How can an Apple fall Under a Tree?

Perspectives: May 20th, 2024

Steve Jobs died on October 5th, 2011. He was just 56. Books have been written and movies made about his life and the incredibly successful business he co-founded and led, **Apple**. I have nothing to add to that body of knowledge.

However, something worthwhile thinking about is his successor, **Tim Cook**, and what Apple achieved as a business <u>after</u> 2011. Long-term numbers (*usually!*) do not lie, so here goes:

	FY 1997 - Steve Jobs Returns	FY 2011 - Tim Cook Appointed as CEO	FY 2023 - The Present Day
Revenues ('000)	7 081 000	108 598 000	383 290 000
Operating Profits ('000)	- 974 000	34 205 000	114 301 000
Share Price	0,63	14,46	192,53
	1998 - **iMac** 2000 - **iTunes** 2001 - **iPod** 2007 - **Apple TV** 2007 - **iPhone** 2008 - **MacBook** 2010 - **iPad**	2015 - **Apple Watch** 2015 - **Siri** 2016 - **Airpods** 2018 - **HomePod**	

Apple's results since 2011 were equally spectacular, with continued growth in launches of both existing products' new models and new products, revenues, operating profits, and the share price.

In 2011, Tim Cook was already a key executive within Apple, but he was by no means well known outside Apple. *How many Chief Operating Officers of any business can you think of?* ☺ Now also bear in mind the high public profile of Steve Jobs at that time and in the 15 years preceding it, as well as his close personal association with Apple products used daily by *billions* of people worldwide.

Tim stepped into the CEO strategic leadership role at Apple having *never* been the CEO of *any* business before. Up until that point he had only ever worked in operational roles. Not only that, but can you imagine for a moment what it must feel like to (1) be the replacement CEO for Steve, and (2) be personally responsible for meeting the sky-high continued growth expectations in 2011 of Apple shareholders and key employees? Tim's compensation was US$63,2mn / ZAR1,15bn in FY2023 alone – but my sense is that a remarkably high level of compensation is poorly correlated to long-term success.

Our team pay close attention to the important research topic of leadership succession. We are not so much interested in the boilerplate annual report disclosures, but rather in trying to figure out the likelihood of a succession being successful. Case studies of normal and abnormal real life outcomes, such as at Apple, can be quite instructive.

It gets interesting when the market mistakenly believes that an apple fell far from the tree, when in fact it fell right under it [*and vice versa*]. So, a key question is – was there something special in place at Apple that enabled Tim to step into Steve's shoes and continue its long-term success? And if so, what was it?

An important part of this answer is to be found in the design of and mindful, continued nurturing and shaping of the **cultural DNA** of a business, including multi-generational succession planning. For truly long-term investors, this is a critical consideration that many businesses do not report on to their stakeholders. Which prompts me to yet again close off with…

Our work continues…

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