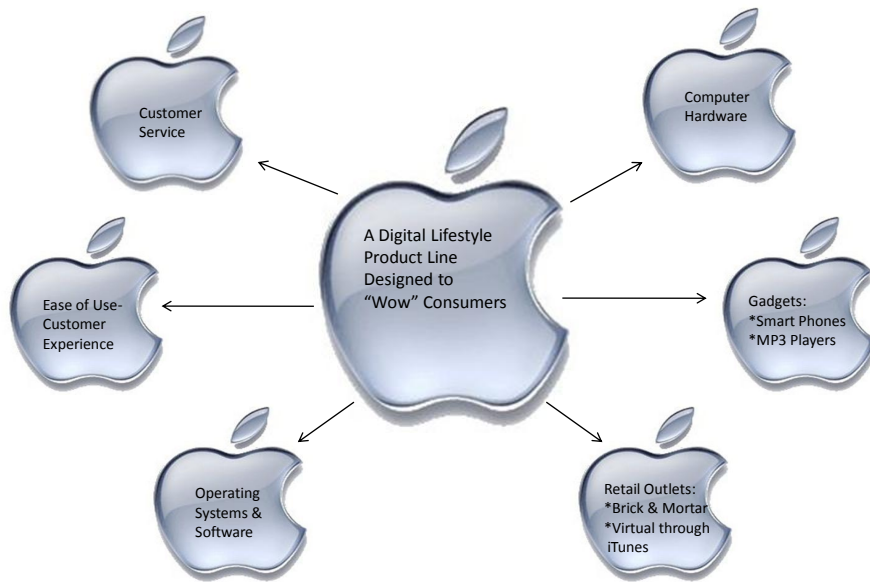


Figure 2: A Positive Deviant Strategy

