

Tim Cook, Making Apple His Own

By Matt Richtel and Brian X. Chen NYT 6/15/14

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Tim Cook, Apple's chief executive, was an adolescent boy in a small Alabama town in the early 1970s when he saw something he couldn't forget.

Bicycling home on a new 10-speed, he passed a large cross in flames in front of a house — one that he knew belonged to a black family. Around the cross were Klansmen, dressed in white cloaks and hoods, chanting racial slurs. Mr. Cook heard glass break, maybe someone throwing something through a window. He yelled, "Stop!"

One of the men lifted his conical hood, and Mr. Cook recognized a deacon from a local church (not Mr. Cook's). Startled, he pedaled away.

"This image was permanently imprinted in my brain, and it would change my life forever," Mr. Cook said of the burning cross, in a speech he gave last December.

In the speech, he said his new awareness made him feel that no matter what you do in life, human rights and dignity are values that need to be acted upon. And then came the segue: His company, Apple, is one that believed deeply in "advancing humanity."

Mr. Cook, who is 53, took over leadership of Apple nearly three years ago, after the death of Steve Jobs, the company's revered founder. Like Walt Disney and Henry Ford, Mr. Jobs was intertwined with his company. Mr. Jobs was Apple and Apple was Jobs.

At the time, Mr. Cook was well regarded as a behind-the-scenes operations guy, but he was a relatively unknown quantity outside the company. He can be intensely private; for instance, the details of the cross-burning episode, like his reaction and the appearance of the deacon, he has shared with friends but not publicly. Even offering the outlines of that story in front of an audience, however, indicates how he is slowly beginning to reveal his own personality and style, and to define Apple leadership in his own image.

This is happening as Mr. Cook, who declined to be interviewed for this article, finds himself not only in the limelight, but also under scrutiny. Of late, the company has hit a snag that was years in the making: Its sales now are so large that many investors worry that it can't continue to match the growth that brought it from \$65 billion in sales in the 2010 fiscal year to \$171 billion in 2013. In fiscal 2013, sales grew a mere 9 percent, far below an average just shy of 40 percent a year from 2004

to 2013. Profits slimmed. And the stock price fell nearly in half from its 2012 peak to the middle of 2013, vastly underperforming the market.

Investors have clamored for Apple wizardry — a much-anticipated iWatch or iTV, perhaps. To these critics, Mr. Cook is uninspiring, his social views window dressing, when what they want is magic.

“Where is the grand design?” asks Laurence I. Balter, chief market strategist at Oracle Investment Research. Mr. Balter credits Mr. Cook as having great skills in operations and in managing the supply chain, which entails getting the raw materials and machinery in place to build things — but not with having the vision to design them. “All we hear from Cook,” Mr. Balter says, “is there are some great products coming down the pike.”

Mr. Balter calls Apple a financial “Rock of Gibraltar” — it is sitting on \$150.6 billion of cash — but he says he has serious questions about whether it can continue to be a hypergrowth company. Is it a stock for growth investors, he asks, “or widows?”

“Show me the product,” he says. “Show me the ingenuity.”

To shore up shareholder faith, Mr. Cook split the stock, increased the dividend and engineered a \$90 billion buyback — steps that helped shares rebound almost entirely. He has taken other steps to strengthen the company, like pushing Apple products into China, a potentially huge market, and acquiring talent, most recently spending \$3 billion to buy Beats, a music company that brings Apple two major music-industry shakers and deal makers, Dr. Dre and Jimmy Iovine.

Reflecting his personal views, Mr. Cook is trying to broaden Apple’s brand, too, taking to Twitter and other public venues to express support for environmentalism and gay rights (and for Auburn University football). He has also emphasized the use of sustainable products at the company. Early in his tenure, playing catch-up with other corporations, he established a program to match employee charitable contributions; he has upped the company’s own giving, too.

Jonathan Ive, the head of design at Apple and a name nearly as adored by its followers as Steve Jobs, says Mr. Cook has not neglected the company’s central mission: innovation. “Honestly, I don’t think anything’s changed,” he said. And that includes the clamor for some exciting new thing. “People felt exactly the same way when we were working on the iPhone,” Mr. Ive added.

“It is hard for all of us to be patient,” Mr. Ive said. “It was hard for Steve. It is hard for Tim.”

Spirit of Hardware Past

There is a mythology, with some part of truth, that Mr. Jobs was the soul of the design process, the company’s Innovator in Chief. For the original iPhone, Mr. Jobs

checked in weekly with engineers, according to Francisco Tolmasky, a former Apple engineer who worked [on the phone's browser](#).

“Steve was really adamant,” Mr. Tolmasky reflected, adding that Mr. Jobs would say: “This needs to be like magic. Go back, this isn’t magical enough!”

Almost daily, employees would spot Mr. Jobs having lunch on Apple’s campus with Mr. Ive. These days, Mr. Ive said, he meets three days a week with Mr. Cook, generally in each other’s offices. But Mr. Ive said the design processes are essentially unchanged.

“Steve established a set of values and he established preoccupations and tones that are completely enduring,” Mr. Ive said. Chief among them is a reliance on small creative teams whose membership remains intact to this day. The philosophy that materials and products are intertwined also continues under Mr. Cook. For instance, when the company decided to use titanium to build a laptop, Mr. Ive said, he and Mr. Cook and Mr. Jobs thought about how to push the boundaries of the metal to get the look and feel they wanted. And Mr. Ive pointed to another enduring value: a complete focus on the product.

If Mr. Jobs was maniacal about design, Mr. Cook projects “quiet consideration,” Mr. Ive said. Mr. Cook digests things carefully, with time, which Mr. Ive said “testifies to the fact he knows it’s important.”

Lower-level employees praise Mr. Cook’s approachability and intellect. But some say he is less hands-on in developing products than his predecessor. They point to the development of the so-called iWatch — the “smartwatch” that Apple observers are eagerly awaiting as the next world-beating gadget. Mr. Cook is less involved in the minutiae of product engineering for the watch, and has instead delegated those duties to members of his executive cabinet, including Mr. Ive, according to people involved in the project, who spoke on condition of anonymity because they were not authorized to speak to press. Apple declined to comment on the watch project.

Mr. Cook appears to be interested in the smartwatch’s broader implications — for instance, that a watch might monitor heart rate and other vital measures, thus improving health and limiting doctor visits, according to these people. The watch is expected to be released in the fourth quarter, these people said.

Mr. Cook has also looked outside of Apple for experienced talent. He has hired executives from multiple industries, including [Angela Ahrendts](#), the former head of Burberry, to oversee the physical and online stores, and Paul Deneve, the former Yves Saint Laurent chief executive, to take on special projects. He also hired Kevin Lynch, the former chief technology officer of Adobe, and Michael O’Reilly, former medical officer of the Masimo Corporation, which makes health monitoring devices. Not to mention the music men of Beats.

Mr. Cook is amassing a creative brain trust, according to Bono, the lead singer of the band U2, who befriended Mr. Jobs and worked closely with him and Apple's team on developing a U2-branded iPod, as well as on charitable work in Africa. Mr. Cook is not saying "I'm here to replace him," said Bono, who is a managing director and co-founder of the venture capital firm [Elevation Partners](#). "He's saying, 'I'll try to replace him with five people.' It explains the acquisition of Beats."

That doesn't mean Mr. Cook is uninvolved in product decisions. Since he took over, the company has released a number of upgrades, including a smaller tablet, the iPad Mini. Mr. Cook "thought the world would love a smaller and less expensive tablet," said Robert A. Iger, the chief executive of Disney and a member of [Apple's board](#). It was a product that Mr. Jobs thought did not have a market, he said.

Sales of the iPad Mini quickly exceeded those of the normal-size iPad, according to analysts. Gartner and ABI Research estimated that within the first year [the smaller tablet](#) went on sale, it accounted [for 60 percent](#) of overall iPad sales.

Still, some product iterations have brought mixed results. Last year, Apple for the first time introduced two new iPhones instead of just one: the high-end iPhone 5S, which sold like gangbusters, and the lower-cost, plastic-covered iPhone 5C, which disappointed.

What makes Apple's challenge particularly daunting is the law of large numbers. Its sales are so big that even another new strong product — unless it's a gigantic hit on the order of the iPhone — won't lead to the kind of growth to which some investors have grown accustomed, noted Toni Sacconaghi, a financial analyst who covers Apple for Bernstein Research. He put it this way: If Apple makes an iWatch and sells 10 million units in the first year, it would add a mere 50 cents to its earnings per share, barely a single percentage point.

"Most people would say, if you sell 10 million units of something that would be incredible," Mr. Sacconaghi said. But not so with Apple. "There are very few things that could move the needle," he added.

[Michael A. Cusumano](#), a professor in the Sloan School of Management at M.I.T., said he thought Apple no longer had the juice to create the world-beating product it needs. Professor Cusumano, who is working on a book about innovation, visited Apple's headquarters in Cupertino, Calif., last fall and has talked to a half-dozen current and former employees about the company culture. He concluded that Apple without Mr. Jobs lacks a visionary to synthesize disparate ideas into a magical whole.

"Jobs would figure out how to put the pieces together," Professor Cusumano said. "Everything just filtered through his eyes."

"I think it's going to be very difficult for them to come up with the next big thing," he added. "They've lost their heart and soul."

'Just and Right'

If Mr. Jobs was the heart and soul of the company, Mr. Cook seems to be trying to cast himself as a different sort of leader. His Twitter feed is a mash-up of Apple hoopla and cheerful promotion of human rights and environmentalism. He wrote [an opinion piece](#) in The Wall Street Journal in support of proposed federal legislation protecting gay, lesbian and transgender workers.

He often quotes Martin Luther King, Jr. and Robert F. Kennedy but doesn't much talk about the origin of his political views. The speech he gave last December, in which Mr. Cook mentioned the cross-burning, started to give some hints. "Since these early days," he said, "I have seen, and I have experienced, many other types of discrimination." All of those, he continued, "were rooted in a fear of people that were different than the majority." Apple declined to say what he meant by the reference to discrimination he experienced, but it did confirm the details of the cross-burning story.

The speech was given at the United Nations, where Mr. Cook was accepting a lifetime achievement award from Auburn, his alma mater. He graduated from the university in 1982 with a degree in industrial engineering. He worked at IBM while earning a graduate business degree at Duke, then went to Intelligent Electronics and Compaq. In 1998, he was approached by Mr. Jobs when Apple was struggling, but as Mr. Cook recounted later in a 2010 commencement speech at Auburn, he saw it as a "once-in-a-lifetime opportunity to work for the creative genius."

He rose to become executive vice president for worldwide sales and operations in 2002. In the period after he became C.E.O. in 2011, the working conditions in Chinese factories used by major tech companies, including Apple, came under increasing scrutiny. By April 2012, after suicides and accidents among Chinese factory workers, a quarter of a million people had signed a petition on Change.org urging Apple to improve working conditions in the factories. Apple since 2006 had already commissioned public reports on troubling practices inside many factories. In 2012, it also began [publishing an annual list](#) of its major suppliers, their locations, and what is made at the major ones, as well as reporting the working hours for more than a million factory employees.

Valerie Jarrett, a senior adviser to President Obama, said Mr. Cook's building of a production plant in Arizona and a Texas factory for making high-end Mac computers domestically was "a tremendous vote of confidence for an iconic company that previously shipped jobs overseas." (A majority of manufacturing is still done outside the United States — for instance, an estimated 90 percent of the iPhone's hundreds of parts are made abroad.) Ms. Jarrett also praised Apple's donation of \$100 million to equip schools with technology, including iPads and high-speed Internet.

Apple also made a quick transition to using 100 percent renewable energy sources in its data centers, which makes it "the most aggressive of the companies that we

evaluated in getting renewables online,” said Gary Cook, a senior policy analyst at Greenpeace.

Ryan Scott, the chief executive of Causecast, a nonprofit that helps companies create volunteer and donation programs, called Mr. Cook’s charitable initiatives a “great start.” But Mr. Scott added that its programs are “not as significant as what other companies are doing.” Apple’s ambitions “could be much higher,” he said, given its money and talent. By comparison, Microsoft says that, on average, it donates \$2 million a day in software to nonprofits, and its employees have [donated over \\$1 billion](#), inclusive of the corporate match, since 1983. In the last two years, Apple employees have donated \$50 million, including the match.

Apple, too, has faced accusations from government officials on a number of troubling issues, including strategies to minimize its corporate taxes. (On the tax issue, Mr. Cook, told a Senate panel last year that Apple is the nation’s largest taxpayer and pays what it owes.) Last July, a federal judge ruled that Apple had illegally conspired with publishers to try to raise prices in the e-books market; Apple is appealing.

Mr. Cook’s public emphasis on social issues nonetheless puts him “on the cutting edge of an emerging new mind-set in corporate leadership about values and value creation,” said [James E. Austin](#), an emeritus professor at the Harvard Business School. But [Kellie McElhaney](#), a professor at the Haas School of Business at the University of California, Berkeley, said she “gets nervous” when C.E.O.s talk about doing what is “right” without making a business case.

“Right to whom?” she asked.

That’s a view shared by some investors. At a shareholder meeting on Apple’s campus in February, one shareholder — who later described himself as having free-market values — asked Mr. Cook whether Apple should avoid embracing environmental causes that lacked a clear profit motive.

Mr. Cook did not respond by saying, as many executives would, that environmentalism is pragmatic and good for the bottom line. His reasoning was moral.

“We do things because they’re just and right,” he said. He has a slight Alabama drawl and a cool delivery, but there was underlying pique in his voice when he rejected the idea that everything must be measured by return on investment. He concluded by telling shareholders, “If you want me to make decisions that have a clear R.O.I., then you should get out of the stock, just to be plain and simple.”

He received rousing applause from the crowd, which included Al Gore, a member of Apple’s board. But the shareholder who asked the question, Justin Danhof, mourned that “I’ve never had a C.E.O. react that way.” In the following days, some stock analysts echoed the dismay, with one columnist, Robert Weinstein of The Street,

wondering [whether Mr. Cook](#) “is shifting Apple’s focus from an aggressive luxury tech innovator into more of an increasingly philanthropic-focused company.”

Lennon vs. Ringo

Two weeks ago, Mr. Cook stood on stage at the company’s annual developer’s conference in San Francisco in front of 5,000 enthralled software developers. These are the makers of apps for the iPhone and other gadgets, and Mr. Cook promised them something he called “the biggest release since the launch of the App Store.”

To tell the developers about it, Mr. Cook said, “I’d like to invite my colleague, Superman, back to the stage.”

Of course, for years, the only Apple superhero was Mr. Jobs. As Mr. Cook walked toward the darkness, stage left, there was a moment of mystery. Then out sprang [Craig Federighi](#), head of Apple’s software engineering. He passed Mr. Cook and headed into the limelight to describe the new release. It was not a new consumer product, but a set of software tools called a developer’s kit, which would help developers build better apps.

If the rest of the world yawned, the developers stood, and whooped.

Afterward, devotees like Jordan Brown, 25, and three of his colleagues, roamed the convention center.

The four men, who are with a health care app company called [Orca Health](#), had traveled from Salt Lake City and had spent the previous night on the sidewalk to get a good seat at the keynote address. They were scruffy-faced and exhausted, but adrenaline-fueled. Mr. Brown said he viewed Mr. Cook “as someone making sure everything is clicking, but he’s not inspiring.” Mr. Federighi, on the other hand, “resembles Steve,” he said.

Mr. Brown’s colleague Chad Zeluff, 27, who saw Mr. Jobs deliver the keynote in 2007, put it this way: “Jobs is to Lennon what Cook is to Ringo.”

A floor away, Mr. Cook was surrounded by young developers, eagerly snagging selfies as the chief executive mingled post-keynote. Ringo is still a Beatle.

The Utah developers generally expressed support for Mr. Cook. It would be enough, they said, if he put the pieces together. And they said Apple was doing a good job in software innovation, which can add new features to existing devices even if Apple doesn’t produce a new gadget.

They hadn’t heard much about Mr. Cook’s social activism. “I was barely aware of it,” said Gary Robinson, 35, the oldest of the Utah developers. “It’s good, and important.

“But it’s not what matters to me,” he added. “It’s not why I’m here.”

As the conversation continued, though, the developers expressed some cracks in their confidence. For instance, their company has been building apps exclusively for the iPhone for three years, but in the last two months it has also started building apps for Android systems.

They found one thing particularly jarring in the keynote: Apple did not hew to its tradition of pairing hardware and software. Specifically, Apple introduced a program [called Health](#) — which helps consumers and doctors monitor health status, like heart rate or glucose levels — but did not also introduce a piece of hardware to measure those results. That is something the new smartwatch is rumored to do.

“They just released the software,” said Mr. Zeluff, sounding surprised.

“It’s something Steve wouldn’t have done,” Mr. Brown said. It’s an impossible comparison. But it’s the one that Mr. Cook is being held to, at least until he makes enough magic of his own.