

Case Study

ENTREPRENEURSHIP: A CASE STUDY OF STEVE JOBS

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Steve Jobs was born on February 24, 1955 in San Francisco, California, USA, to two University of Wisconsin graduate students who gave him up for adoption. He was adopted by Paul and Clara Jobs, who named him Steven. They were so focused on their son's needs that they even moved from Mountain View, California, to Los Altos, California, in 1968, to put Jobs in a new school because he said that he could not get along with the children in his old school. (One account says that he told his parents that he was not learning anything at his old school.) He was an odd student, out of step with both classmates and teachers, with a mind that looked at science from unusual angles. He preferred to spend his time with older students rather than ones his own age, including Stephen Wozniak, an electronics genius four years older than Jobs.

Jobs worked during the summers, spending one summer in an apple orchard; he was so happy there that he later named his first legitimate business "Apple." Even in grade school he had shown a great aptitude for electronics, and he had been fortunate to have an engineer for a neighbor, who answered his many questions about how electronic devices worked. While he was in high school, he built electronic devices. Once, he wanted for his projects some rare parts made by Hewlett-Packard; he wrote to William Hewlett, cofounder of Hewlett-Packard, and asked for the parts to be sent to him. Hewlett responded by giving Jobs a summer job in a Hewlett-Packard factory. Wozniak already worked there as an up-and-coming engineer.

In 1972 Jobs attended Reed College, in Portland, Oregon, dropping out after one semester. He hung around the school for about a year longer, before submitting a résumé that greatly inflated his electronics experience to Atari, a pioneer in video gaming. For part of 1974 he worked as a game designer, helping create *Breakout*. After saving up enough money to pay his way, he left Atari and journeyed with friends to *India* to search for enlightenment. He shaved his head and walked through what he saw to be appalling poverty. He soon left India believing that Thomas Edison had done more for the betterment of humanity than all the gurus in the world. Jobs lived briefly in a farm commune and then returned to his parents' home. In 1975 he joined the Homebrew computer club, which included Wozniak among its members. Wozniak had discovered that a toy in Cap'n Crunch cereal boxes made the same tones that telephone companies used for long-distance switching. Soon, with Jobs's help, he was making small blue boxes that could be used with telephones to circumvent the safeguards of telephone companies and make free long-distance calls. It was Jobs who turned this into a business venture by selling the boxes to college students.

In 1976, when Jobs was just 21, he and Wozniak started Apple Computer. The duo started in the Jobs family garage, and funded their entrepreneurial venture by Jobs selling his Volkswagen bus and Wozniak selling his beloved scientific calculator.

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Jobs and Wozniak are credited with revolutionizing the computer industry by democratizing the technology and making the machines smaller, cheaper, intuitive and accessible to everyday consumers. Wozniak conceived a series of user-friendly personal computers, and with Jobs in charge of marketing—Apple initially marketed the computers for \$666.66 each. The Apple I earned the corporation around \$774,000. Three years after the release of Apple's second model, the Apple II, the company's sales increased by 700 percent, to \$139 million. In 1980, Apple Computer became a publicly traded company, with a market value of \$1.2 billion by the end of its very first day of trading. Jobs looked to marketing expert John Sculley of Pepsi-Cola to help fill the role of Apple's president.

Departure from Apple

However, the next several products from Apple suffered significant design flaws, resulting in recalls and consumer disappointment. IBM suddenly surpassed Apple in sales, and Apple had to compete with an IBM/PC-dominated business world. In 1984, Apple released the Macintosh, marketing the computer as a piece of a counterculture lifestyle: romantic, youthful, creative. But despite positive sales and performance superior to IBM's PCs, the Macintosh was still not IBM-compatible. Sculley believed Jobs was hurting Apple, and the company's executives began to phase him out.

Not actually having had an official position with the company he co-founded, Jobs left Apple in 1985 to begin a new hardware and software enterprise called NeXT, Inc. The following year Jobs purchased an animation company from George Lucas, which later became Pixar Animation Studios. Believing in Pixar's potential, Jobs initially invested \$50 million of his own money in the company. Pixar Studios went on to produce wildly popular animation films such as *Toy Story*, *Finding Nemo* and *The Incredibles*. Pixar's films have netted \$4 billion. The studio merged with Walt Disney in 2006, making Steve Jobs Disney's largest shareholder.

Reinventing Apple

Despite Pixar's success, NeXT, Inc. floundered in its attempts to sell its specialized operating system to mainstream America. Apple eventually bought the company in 1996 for \$429 million. The following year, Jobs returned to his post as Apple's CEO.

Just as Steve Jobs instigated Apple's success in the 1970s, he is credited with revitalizing the company in the 1990s. With a new management team, altered stock options and a self-imposed annual salary of \$1 a year, Jobs put Apple back on track. His ingenious products such as the iMac, effective branding campaigns and stylish designs caught the attention of consumers once again.

Pancreatic Cancer

In 2003, Jobs discovered that he had a neuroendocrine tumor, a rare but operable form of pancreatic cancer. Instead of immediately opting for surgery, Jobs chose to alter his pescovegetarian diet while weighing Eastern treatment options. For nine months, Jobs postponed surgery, making Apple's board of directors nervous. Executives feared that shareholders would pull their stock if word got out that their CEO was ill. But in the end, Jobs' confidentiality took precedence over shareholder disclosure. In 2004, he had a successful surgery to remove the pancreatic tumor. True to form, in subsequent years Jobs disclosed little about his health.

Later Innovations

Apple introduced such revolutionary products as the Macbook Air, iPod and iPhone, all of which have dictated the evolution of modern technology. Almost immediately after Apple releases a new product, competitors scramble to produce comparable technologies. Apple's quarterly reports improved significantly in 2007: Stocks were worth \$199.99 a share – a record-breaking number at that time – and the company boasted a staggering \$1.58 billion profit, an \$18 billion surplus in the bank and zero debt.

In 2008, iTunes became the second-biggest music retailer in America—second only to Wal-Mart. Half of Apple's current revenue comes from iTunes and iPod sales, with 200 million iPods sold and 6 billion

songs downloaded. For these reasons, Apple has been ranked No. 1 on *Fortune* magazine's list of "America's Most Admired Companies," as well as No. 1 among Fortune 500 companies for returns to shareholders.

Final Years

On October 5, 2011, Apple Inc. announced that its co-founder had passed away. After battling pancreatic cancer for nearly a decade, Steve Jobs died in Palo Alto. He was 56 years old.

Questions

- (a) Make a list of Traits of an Entrepreneur and show as to how many traits were present in Steve Jobs.
- (b) Identify the limitations of Steve Jobs.
- (c) What are the lessons that you have learned from Steve Jobs?
- (d) Do you rate Steve Jobs as a successful Entrepreneur? Justify your answer.