

## **Consulting and Executive Coaching on Future Trends: The Need for a Long Term Vision with Apple and Samsung**

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### **Abstract**

*As executive coaches and consultants we have conducted P.E.S.T.L.E and S.W.O.T analyses. We are presenting our findings about the various economic, social, technological, legal and environmental factors that might affect Apple and help its management assess the risks that the identified factors pose. This information will be used to lead Apple towards a less risky future as well as better in decision making. We will consult on the additional openness that is needed internally between the upper management and the rest of the company as well as on external dimensions involving the public and a long term vision that has currently held together the long-tenured management team under the current C.E.O. (Tim Cook), one that was inherited from Steve Jobs who we highlight here as a great innovator. As such we will bring attention on some current issues of importance to Cook and his company, namely the use of his pulpit to relay goals to the public, one that was provided to him by Apple's worldwide platform to opine on subjects as diverse as human rights, show also in the latest revision of the mission toward inclusivity and diversity. Our findings will focus on the need to communicate this important message and a message of social responsibility but will also feature our contention that Apple should focus on the creation of new product lines where competitors such as Samsung are catching up fast. In this context we will address the organizational development and future trends necessary for openly speaking up within Apple's internal and external environments on challenges in innovation and professional development and strategy sessions that will need to be continued after the consultancy is terminated. We will also be providing recommendations along international lines where the company will need to continue and monitor its brand and to monitor environmental and political changes at play. This will include recommendations within the United States and beyond, such as closely looking at how the Chinese are progressing with their labor skills, infrastructure and labor and tax regulation and other international partners where Apple could manufacture and operate successfully.*

### **Introduction - Future Trends and Apple's Future**

Apple will have to consider its operation in an increasingly global market. In an ever-changing technology market the first thing to contend with is brand and brand licensing. As far as licensing issues, Microsoft, for example was ordered to license interface information to its competitors on reasonable terms and to supply a fully functioning version of Windows Personal without having Windows Media Player. In this case Microsoft claimed that the remedies infringed the minimum standards of protection that was provided by the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). But TRIPS provisions on the basis that international agreements did not prevail over primary Community law as it happens that the TRIPS agreement permits members to restrain anti-competitive abuse of IP rights, necessitating careful interpretation of the TRIPS provisions (Subramanian, 2010).

As far as brand related issues, Apple will need to improve its product line and service as well as its public image with an aim at maintaining trust and engagement. This paper will continue to present the elements necessary for organizational development (as a continuation of the leadership meetings that involved two phases of consultation in the case assignment). This paper will take account of the organizational development and future trends necessary for openly speaking up within Apple's internal and external environments on challenges in R&D and professional development and strategy sessions to be continued after the consultancy is terminated. Recommendation for ensuring the future success of apple in an ever-changing global technology market will follow result of meetings and focuses on bringing forth more chosen accountability and engagement, P.E.S.T.L.E. and S.W.O.T. Analyses. Such recommendations will focus on how to continuously engage in an attempt to shift the conversation internally and externally with R&D and with communicating to the public that Apple is on top of its game when it comes to products and services. Samuelson, P. (2016) points to a similarity with Microsoft as far as the most recent of several litigations between Apple and Samsung involved three design patents that happened to cover specific portions of the external configuration of smartphone designs. Such licensing issues will be important for Apple to contend with but making great use of the emotional value of Apple products when considering entertainment and communication needs while with the competitors (such as Samsung and Nokia users) is also important as there seems to be no show of any emotional attachment to products at all (Cortez et al., 2015; Samuelson, 2016; Yi-Chia, & Vasquez-Parraga, 2016)

### ***Mission, Vision and Organizational Goals***

Apple leveraging their ability to design and develop is one goal shared between all of these technology giants. But as Apple has a unique worldwide platform to opine on subjects as diverse as human rights. Tim Cook's stated in continuation to the missional framework of Steve Jobs: "We are constantly focusing on innovation. We believe in the simple not the complex. We believe that we need to own and control the primary technologies behind the products that we make, and participate only in markets where we can make a significant contribution. We believe in saying no to thousands of projects, so that we can really focus on the few that are truly important and meaningful to us. We believe in deep collaboration and cross-pollination of our groups, which allow us to innovate in a way that others cannot." Along with that goes Apple's stated mission to "design Macs, the best personal computers in the world, along with OS X, iLife, iWork and professional software. Apple leads the digital music revolution with its iPods and iTunes online store" (The Balance, n.d.). Lehar (n.d.) discusses Apple's alleged focus on short-term profit and lack of innovation and provides examples such as new home automation products from Amazon and Google as examples of innovation and the next big thing in technology. This shows that internally there may be a misunderstanding of the different business models and product strategies of Apple and its services-oriented competitors. From an external constituents viewing it is argued that Apple's focused product portfolio and R&D initiatives are geared towards long-term success and survival, and Apple's alleged focus on short-term profit and lack of innovation could be shown in how now Amazon's Echo and Google's Home are a good reflection of the companies' business models focused on selling services, in offering affordable, basic product to provide access to Amazon and Google services for the widest audience possible, with the internet giants play to their strengths with service infrastructure and data collection. Lashinsky (2015) points out that Cook has handled any occasional product snafu with candor and humility. This shows to the public a long term vision that is largely held together the long-tenured management team he inherited from Jobs and an attitude of owning up to the occasional hiring blunder. Cook is not merely tolerating the spotlight but leaning into it to focus attention on issues of importance to him and his company. And Cook has used the pulpit to relay goals to the public, one that was provided to him by Apple's worldwide platform to opine on subjects as diverse as human rights, access to education, female representation on Wall Street, immigration reform, and privacy rights. This is clearly showing also in the latest revision of the mission toward inclusivity and diversity. Another long-term thinking that is available to the public and is highlighted by Pearce (2015) is that Apple has identified several long-term goals which include, environmental responsibilities, leveraging ability to design and develop, enhancing and expanding, and supporting the community.

### ***Market and Competitive Environment Analysis - P.E.S.T.L.E. and S.W.O.T. Analyses***

As a multinational company (MNC) with many operational details to consider in the USA and China Apple has to consider first and foremost its operations as far as political, social and environmental forces are concerned. A P.E.S.T.L.E analysis will be valuable for identifying all of the various external political, economic, social,

technological, legal and environmental factors that might affect Apple. Along with S.W.O.T. analysis it will help its management assess the risks that the identified factors pose and use that information to lead Apple towards a less riskier future and better decision making.

### ***Political***

Apple has to be aware of many shifting political forces. Future political trends may start here in the USA and then continue and affect Apple elsewhere. According to Drang (2017) President Trump's ban on the immigration of citizens from a half-dozen mostly Muslim countries and prohibiting refugees from entering the United States have increased the hardship on technology companies attracting talent and made an already tenuous relationship worse. Chief executives from Apple and other from the tech industry's most powerful companies have criticized the decisions as being against their core values and bad for business. Apple, Google and Facebook are preparing to put their collective efforts together in a public letter opposing the administration's early moves. For now, the courts have held the ban unconstitutional. But this is something that Apple may have to contend with down the road. Offshore, Apple has to contend with other political issues. For example, the issue of taxation issues in China. China adopted the open door policy in early 1990s and the inbound investments into China have been growing as outbound investments from China have been rapidly developed as well and Chinese capital has significantly influenced the economies of many other countries. For efficient operation inbound investments, Apple will need to be always informed of the latest regulations in corporate restructuring in order to have a sound business environment. China, for example, introduced a series of tax reforms on mergers and acquisitions (M&A) in 2009, by the Ministry of Finance (MOF) and the State Administration of Taxation (SAT), and continuously revising corporate income tax policies (Cheung, 2011).

While China has had established procedures for tax administrative review and for tax litigation through which taxpayers can challenge the decisions of tax authorities, multinational companies (MNCs such as Apple in this respect) do not often formally challenged the decisions of the tax authorities in China. It seems that litigation has been limited to domestic enterprises and MNCs such as Apple will need to get in the game in this realm as China's tax system allows for wide discretion by local tax authorities, and taxpayers may be concerned that by pursuing tax litigation, the tax authorities may react negatively to the taxpayer. The last thing Apple would want is for them to become more aggressive with respect to taxpayers' other affairs. But, surprisingly, the tax authorities often are open to taxpayers' requests for discussion to clarify alternative tax treatments on certain issues and MNCs have generally worked through more of a settlement mentality, possibly because the issues were potentially not large enough to warrant taking on such a risk rather than the fear of negative repercussions to pursuing other actions (Kelly and Liu, 2011). Apple could though expand operation in China with state owned enterprises ("SOE"), which seems to be preferred at the expense of MNCs doing business in China. This is because the government had put policies in place that are essentially designed to weaken the competitive position of MNCs within China in relation to China's SOEs. These policies were meant to create advantages for China's SOEs that are investing in foreign countries currently devoid of competing MNCs. And so Disney has to be cognizant of the fact that there are issues that are still embodied in a set of Chinese domestic laws and regulations related to foreign investment and in competition law involving MNCs (Chow, 2016).

### ***Economic***

Apple Financial growth seems to have a strong correlation with Apple's innovation, especially when it comes to new products being introduced into the market. This trend of innovative product offerings will need to remain out in front of the demand curve and apple will have to strategically design and market new products to capture the productivity, communication, and entertainment needs of its customer in order to continue its financial growth (Mallin & Finkle, 2011).

### ***Social***

Apple will need to consider many external elements, beyond the internal workings within the company. If we look at tech companies (such as Apple and Microsoft) and ponder on social responsibility factors in general we can certainly fathom how Sagawa & Segal (2000) look to the common good as something that is related to the general will of society to collectively ensure that organizations are socially responsible and that there is a commitment to address human and community needs. An example would be a venture taken in 1995 where Microsoft and the American Library Association (ALA) entered into the Libraries Online partnership.

Microsoft donated equipment and technical expertise and supported the development of training materials for the introduction of computers into public libraries in nine low income communities. With continued infusion of money for a total of \$400 million by the company and its CEO, and with additional contributions from local governments, the project expanded to over 1,000 libraries. Sagawa & Segal (2000) view this partnership as an example of strategic philanthropy (planned giving that is intended to benefit both cause and company). It was consistent with Microsoft's organizational goals because giving low income Americans access to computers would provide the company with favorable publicity and advance its founder's vision of universal access to information technology for all. On ALA's end, the partnership intended to expand the ability of libraries to provide knowledge to people of all ages and backgrounds, as well as establish ALA as a player in the world of public access computing. Apple can learn from such Microsoft partnership and as consultants to a great company such as Apple (and any tech company for that matter) we should emphasize that social responsibility goes hand in hand with customer acquisition and good business in general. According to Mallin & Finkle (2011) Apple has a very loyal customer base and it is a multinational corporation that will need to continue to build on the satisfaction and what I would call 'cult-like' following of its customer base. Enhancing engagement with local and global markets with a mission of diversity and inclusion will also contribute to branding Apple as socially responsible company.

Apple's marketing mix has recently involved expanding its social media reach as it has a couple of years ago bought the social media analytics company Topsy Labs Inc. for more than \$200 million, and later shut it down (perhaps not being that interested in Twitter). Topsy provides metrics for the social Web. It also specializes in analyzing global conversations happening on Twitter. Apple's acquired social media products did not include only Topsy but also startup firms HopStop and Locationary (Marketing mic, 2014). Our efforts to expand in a world where social media is key should include hiring fresh minds and in addition comprehensive and effective methods in the context of our coaching assignments where executives will also be tasked with navigating complexity (Kovacs & Corrie, 2017) in this new realm.

### ***Technological***

Apple should consider more Research and development (R&D) expenditures and preferably doing it in the United States. Apple has technology in all aspects of its operations. Starting with information technology (IT) operations as well as its refined online marketing strategies, and ending with innovations in electronics and through the production of sophisticated devices. In China, the IT infrastructure is far from complete and IT products there are far from being commoditized (Jing et al., 2005).

### ***Legal***

Apple has to take into account that China might not adhere to copyrights in the future and take actions as necessary (Jing et al., 2005). As it intersects with the political factors Apple will have to be aware of the complexity of taxation issues (Kelly & Liu, 2011) in China and where it has introduced a series of tax reforms on mergers and acquisitions (M&A) in 2009. (Cheung, 2011).

### ***Environmental***

According to Apple Newsroom (2016) operations in China have recently been shifting, and there will be more reliance on entirely renewable energy. This unprecedented commitment, combined with zero waste compliance from all final assembly sites, furthers Apple's efforts to help manufacturers lower their carbon footprint and to ultimately reduce waste in China. This will move Apple in the direction of social responsibility in helping to advance China's transition to a new green economy. But Apple will also need to start thinking beyond China. This may require a new thinking. Johanson and Vahlne (1977) Suggest different Models, such as the Uppsala model previously suggested by Vernon (1966), as well as other models for international investment and international trade where integration into a global market is gradual and could reflect a new direction for Apple to go in if trying to rethink its operations in China which may become unfriendly environment to operate in (Ahamed, 2013) and enter into operations elsewhere. The internationalization process of Apple seems to focus on the development of the new individual entities abroad and strategic partnership with new MNC's or local entity may focus on gradual acquisition, integration, and use of knowledge about foreign markets and operations. This is something for Apple to consider further down the line and after we first consult on its current operations as a technology company.

In that Apple will first have to take into account that it is still possible to leverage IT to create a unique set of organizational capabilities that are difficult for competitors to imitate. IT can be used as a differentiator to gain competitive advantage. Apple might want to explore how its ride technologies are being used and will be utilized. For example, e-commerce pioneers have succeeded in terms of popularity as well as profitability; however, IT is not necessarily beneficial to all Chinese companies, operating in a unique socioeconomic environment unlike those in any other developing country. China's strength lies in abundant and relatively inexpensive labor force. So IT venture have to be paid close attention by Disney to help create optimal business value (Jing et al., 2005).

### **Strengths**

Apple's strengths can be seen with the following:

- iOS device is more secure than its competitors from nasty bugs and malware attacks
- Apple continues to enjoy strong brand image
- Apple continues to enjoy high profit margins
- Strong creative ideas continue the Jobs way

Apple has a lot of cash, but may not have been shareholders friendly and may have abused option granting in the past, did not pay dividends even with that cash level, which could be seen as weakness.

### **Weaknesses**

Apple is not shareholders friendly and furthermore suffers from:

- Losing focus lately (no new Apple product is immune to flaws or issues; Apple is not having more new products in the pipeline)
- High selling prices
- Sales limited mainly to high-end market
- Apple still has a problem concerning diversity in Workforce

### **Opportunities**

Apple may want to start looking on how to innovate again. It should be looking at strengthening strategic partnerships with other giants in the field (such as enhancing partnering with IBM on AI). Apple should also Strengthen diversity (increase leadership diversity; hire more female engineers). Apple should consider distribution network expansion and the rising demand for tablets and smartphones. But most of all Apple should focus on the creation of new product lines.

### **Threats**

Although Apple is very strong in the market at the moment it should not take its focus away from competition in the tech market, for example, more innovation from Samsung and others. Imitation (to include copyrights infringements) and the rising labor cost in countries where Apple plants are located is also something for Apple to contend with. Finally, Apple will have to consider that political forces may also influence the company and the technology sector in general.

### **Conclusion and Recommendations**

As political shifts here in the USA and around the world are becoming more of an issue for Apple to contend with these days, the company will need to strategize a bit differently. The phenomenon known as 'the global village' is bound to be digging deeper roots in places in the world where we would never think it will be possible for us Americans to be inserting any American ideals, not to mention that visionary imagination of ours. Apple will need to work on a less hierarchical structure in that it facilitates additional openness that is needed internally for innovation between the upper management and the rest of the company. Involving the public (and also the various aspects of social media) for additional input will help Apple in areas of innovation that they may miss if working in a silo, and any external dimensions involving the public will help its brand as well. Apple will need to continue and monitor its brand and to monitor environmental and political changes at play and closely look at how the Chinese are progressing with their labor skills, infrastructure and labor and tax regulation. Apple may want to consider how they overall deal with offshore operations and monitor copyrights infringements. Along these operations also how much cash Apple is keeping overseas and if it may be wise to be more shareholders friendly and allow for dividends.

In order to have a sound business environment Apple will need to consider also how they closely work with state owned partners with their Asia operations and be always informed of the latest regulations in corporate restructuring and taxation. As the Chinese have a strong national identity Apple will have to also monitor any political shifts and swiftly address any problem that may interfere with the Apple brand or Apple's ability to ultimately have a level of control that will be necessary to effectively carry its American message for branding Apple as first and foremost an American company with American ideals as far as socially responsibility is concerned, especially with environmental issues. But, of course, this will have to be carefully done, while being a known brand that is one of the most recognized around the world, the industry giant this will always need to involve high levels of cultural sensitivity, and continuing to work on human rights and inclusivity and diversity well after the consultancy is terminated. Apple should be building strongly on their existing goal of leveraging their ability to design and develop continually, in the short-term, and looking at both short and long-term R&D investments. Meaning, they should view this goal as an ongoing one designed to maintain a competitive advantage for Apple for superior innovation and integration through all products. This goal is designed to enable Apple to rise above its competitors. Apple should consider strategic partnership when possible as any strategic partnership that focuses on advancing the company is welcomed. Apple will need to also advance with distribution network expansion and the build on the rising demand for tablets and smartphones, and further innovate in this area. As competitors such as Samsung may catch up and figure out what contributes to the emotional value of Apple products with global users, Apple will need to stay on top of what its users' entertainment and communication needs are, and what they will be. In other words, Cook and the upper management will need to build on the elements of that special foresight that Steve Jobs had, the ones that certainly seem to exist somewhere in the backbone of the company.

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