



**COLLEGE OF BUSINESS AND ECONOMICS  
JOHANNESBURG BUSINESS SCHOOL  
DEPARTMENT OF BUSINESS MANAGEMENT**

**FINAL SUMMATIVE ASSESSMENT**

**SUBJECT:** Business Management 3A  
**CODE:** BMA3A01 & BMA13A3  
**DATE:** 08 June 2018  
**TIME ALLOWED:** 3 hours  
**TOTAL MARKS:** 130

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**EXAMINERS:** Dr M. Bounds  
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**NUMBER OF PAGES:** 16

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**INSTRUCTIONS:**

- This is a closed-book assessment.
- **Question papers must be handed in together with your answer books.**
- Read the questions carefully and answer only what is asked.
- Answer all the questions: **In Pen and not Pencil:**
  - Answer **Section A** on the Sheet provided in the answer book. Indicate the correct answer as per the instructions on the scanner sheet.
  - Answer **Section B** in the answer book.
- Number your answers clearly.
  - Write neatly and legibly on both sides of the paper in the answer book, starting on the first page.
- Structure your answers by using appropriate headings and subheadings.
- The general University of Johannesburg policies, procedures and rules pertaining to written assessments apply to this assessment.

**STUDENT NUMBER:**

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## **SECTION B**

**[MARKS: 90]**

**Read the case study and apply it to the questions that follow.**

### ***What Makes Apple ... Apple***

Over the past decade, Apple has produced a mind-boggling parade of accomplishments.

- Having once been dismissed as a footnote in the personal computer industry, it is now the market leader in computers costing \$1 000 or more. Apple's share of the industry's most profitable segment is estimated to be a whopping 90%.
- Apple is today the world's largest music retailer, a milestone reached just six years after the launch of its online music store in 2003. The 10 billionth song sold on iTunes was downloaded on February 24, 2010.

- Though it was a late entrant into the mobile phone business, Apple currently makes more money from its roughly 5% of the global handset market than Nokia makes with its 30-plus share.

Since the launch of the company's App Store in 2008, Apple has become the world's largest software distributor. Thus far, developers have created more than 425 000 applications for the company's iOS operating system, and consumers have downloaded more than 10 billion apps.

- As I'm writing this, Apple's market value is \$361 billion, making it the most valuable company in the world.

How in the world could one company accomplish all this? How in the heck do you build an organisation that is capable of reinventing not just one industry, but five or six--including computing, music, retailing, mobile phones, software, and (just maybe) media and publishing as well? Most companies never reinvent one industry; no other company in history has reinvented a handful.

Some would argue you have to start with Steve Jobs, the inspired and uncompromising visionary who led Apple from 1976 to 1985, and then again from 1997 to 2011. In that latter fourteen-year period, Apple's share price increased 110-fold. When Jobs stepped down from his CEO post in August 2011, only two months before he would pass away, he left behind a legacy that is nearly unparalleled in business history.

As a business icon, he's in the same pantheon as Henry Ford, Thomas Edison and, well, I can't think of another. Apple would never have existed without Steve Jobs--that's obvious. Equally obvious is the fact that the company's unparalleled accomplishments are the product of more than one fertile mind. Even if Jobs had never slept, he couldn't have spawned all the ingenious ideas that have made Apple the world's most innovative company.

Other observers might credit Apple's unique business model. Ask an analyst or MBA to deconstruct the company's gravity-defying performance and they would probably point to these distinctive elements of Apple's strategy:

- Redefine the basis for competition. For years, Apple has differentiated itself through design and ease-of-use. Its competitors, by contrast, have seemed determined to create products that are as homely and non-intuitive as possible.
- Fuse hardware and software. While most of Apple's competitors have specialised in either hardware or software, Apple has pursued excellence in both. By tightly integrating hardware and software design, the company has been able to optimise system performance to the benefit, and relief, of its customers.
- Master a broad array of complementary technologies. With the possible exception of Samsung, Apple encompasses a broader array of technological competencies than any of its competitors. Though it does little of its own manufacturing, Apple's mastery of semiconductor design, advanced materials, batteries, power management, component packaging, application development, and

industrial design gives the company a distinct advantage in launching groundbreaking products--and in controlling its own destiny.

- Lock up customers with velvet hand-cuffs. Apple has found ways of locking customers in and competitors out--all with the goal of delivering a delicious end-to-end experience (and making boatloads of money). That's why the only place you can buy music for your iPod or apps for your iPad is in Apple's online store.
- Build a giant network of third-party developers. The success of the iPhone and iPad has been vastly multiplied by Apple's success in activating a global community of passionate developers. Apple understands that competition isn't device versus device, it's ecosystem versus ecosystem.
- Extend the company's core competencies into new markets. Apple's self-definition isn't centred on a particular product or market, but on a portfolio of deep competences. It is telling that Jobs once described Apple as the world's large "mobile devices company" (ahead of Nokia, Samsung and Sony), and not a computer company. A decade ago, no one would have lumped Apple in with these companies--the comparisons would have been with Microsoft and Dell.

As logical as this analysis seems, it is unsatisfying. It reveals something of the "how," but nothing of the "why". Why has Apple been able to rewrite industry rules again and again? Why does it seem to take such pride in defying conventional wisdom? Why is it able to routinely deliver the exceptional?

Before going further, I should make it clear that my take on Apple's signature values isn't the product of any in-company research I've conducted. Nevertheless, when you ask yourself, "What sort of values would a company have to venerate if it wanted to duplicate Apple's success?" the answers seem almost intuitive.

#### First, Be Passionate

Great success is the product of a great passion; it arises from the tireless and inventive pursuit of a noble ideal. And for Apple, that virtue is beauty. During his unveiling speech for the iPad, Jobs remarked again and again, "It's just so amazing to hold".

#### Lead, Don't Follow

I'm guessing that most of the folks at Apple hate being derivative. Sure, they'll sometimes borrow an idea from Microsoft or Amazon, but what gets them up in the morning is the chance to break new ground.

#### Aim to Surprise

As a company, Apple seems committed to exceeding expectations--to wringing little gasps of delight from even its most jaded customers. That's why I think the company's penchant for prelaunch secrecy is more than competitive paranoia; it's simply the way you produce the same sort of gee-whiz delight that a parent aims for on Christmas morning. Apple wants to bewitch us.

On this point, listen to Jonathan Ive, the company's head of design: "When something exceeds your ability to understand how it works, it sort of becomes magical." That's

the bar Apple has set for itself. By the way, when's the last time your bank did something magical for you, rather than something diabolical?

### Be Unreasonable

Greatness doesn't come from compromise, from resigning oneself to the trade-offs others so blithely accept. It comes when trade-offs get transcended, when either/or gives way to both/and. Apple gets this, and frequently challenges itself to do the impossible--like producing products that are both gorgeous and functional.

Apple proves that a company doesn't have to choose between high value and low cost. Not only is it one of the world's most innovative companies, it's also one of the most efficient--when it comes to lean, Apple gives nothing away to Toyota, Wal-Mart, or Dell. There's an important lesson here: You can't outperform your competitors if you live by their trade-offs. Reasonable people don't produce breakthroughs.

### Innovate Incessantly and Pervasively

At Apple, innovation isn't a strategy or a department; instead it's the basic material that goes into everything the company does. From the wafer-thin MacBook Air to the App Store to the Genius Bar, innovation infuses everything Apple does. Apparently, there are a lot of people at Apple who realise that innovation--in products, services, and business models--is the only strategy for creating long-term value. If so, they must be relieved that innovation is still a sideshow in so many of their competitors.

### Sweat the Details

Apple is justifiably celebrated for its sense of aesthetics--but great design isn't just about bold strokes, it's about getting all of the tiny things right that conspire together to make a product truly exceptional. In Apple's case, it's the magnetically-attached power cord on every laptop, it's the gorgeous packaging that surrounds every iPod, it's the single billet of aluminium that gives structural integrity to every MacBook--plus a lot more stuff you can't see. "It just works"--that's another thing you often hear from Apple's top executives.

The company aims to produce products that work intuitively, seamlessly, and reliably--and this can only happen when hundreds of people take the trouble to sweat the details.

### Think Like an Engineer, Feel Like an Artist

Apple's executives know that something lovely and sleek and unexpected can provoke a visceral reaction in customers--a reaction that may not be easily quantified but can nevertheless be monetised.

To be clear, I don't think Apple has it all figured out. There are plenty of people who will tell you that Apple has all the monopolistic tendencies of its competitors, or that its success owes more to hype than to truly outstanding products. And no one would accuse anyone on the top team of being humble. The thing that can't be argued is this: Apple is one of the most successful companies ever.

Unlike Apple, most companies are long on accountants and short on artists. They are run by executives who know everything about cost and next to nothing about value.

A few weeks ago, I once again found myself forced to fly on a United Airlines flight. (Sorry, another airline rant.) I had paid well over \$1 000 for my one-way, first-class ticket, so when I was served a cup of the world's worst decaffeinated coffee, I couldn't help but enquire politely as to its provenance. "It comes from a 'tea bag,'" the flight attendant explained apologetically. "We stopped serving fresh-brewed decaf a few months back." I don't know how much money United will save by this move, but the airline's penny-wise, pound-foolish approach to customer service has already cost it tens of thousands of dollars in lost revenue from at least one business traveller.

Like many other cost-obsessed managers, United's bean counters seem to have forgotten that productivity is determined by two factors: the efficiency with which the organisation uses its inputs, and the value customers place on its outputs. Executives often wrongly equate "good value" with "low price", when what "good value" should mean is amazing value for the price.

Historically, many of Apple's products carried a premium price tag, but customers anted up because they also delivered superior fun and functionality. Put simply, hyper-rational executives produce ultra-boring products.

The bottom line: Apple's unique success is a product of its unique values--which are uniquely innovation-friendly and customer-centric. That's why I don't think any other company will soon duplicate the kind of run Apple has had over the past decade--whether or not Apple climbs higher still in the post-Jobs era.

From <http://www.managementexchange.com/blog/what-makes-apple-apple>

### QUESTION 1

[Marks: 20]

- 1.1 How does the Apple Company apply the traditional process perspective to strategic management? (6)
- 1.2 The control measures of service and operational efficiency in the Apple Company are far superior to United Airlines. Discuss the different types of control measures by comparing the two companies. (14)

### QUESTION 2

[Marks: 20]

Appraise (evaluate) the value of resources and capabilities in Apple and how it creates its competitive advantage.

### QUESTION 3

[Marks: 20]

Discuss the importance of strategic leadership and how it is applied in Apple.

**QUESTION 4**

**[Marks: 20]**

Explain business level strategic options by referring to four distinct generic competitive strategy approaches.

**QUESTION 5**

**[Marks: 10]**

Explain why the task (industry) environment is important to the Apple organisation.

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