

Apple Inc.



1976



1977



1995



1998



2001



2007



2015

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DEVELOPING STRATEGIC CAPABILITY

Executive Summary

The overall report surrounds around the apple organisation which covers the strategic capabilities into appropriate manner. The report is about the background of organisation that critically review the development over past five years and also about the plan now in process within the company. The report basically consist of disadvantages and advantages of the company and its investors following this mission, vision and strategy. The report is also about the strategic analysis and also about advantages, disadvantages of their current strategy. It is essential to have appropriate information about the organisation background, their products and services and their market share as well so that accordingly further decision can be taken. It can be determined that there can be different models which can be utilised in order to evaluate the strategies used by the organisation into appropriate terms. At the organisational level of Apple, it has been observed that the strategies used by the organisation showcases that it has achieved success on a larger scale. There are certain models and theories which can be helpful in assisting the strategies that it can used into right direction.

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1.0 INTRODUCTION

Strategic capabilities is about the mixture of skills, knowledge, processes, tools and behaviours which combine to deliver objectives of organisation (Fainshmidt and et.al., 2019). It is about delivering on strategy of business to gain competitive advantage in the market. Apple is an organisation which is an American multinational technology organisation which is headquartered in Cupertino, California in Silicon Valley. It also design, sells, develop consumer electronics, online services and computer software (Bogers and et.al., 2019). The report will cover discussion about the background of organisation that critically review the development over past five years and also about the plan now in process within the company. The report basically consist of disadvantages and advantages of the company and its investors following this mission, vision and strategy.

This report is based on the strategic analysis and evaluation of the Apple organisation. This is a part of the assessment for 'Developing Strategic Capabilities' module. On February 16, 2024 the CEO of Apple organisation gave the topic of the report which should be submitted by March 16, 2024. To prepare this report, the report developer has collected information from different sources like academic books, academic journals, websites etc. and after that he has done adequate research.

2.0 FINDINGS

2.1 Introduction to the organisation

The corporation was combined through Steve Jobs and Wozniak in the year of 1977. Their second computer which is Apple II developed the seller of best nature which is one of primary form shaped micro computers. It has been observed that Apple presented the Lisa in the year of 1983 and Macintosh in the year of 1984 which is some of the 1st computer to utilise the interface of graphical user and a mouse. Apple strategic development is mainly consist of four elements which include aim on design of product and function, consolidation ecosystem of apple, enhancing experience of consumer service and reduces the reliance of business on the iPhone sales. It has been observed that Apple uses development of product as their core strategy of intensive nature for development. As the organisation has to work according to the vision and mission so that they can work into right direction with right kind of approach (Fainshmidt and et.al., 2019).

2.1.1 Historical development of the organisation

The mission statement of Apple is to bring the finest involvement of user to clients by the advanced software, services and hardware (Hsu and et.al., 2022).

The vision statement of Apple is that they have to prepare the products of best nature on earth and to consent the ecosphere healthier than they originate it (Villaespesa and Murphy, 2021).

Apple organisation has changed their mission statement because they have adjusted their application of the business mission and vision declarations over period to imitate variations in the organisation from the period of Steve Jobs to the Tim Cook current leadership. The reason behind company changes their mission statement because as the business wants to evolve or as the needs of their customers or stakeholders change. The mission and vision statement is important because the statement of mission delivers the way which is to be shadowed by the

administration while statement of vision provides the aim to be touched by direction following. It supports to correctly bring into line the capitals of the company towards accomplishing the future of success. As the apple organisation is not run by the another organisation but at the initial level there were two main owners of Apple organisation which include Steve Jobs and Steve Wozniak (Singh and El-Kassar, 2019). In the year of 2023 the annual gross profit was around \$ 169.148 billion where 0.96% decline from the year of 2022.

According to Salinas (2018), in terms of market capitalisation, the Apple organisation created a history by come to be the first publicly traded American company valued at \$1 trillion. Similarly, in 2020, the Apple organisation broke their previous record and created history again, with a valued of \$2 trillion according to the market capitalisation (Bursztynsky, 2020).

As there can be certain level of difference in terms of performance of an organisation which can be due to changes in strategies and other parameters. The share of market of Apple majorly demanded around share of 24.7% of the bazzar in the 4th quarter of 2023 where there is an enhancement from the earlier quarter. In 2020, the market capitalisation of Apple organisation reached a new high, largely due to the company's newly set goals for future success. Notable successes during this period were wearable technology such as the Apple Watch and contactless payment options such as Apple Pay (Apple, 2020). Also, in 2020, Apple made two major changes. Firstly, instead of Intel processors, Apple has started using its own custom-designed chips in Mac laptops. Those chips are used in the same way in iPhone and iPad which makes them more energy-efficient. Secondly, developers do not have to make any changes to run iOS and iPadOS apps now. Because, Apple has brought changes to macOS through strategic development (Apple, 2020).

From the data it has been observed that Apple has the largest regional market that bring the net sales of 50.43 billion US dollars in the first quarter of the organisation's 2023 fiscal year (Pitelis and Wagner, 2019). It has been observed that Greater China and Europe are the two major markets of Apple organisation. As of February 2024, Apple has the market cap of \$ 2.889 trillion.

It makes the Apple the world's second most valuable organisation through market cap in accordance to their data (Sarpong, Eyres and Batsakis, 2019). There are certain long term competitors of Apple which include Samsung which is ranked first with the market share of 16.3 percent. As the market share plays a significant role in terms of overall performance of the organisation (Warner and Wäger, 2019). When the apple organisation does not have proper market share then they can't earn revenue on a larger scale and can't make their place into the market. There are various number of stakeholders of Apple organisation which include Tim Cook, Arthur Levinson, Blackrock, Vanguard, Jeff Williams, Berkshire Hathaway, Al Gore.

There are certain stakeholders of Apple organisation who invest capital in the organisation through purchasing their shares and in return expect financial returns on their investment. Financial stakeholders are those who are those who is interested in the daily operations of the organisation into result oriented terms (Rothaermel, 2019). The major shareholders of Apple organisation basically include Vanguard, Blackrock and Berkshire Hathaway (Zanetti, Samoggia and Young, 2020). At some point of time financial stakeholders seen as the bad influence on the organisation. For example, negative stakeholders are those who will include the workers who will lose their jobs due to automation. Apple organisation is committed towards \$ 430 billion for new investment and 20000 new jobs in the US over five years. For the further investment in India and Europe across silicon engineering AI and 5G tech. From the revenue point of view, Apple iPhone grew their sales revenue through 7% from 2021 and approx 40% likened to 2020. The higher growth is observed into context of Mac and facilities such as Apple TV and Apple music in the year of 2021-2022 which is up nearly 14% year over year. SBU (strategic business unit) is about the completely unit of functional nature of the commercial which has its their own direction and vision (Park and et.al., 2019). At the organisational level, strategic business unit operates as the separate unit but also act as the significant part of the organisation. Strategic business unit is important for the organisation which gives know-how in management of product and processes that support the company of parent track and manage the various crops which are made in the organisation (Bogers and et.al., 2019). The organisation's core segment of business basically include Services, iPhone, iPad, Mac as well as its wearables, Home and accessories

unit. Apple organisation is continuously making their efforts towards transforming itself into one of the world's leading provider of digital service. Apple organisation uses SBU's at the organisational level into proper manner with approach of right nature.

2.2 Undertake the strategic evaluation using the models examined during the module

Strategic analysis is about the procedure of gathering data which supports the organisation leader that decide on goals and priorities, shape the long term strategy for the business. Apple is apparent as the innovator of leading nature and their goods are highly expected (Pitelis and Wagner, 2019). The organisation has robust performance at financial level, high margins of profit and also has very high liquidity. It has high quality customer service, network of stores of retail, supports to make user experience of advanced nature.

It has been observed that Apple is the global basis large organisation world's largest company through capitalisation of market. In the year of 2022, it was the company of largest technology through income with US\$ 394.3 billion. In accordance to the market analysis, it has been found out that the size of market is projected at USD 101.04 billion in 2024 and also predictable to spread USD 111.56 billion by the year of 2029 (Sarpong, Eyres and Batsakis, 2019). It also grow at CAGR of 2% during the period of forecast. The analysis is not from swot analysis and it comes from the official website and other parameters of apple organisation references. In accordance to the PESTLE analysis, it reveals that they have main problems which can possibly delay the progress of business in upcoming (Warner and Wäger, 2019). It also enlist the issues which can support them in accomplishing their aims and broaden their possibility as well. For operating at global level, Apple has focused on three main business drivers which include creativity, innovation and added value as well. The factors which have influenced the strategy or business mainly include economic, social and technological factors. These are the factors which changes according to changing period of time.

Here the goal of company is to increase the advantage at competitive level over their core rivals. The organisation's strategy of global marketing is dependent on 4 parameters which include

acceptance at wider level, value of brand, low limitation and advantage at competitive level as well. The direction of travel they are following is into context of growth parameter into positive terms. Apple organisation in the growth stage, the organisation has the portfolio of various products with different lifetime so it would be difficult to find out as the brand into the single stage of product life cycle model (Collis and Anand, 2019). At the organisational level of Apple, the growth rate of market is Y axis of matrix of BCG that can be find out through the industry reports. The relative share of market is on the X axis of the matrix of BCG and also printed as the % and to have the great share of market. Dogs are the products which have growth potential on the higher context but they are not occupied because of sluggish growth of market. In the Apple matrix of BCG, their iPods are careful as dogs because they loose their level of magnetism due to tall rivals and little demand of customer. Stars are the iPhones as it has been observed that it disruptions the record of sales with each presentation. Cash cows are two products in this matrix which include Apple I Tunes, Mac Book and iMacs. The smart TVs of Apple is considered as the question mark and it makes the less money which is far from their true potential. According to the analysis, Apple's product to be in the maturity stage and rest of the products to be in the growth stage. The strategy which has been used by the Apple company has effects on the global basis and also the company has long term plan up to five years in order to implement the strategy into result oriented terms.

The strategy is generally based on the market and their competitors that what they are offering to their customers into result oriented terms (Bingham, Howell and Ott, 2019). The strategy used by the organisation has large scale of scope into positive terms. This strategy provides performance at unmatched level and healthier optimisation with its own software. According to current period of time, Apple organisation is following dynamic and complex strategy where the business strategy of Apple organisation consist of four elements which include the focus on product design and functionality (Teece, Raspin and Cox, 2020). They are focused on strengthening the ecosystem of the organisation which improves the consumer experience and reduces the business reliance on iPhone sales. This strategy is helpful in such a manner at the level of organisation as

it supports the organisation reach their objectives through adjusting their direction in response to changing conditions.

The strategy is developed for a particular reason as it contributes in terms of reviewing the operations through looking at what the organisation may focus on next. It is also helpful in terms of implementing the current strategic direction (Budiono and et.al., 2021). Apple organisation demonstrates the strategic capabilities which is into context of valuable, rare, costly to imitate and non-substitutable. At the organisation level of Apple, these capabilities are possessed in the higher terms. As the Apple company uses differentiation strategy in order to create differentiated offerings in the overseas market. Apple's strategic capability is in terms of competitive advantage at sustained level which can be credited to its aim on experience of user, hardware, innovation in the continuous terms, software, hardware and service integration, effective management of supply chain, partnerships at strategic level and long term vision. In this manner, strategic evaluation has been done with support of different models at the organisational level of Apple.

2.3 The critical terms about the advantages and disadvantages of the strategy used by the organisation

Strategy of Apple is mainly dependent on 4 parameters which include acceptance at wider level, value of brand, advantage at competitive level and limitation at lower level as well. Apple company's products has wide acceptance which is introduced through apple on the global basis that reflects about the organisation's international strategy. Value of brand is also increased through being talented to found the presence at stronger level in the overseas market (Park and et.al., 2019). The competitive advantage is due to differentiation strategy that allows to take on the challenges which is possessed through their rival firms in the overseas market. It has low imitation which is through the differentiation strategy and it is the organisation which has been able to make goods which are not only larger to their participants but they also need the employees of company for developing ideas at innovative level.

The advantage factor is that when there is wider level of acceptance at the level of organisation then it provides an opportunity to learn new things and also create something into result oriented terms. It also gives a chance to the organisation to set new goals with the factor of providing something new at the level of organisation (Doz, 2020). When there is strong brand value then it is easier to perform into the market and can also grasp the care of customers. This strategy has provided an advantage into the market due to which they can easily give tough competition to others. So these are the advantages used by the administration of Apple into result oriented terms.

As the strategy has certain disadvantages as well which requires to be careful by the organisation of Apple (Collis and Anand, 2019). It has been observed that the strategy used by the organisation has certain kind of high priced products and also need to face certain level of stiff competition as well. It has certain level of incompatibility with other software's at the level of organisation in order to execute their work. As the Apple organisation has innovative goods and technological expertise but it has certain level of disadvantages in terms of poor distribution network and exorbitant premium products costs.

There are certain level of potentials as well like brand loyalty and product line expansion and also there are certain other concerns like Corona virus epidemic, litigation and so on. When the strategy is used into context of strong brand value then they have to provide strong development costs and also has the limited quality flexibility (Teece, Raspin and Cox, 2020). It has been observed that when the brand has set a mindset in the minds of customers then it is very difficult to change that perception on a larger scale with right kind of approach. When the strategy is set according to competitive advantage factor then it is very difficult to pay the higher costs to the workers, raw materials and also it is higher than their competitors. When the Apple's strategy is dependent on differentiation strategy then nothing is guaranteed on the larger scale and also audience may not go for quality over price.

Here the main factor is the perception where it is not easier to change it from long run perspective. In this case, the resources can also be strained where this strategy requires time, efforts and financial resources as well. Without understanding the strategies it is very problematic to implement it into result oriented manner. So these are the disadvantages of plan utilised by the company of Apple (Grant, 2021). So for proving these advantages and disadvantages of the organisation it is necessary to understand about the performance outcome of Apple organisation. According to the report of Apple organisation, the organisation showcases about the quarterly income of \$ 119.6 billion which is up to 2% year over year. The earnings at quarterly level per diluted share of \$ 2.18 which is up to 16 % year over year.

It can also be proved from data that the strategy is successful where the organisation logged \$ 383 billion in entire income in 2023 fiscal year and also made nearly \$ 97 billion in net income. Apple also gained certain share of market in certain nations where competitors observe the steeper declines as well (Budiono and et.al., 2021). So in this manner, the company's growth share showcase that their growing earnings which is at a rate of annual of 14.3% while the tech industry saw the earnings which is growing at 14.3% on the basis of annual. It has been observed that revenue have been rising at the regular degree of 10.4% on the basis of year. It has been observed that return on equity of Apple's is 136.2% and also has the margins of net of 26.2%. So from the statistics and data it has been proven that strategy is fruitful for the organisation into context of further development and growth of the organisation as well. Without evidence and data it is very problematic to showcase the performance.

2.4 Conclusion that highlights the areas of organisation strategy which are successful in today's environment

At the organisational level of Apple where the use of Apple's differentiation of product act as the feature of their strategy of business. It basically stands out by design in innovative terms, hardware high performance and also has the software integration of seamless nature. It has instinctive interface of user, features of unique nature and lock of ecosystem in which contributes towards positive user experience (Tien, Dat and Chi, 2019). As the strategy is successful which contributes in terms of enhancing the performance level as well. In today's changing period of time, it becomes very problematic to implement the strategy into result oriented terms. In the current period of time, Apple success is driven through the strategies adopted by the organisation. The successful strategies is in terms of retail and direct sales strategy which is coupled with brand marketing efforts (Tien, Dat and Chi, 2019). The stores of Apple offers the immersive experiences, showcase the product line up. As the Apple main objective is to bring the experience of best nature to customers by software of innovative nature, services and hardware as well.

2.4.1 Areas of organisation strategy which are successful

From future perspective, it has been observed that Apple is currently working on expanding the venture in artificial intelligence (AI), virtual or augmented reality and fintech which have the potential to lessen the organisation's dependency on the iPhone. For improving the strategies of apple where they can increase their share of market in the smart phone market. Apple organisation can service different strategies of market penetration like launching new models, offering promotions and discounts and alternatives of the iPhone that expand its channels of distribution and partnerships, improve customer support and service as well (Teece, 2019). There are certain areas where they can improve themselves into positive manner where they have to work on putting security on the edge and think about messages as well.

2.4.2 Actions need to take for improving the performance of organisation

The organisation has to work on face time of the enterprise and learn machines as well. It has been observed that Apple is on the promising growth trajectory that makes the recent dip in their stock an attractive investment option (Chen, Xie and Liu, 2021). For further growth and development of the organisation of Apple, it has been recommended that Apple has to uphold the swift and aggressive development of innovative nature of their goods as innovation of technological nature to inferior the replication risk (Elali, 2021). They are also planning towards different new iPads which could be released as soon as possible. So in this manner, Apple organisation has planned themselves from future perspective into result oriented terms with right kind of approach.

3.0 CONCLUSION

Strategic capabilities play an important function at the organisational level. It is essential to have proper knowledge about the background of organisation, their products and services and their market share as well so that accordingly further decision can be taken. It can be determined that there can be different models which can be utilised in order to evaluate the strategies used by the organisation into appropriate terms. It can be determined that the strategies should be used in such a manner that it is from the future perspective and how the strategy is moving into particular direction. As the organisational strategies have certain advantages and disadvantages as well which requires to be understood. At the organisational level of Apple, the strategies used by the organisation showcases that it has achieved success on a larger scale. There are certain models and theories which can be supportive in assisting the strategies that it can used into right direction. An organisation needs to plan their future into appropriate manner for their future development and growth as well into result oriented terms.

In context to Apple organisation, strategic options are those which act as corporate strategy for the organisation. Apple strategies of corporate level include the diversification of close related nature of its goods at high and moderate levels. It includes home computers, personal computers (Johnson and et.al., 2020). The organisation pursues the expansion at global level form

partnership at strategic level and expand their goods line up to spread new consumers. Education, localisation and enterprise focus support the aim segments of particular nature (Elali, 2021). In this manner, with support of strategic options, the organisation can improve themselves into positive manner and work into their right direction. With these options and with support of strategies, the further development and growth is possible into right direction.

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Appendices

SWOT Analysis of Apple organisation

In context to Apple organisation, it has been observed that with support of SWOT analysis the strategic analysis can be conducted into accurate manner.

Strengths	Weaknesses
• Apple has strength in terms of brand identity, value brand, innovation and technology. • The organisation basically offers robust technological products and has the outstanding software services. • Apple has the competent research and development team which also act as the brand of choice as well. • The brand has also the top experience for their customer.	• Apple has the premium price and incompatibility with different system. • The organisation has also dependence on I Phone and I Pad. • Apple is the organisation which provides expensive products and services as well. • In the recent period of time, it has been observed that it is lack in terms of innovative products.

Opportunities	Threats
• Leveraging its brand image of status nature to arrive markets of emerging nature • Combination of product lines of status nature such as augmented reality devices and virtual reality • It has enhances aim on services of content streaming • Utilise the intelligence of artificial nature	• It has fight against product counterfeit nature • The brand has enhanced rivals in different industries • Apple has reduction threat in demand due to downturns of economic level • Apple has threat in terms of disruption supply chain, intense competition tariffs on China as well.

PESTLE Analysis

- **Political factors:** Government policies and regulations imposed through the government include tax, labour laws, anti corruption laws, foreign trade policy etc. Apple computers figures at 195.57billion which is concern to the cash balance. In USA country, the highly publicised cash balance has questions over corporate tax legislation. From the pandemic situation it has already worsened the income inequality.
- **Economic factors:** It is the factor which deals with the overall organisational revenue into positive terms. These factors basically include employment rate, production cost, cost of raw materials interest rate. It is the factor which provides the owners of business with purchasing ability of the consumer. The demand for higher wages among workers of china can affect Apple's gadgets production cost which will harm the cost advantage.

- **Social factors:** Social status is no longer can be the effective parameter for upgrading the mobile devices as consumers are looking for functional solutions and cost effective in terms of nature. Apple has to diversify as they can't just on the basis of smart phones.
- **Technological factors:** Apple has to consider their competitors like Samsung, Google because it produce the advanced products such as smart phones and gadgets for consumer use. In the current period of time, they are providing pricey accessories to their consumers and also now it does not match with high end innovation.
- **Legal factors:** These are the rules and regulations and rules which is stipulated through the court of law. Apple also planned try to enter into financial service industry which is a lucrative choice and also the regulated field as well. The organisation is also planning to expand their business through opening automobile manufacturing units. These business areas entail the insurance and compliance expenses for Apple.
- **Environmental factors:** There are certain environmental factors such as environment sustainability, waste disposal, climate change and water scarcity. So it could impact the number of environmental factors which could impact the business of Apple.

Porter's five forces

- **Industry competition:** Apple has direct competition with Google which include Samsung electronics Co Ltd, Hewlett Packard company and Amazon as well. All the companies expend into significant terms regarding their capital on research and development and marketing just like Apple. So the competitive force within the industry is in stronger terms.
- **Bargaining power of buyers:** For apple, the individual bargaining power act as the weak force since the loss of one customer represents the negligible amount of revenue for Apple. The collective market place bargaining power of customers and the possibility of

mass customer defection to the competitor which act as the strong force.

- **Threat of new entrants:** Threat of new entrant to the market place mainly threatens the market share which is in the relative lower terms. It is mainly due to two factors which includes the extreme high cost of establishing the organisation within the industry and additional high cost of establishing brand name recognition.
- **Bargaining power of suppliers:** It has relative weak force in the market place for Apple's products. It get weakened through the high number of main suppliers for Apple and sharp amount of supply.
- **Threat of buyers opting for substitute products:** In the case of Apple, the substitute product can be the landline telephone which act as substitute for Iphone. The potential substitute products have the limited capabilities compared to Apple products.