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When Steve Jobs Returned to Apple

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Fortune magazine Senior Editor Adam Lashinsky explains the challenges faced by Apple when co-founder Steve Jobs returned to the company in 1997. With the company on the verge of insolvency, Lashinsky discusses what actions Jobs took to streamline the product line, fix supply chain operations, and unify the company's branding.



Transcript

It's really important to dwell for a moment on what Apple looked like in 1997 when Steve Jobs returned to the company. I found that it's difficult emotionally for us in 2012 to relate to the fact that in 1997 Apple was essentially a broken company. It was 90 days from insolvency, meaning that it was in serious danger of running out of cash. It was losing money, this was the year that Apple fired Gil Amelio, the year that Steve Jobs eventually became interim CEO, the year that Microsoft made what was for Apple a humiliating \$150 million investment in the company. A bit of history there, for Apple it was some cash and a promise by Microsoft to continue making Office for the Mac, which was critical for Apple, if Microsoft didn't make Office, it would make the Mac far less valuable for people who needed Office. And for Microsoft it was important too, to keep the antitrust regulators at bay. Had Apple gone out of business which was a very real possibility in 1997, it wouldn't have been good at all for Microsoft. So what else characterized the Apple that Steve Jobs returned to in 1997? He had been gone for 11 years. It was a bloated company. He would go on to fire about 4,000 middle managers.

It had far too many products and keep that in mind because getting rid of those products simplifying is perhaps the core of the essential tenet of what Apple is all about. Apple at the time made a digital camera, ahead of its time. It had multiple computers and printers and the ill-fated Newton handheld organizer. Jobs got rid of in addition to those people, all of those products, and pared the company down to essentially four computers, two laptops, two desktops. The next year he hired an unknown supply chain executive named Tim Cook to fix Apple's extremely dysfunctional system of factories and warehouses. Cook closed them and he emulated the model of the company that at the time was hands down the best at managing their factories in the world and that was Dell. And Dell did that with contract manufacturers primarily in Asia, primarily in China and all Cook did, I shouldn't say all he did, what Cook did was copy Dell's model of using contract manufacturers in China. So to fast forward to today, to flick on a topic that I don't dwell on, which is Apple's labor rights, labor conditions at Foxconn factories in China. This is a direct result of what Tim Cook did in 1998 by closing Apple's factories and warehouses that it had owned. The most important cultural thing that Steve Jobs did upon returning to the company in 1997 was to realize that Apple had become a fractionalized, divisionalized company of fiefdoms.

Jobs decided that there would be no more fiefdoms at Apple, there would be one fief and he would be the feudal lord. He wanted one Apple, one company, one brand, one way of communicating about the company. He wanted to do away with this notion that's very popular everywhere else in the corporate world up to today of the General Manager. He did not want people running a business. He wanted people building products, he wanted people functionally oriented doing what it was that they do well and he was going to orchestrate all of that, not have them orchestrate little pieces of it. An example, at the time there were 16 advertising budgets at Apple, Job said, from now on there is going to be one advertising budget. And if your product - if you think that your product deserves advertising support, then you come to me and you ask for it and I will decide whether or not we're going to commit dollars to advertise your product. An important point, this was not about cost cutting. Over the next few

years Apple's advertising spend rose. It rose dramatically as a matter of fact, it rose even more dramatically as a percentage of revenue.

So, as if you think 1997 heading into 2000-2001, there was a recession in the United States, Apple actually lost money for a period of time after regaining profitability, but its advertising spiked, why? Because he was making a long-term investment in the brand that we all know and love and feel very strongly about today.