

Business

Companies can sag upon transition from founder to successor. Will Apple?

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History is rife with examples of companies that lost their cutting edge along with their founders. As Steve Jobs steps back from Apple, some analysts say innovation may slide. Others see 'deep bench of talent.'

Apple has been here before, staring down the future without founder Steve Jobs at the helm.

Last time, it didn't go so well. Will this time be any better for the company that turned the lowercase "i" into shorthand for everything cool in the tech world?

The prognostications about Apple without Mr. Jobs as CEO (he will stay on as chairman of the board) run the gamut. Some predict the firm will lose its cutting edge. Others suggest that, at least for the next few years, Apple has a few more hands to play. One thing seems clear: Handing off the baton from visionary founder to successor is often a difficult transition for firms - and can mark a company's shift from industry innovator to corporate stalwart.

Jobs's strength, and hence Apple's strength, has always been what Faisal Hoque calls "disruptive technology" - that is, coming up with creations that upset and redefine a market. But "every firm with a charismatic leader and public face must eventually move from constantly being disruptive to a sustainable process for the long term," says Mr. Hoque, author of "The Power of Convergence: Linking Business Strategies and Technology Decisions to Create Sustainable Success."

Outsider John Sculley took over for Jobs in 1983, but left a decade later under a cloud. "The company has clearly learned from that earlier experience and has a deep bench of talent and solid processes in place to move ahead," says Mr. Hoque. Jobs picked 13-year Apple veteran Tim Cook, a loyal and experienced team player, to replace him - an executive whom Hoque sees as steeped in the process side of Apple's business and as "well-positioned" to move the company forward.

Part of the challenge of the handoff, Apple watchers agree, is that Jobs himself is irreplaceable.

Having "that knowledge of what the market will crave is unique to Steve Jobs in our generation," says **George Haley**, director of the Center for International Industry Competitiveness at the University of New Haven's College of Business. "If you look back at the history of innovation, the ability to understand what the market will go wild for is crucial. Nobody else [but Jobs] has had the string of innovation time after time."

With Jobs in the wings as board chairman but removed from day-to-day operations, many analysts wonder about the working relationship with Mr. Cook. Will Cook be able to chart a new course for the company, or will he be relegated to carrying out Jobs's vision from the sidelines? wonders Mr. Haley.

A more serious issue may be Jobs's ability to keep pace with marketplace tastes and needs if he is no longer in the daily fray. "This ability to read the marketplace has really been his great strength, and if he is removed from that contact he may miss critical shifts," adds Haley.

Jobs has had the same kind of impact on technology that Henry Ford had on manufacturing, writes Lawrence Knorr of Harrisburg University of Science and Technology in Pennsylvania, in an e-mail.

"Both transformed the environment in which they dominated. As Henry Ford faded from the scene, Ford Motor Company slipped to second among automobile manufacturers and remains one of several large competitors. But, it has been a long time since Ford Motor Company has been known as an innovator - albeit in a mature industry," he says. He also cites the example of Microsoft. "When founder Bill Gates led the company, it was the leading edge of computer software - growing to a dominant position.... But, as Gates

faded from his day-to-day role, the company has become a fading giant - gradually bleeding market share and failing to be first to innovate."

Apple's stock fell on the news Wednesday that Jobs would curtail his role at the company, but it stabilized on Thursday. That shows caution by the market, says Jeff Macke, investing expert and co-host of Yahoo! Finance's "Breakout." Jobs's departure may hit the stock for the near term, "but the company's competitive position gives Tim Cook a good deal of time to develop in his role and further build his bench," he says in an e-mail.

In terms of the stock overall, "there's no reason to panic," adds Mr. Macke, "but Apple shares are no longer a 'one decision' buy-and- hold-forever proposition." If the company's product lineup shows signs of faltering into 2012, he says, "it will be a sign that Apple's hard-earned title as the best company on Earth is nearing an end."

Apple's success will continue for awhile, predicts Mr. Knorr, provided the new leadership is able to keep the machine running. However, he adds, "it is likely to fade as the top innovator over the next decade as someone else emerges as the top visionary - most likely working for a firm that might be very small right now, or not even in existence."

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