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Organizational Management that fosters innovation – Apple and Tesla

Sindhuja Muppaneni

sindhuja.muppaneni@gmail.com

ABSTRACT

In today's world where change has become a constant, it has become extremely crucial for businesses to stay up to date and relevant in society through innovation. The kinds of rules, procedures, and teamwork introduced to the employees can not only channel their thinking process but the entire operations in a certain company. As this would all lead to and foster innovation, this research will compare the organizational management of Apple and Tesla, two companies that have set themselves apart in terms of innovation.

Keywords— *Apple, Tesla, Innovation, Organization, Management*

1. INTRODUCTION

In today's world where change has become a constant, it has become extremely crucial for businesses to stay up to date and relevant in society through innovation. There are very few successful companies that have grown to the stage they are due to the fact that they embrace innovation. Innovation in business consists of creating new services and processes through continual development that would solve current problems from a different perspective. While innovation could be a part of the products, internal processes or business models, this research will focus on how organisational management can induce innovation to create products of the 21st century.

Organisational Management mainly refers to the internal processes where employees are given a certain direction and common goal to work towards. This internal management could include planning, organizing and leading employees and their work. Various factors could affect the motivation and mindset of the employees. Along with the social and external environment, the hierarchy and flow of communication through the company could be one of the main factors affecting them. The kinds of rules, procedures and team-work introduced to the employees can not only channel their thinking process but the entire operations in a certain company. As this would all lead to and foster innovation, this research will compare the organisational management of Apple and Tesla, two companies that have set themselves apart in terms of innovation.

Apple Inc. is the world's largest multinational technology company that produces consumer electronics and software. It is part of the Big Five American information technology companies. There are many reasons as to why it is termed as the most valuable company in the world and why it has around 1 billion users worldwide. One main reason is due to its innovation. Throughout history Apple has introduced products like the iPod and iPad that had never been seen before. All these are a result of innovation.

Tesla Inc. is an electric vehicle company that works towards the world transitioning to use sustainable energy resources. The company produces electric cars, batteries, solar panels and other similar products. The unique point of this company is how all the products are made based on the aim of sustainable development. Their software and technology that is integrated into all their products has provided customers with products with features they had never imagined before. Their innovation strategy all starts from their organisational management and style of leadership. Like Apple, their success is definitely a result of innovation.

2. APPLE

Throughout history Apple has broken the rules of conventional organization by setting new trends while climbing its way to the top of the technology industry. Previously, Apple used to follow a traditional divisional structure where employees were formed into groups based on a specific product, service or area with specific general managers overlooking each division. These managers would manage everything from the development stage to the selling stage. This decentralized structure-initiated conflict among the general

managers who were responsible for individual profit and loss statements. Later, in 1997, Steve Jobs returned to Apple and regained his position as CEO. In one day, he removed all the general managers and the company shifted from having many departments to a single functional organization. Compared to before when general managers were in charge of one product, vice presidents are now in charge of separate functions.

A functional structure in a business is generally used by smaller companies with functional areas. However, as it allows organisations to pursue consistent strategies, gives employees a clear understanding of objectives and increases efficiency. As a functional structure generally groups people with similar skills and experience together, exchanging their opinions would lead to skill development and finally efficiency. This was the reason for immediately changing the organisational structure in 1997. Instead of general managers, those with the most experience in their specialist area were given the control and decision rights in their specific domain.

Apple has been continuously developing on their previous products through innovation. In order to do this, its organisational structure centers on functional expertise. In order to be an innovative company that it is in this rapidly changing technological era, relying on the judgement and intuition of those with deep knowledge and experience is what Apple believes in.

One thing that sets Apple's organisational management apart from other companies is the fact that the cost and price targets are not considered as parameters while designing new products. The research and development leaders always weigh the value added to the user experience against the cost considerations. In an interview, Steve Jobs once said that when they tried hiring professional managers externally, they knew how to manage but were not able to do anything. That is why the company focuses on experts leading experts as they can always learn from each other and this collective expertise in each function of the business would increase their power to solve problems and refine innovations.

Apart from the fact that this method would help teams enjoy benefits of collective expertise, the leaders will always be immersed in specific details. The extent to which Apple goes through with this is that they will always be aware of the processes occurring three levels down in the organisation. Due to this the leaders can always prompt or stop an action and can identify the smallest of issues. Apart from innovating products, the employees find it as a rewarding experience to be constantly guided and mentored by experts in their field.

There are over a 100 of these specialist fields throughout the organisation. For developing any small feature of a product, cross-functional collaboration would be extremely crucial. As part of organisational management, Apple promotes collaborative debates across functions where leaders are considered to be the tiebreakers. For this reason, the leaders at Apple have strong, well-rounded views and are able to distinguish between correct and difficult paths. This method of collaborative debate brings together employees from different functions who might reject ideas, promote ideas or build on other ideas to finally reach a best innovative solution.

While creating these innovative solutions, not everything would be created on time or meet a deadline. Giving employees the flexibility and freedom to be innovative and come up with new ideas in a positive and supportive environment is necessary. That is why Apple focuses on balancing structure and flexibility. For this reason, instead of stopping the release of one feature, the next improvement would be released afterwards. In order to give time to the product development process, they usually take years to perfect the product to reduce the risk of a product misfiring before release. Innovation needs time and Apple's emphasis on this is what leads the company to continuously roll out new innovations.

Apart from products as a result of innovation, the new workspace, Apple Park opened in 2017. This facility was mainly designed to maximise opportunity for creativity, collaboration and innovation. Housing around 12,000 employees in the ring-like workspace was to help employees build relationships and share ideas with others of different specialisations. The workspace is split into different pods designed for different activities. While the design may make one think that the one for all workspace might be counterproductive as different functional departments would need to work in different environments, the various pods would give room for flexibility. As spending time outside is known to improve cognition and promote creative thinking, the Apple Park has around 6 million square feet of landscaping. At the center of the giant ring is the green courtyard that employees would have to walk through while moving to different parts of the campus. Creating such environments as part of its organisational management strategies would only provide more room for innovation.

3. TESLA

Since 2008, Elon Musk has been the CEO of Tesla. He is a leader who does not believe in a specific business hierarchy. The company does not follow any certain organisational structure but could be termed as a divisional structure. There was a specific reason for this. He advocates accessible communication and mentioned that all the employees should be able to communicate freely with anyone else they see fit in the company until they find a solution. Considering the large size of the company, quick and effective communication flows are necessary for being innovative. They would have to be very responsive to change in the automobile industry due to many big competitors and a specific hierarchy would slow down this process.

While encouraging this flexible communication process, leadership plays a huge role in organisational management. Musk is a leader who focuses on micromanagement. With a flattened organisational structure, he believes that he should be aware of the details of all the operations by physically being present. To improve the environment that promotes innovation, Musk is known to move his desk around the workspace to where it was most important at a specific time. This way he motivates all those around him continually. A big part of motivating the employees is by making the vision clear. Tesla has a unique vision compared to other companies of its size. Their goal is to "accelerate the advent of sustainable transport by bringing compelling mass-market electric cars to the market as soon as possible". Their innovation strategy is what motivates everyone to work towards that common goal.

Unlike other companies that are generally quite secretive until their product is produced, Tesla made their patents open to anyone since 2014. Instead of being restricted by competitors, they have a strategy to work together with consumers. Tesla believes that laying intellectual property barriers to inhibit others would be counterproductive to reaching their vision. Thus, the organisational management where the company communicates with the consumers would benefit their innovation journey to tackle climate change. This method of open-source innovation at Tesla is what makes a huge difference in its success.

The innovation culture at Tesla encourages employees to constantly go past the limits of current products and think outside the box. In order to emphasize the importance of following traditional methods, human resource managers make sure to train employees to go past conventional limits of production to produce new solutions for energy and transportation needs as mentioned in the vision. To keep innovation at the heart of the company, they are constantly focusing on research and development. Constant innovation is required based on the rapidly changing automotive industry and the flexibility of the managers to allow employees to spend time on this leads to it.

The research and development are a unique factor that leads to all the new innovations by Tesla. Over the past few years, Tesla's spending on research and development has skyrocketed, reaching \$11.5 billion in 2020. The ratio of this research and development investments to revenue was 17.7% which is around thrice higher than other traditional carmakers. This shows the benefits of this and how it has helped their innovation. The employees are always driven towards something that the company shows interest in.

A unique aspect of Tesla's organisational management is their ownership mindset strategy. The company motivates all the employees to think like they own the entire organisation which encourages them to take accountability for their roles to help the company achieve its goal. Working in unified teams helps this as well. With everyone working in a single team, conflicts are minimised and synergy is developed in the company's human resources. This synergistic teamwork could be a main reason for its competitiveness. Multiple behavioural factors like this have helped employees grow and strengthen the integrity of their business. As these employee traits are influenced by the management, they are aligned to the company's objectives, finally leading to strategic effectiveness and innovation.

4. COMPARATIVE ANALYSIS

Apple and Tesla are two of the most renowned companies in their own industries and they had unique approaches to innovation through organisational management. One main distinction between both the companies was their organisational structure. While Apple did not continue with a conventional structure and switched to a functional structure, Tesla follows a divisional structure. While divisional structures are more common for companies of such sizes, Apple was able to perform well by effectively using a functional structure to its benefit. Due to this functional structure, employees were grouped with others with similar skill sets and experience, which led to employee productivity and efficiency that benefitted innovation. On the other hand, as Tesla, due to the organisational structure not being that explicit, they were able to promote cross-divisional communication which helped with productivity and efficiency like that of Apple. Although these are different approaches, they are followed for reaching the same goal of innovation.

While both these companies promote communication throughout, there are some differences. Apple relies on experts communicating with other experts of the same function but also does promote debates and discussions throughout the company. This form of communication in the form of mentoring helps with employees building ideas off of each other during the process of innovation. By accepting ideas from other functions would allow employees to be more open minded and accepting of all possible solutions even though they might seem too ambitious. On the other hand, at Tesla the managers often communicate well with employees that are three levels down the hierarchy as well. With those of higher expertise constantly being aware of details, would allow for open communication. Their organisational structure and culture promote communication among employees as well as they are prompted to reach out to any other employee that they see fit in order to find a solution. To summaries, while both companies have similar characteristics in promoting cross-divisional and cross-functional communication, Apple seems to have more strategies placed explicitly through the forms of debates and discussions being organized. However, both companies are known to have good communication helping them innovate.

Considering the large customer reach the companies have, their competition is quite high. Apple is known to have discretion as a priority. Due to the technological industry evolving rapidly, the company tries to keep the technical aspects of their new products a secret. The employees are not allowed to discuss with family members and are continuously told this even during meetings. The topics being discussed in meetings at the company are not disclosed until right before as well. These data privacy concerns are due to the other large competitors. On the other hand, while Tesla has a unique vision compared to other competitors, they have a completely opposite approach to Apple's. Tesla promotes open communication with all consumers where all the designs are shared in order to welcome any new ideas that could possibly lead to a breakthrough. This method of working with the consumers has set them apart in truly fulfilling the criteria that lead to innovation. While Apple does seem to be producing new innovative products, the effect Tesla's approach might have on the company can be quite controversial.

Finally, a major part of organisational management is teamwork that is known to promote creativity. At Apple, apart from grouping teams based on functions, which is a very effective method, they create an environment that would support this as well. By placing these groups in pods at the Apple park and all the workspaces, their mindset and motivation would be affected in a positive manner. Through this, it is seen that Apple has focused on building a proper mental and physical environment that motivates employees and promotes innovation. Compared to this, Tesla takes a different approach by using training as a preferred method. By conducting sessions for employees on a timely basis, they are kept informed about the company's vision and synergistic teamwork that would be required for innovation. It could be said that Apple has a slight edge as experience would lead to better results than being told in

the form of sessions but it can be observed that both companies have reached this stage in innovation due to the teamwork throughout the company.

5. CONCLUSION

To conclude, it can be said that both companies have many similarities and differences but these approaches have led to great results in terms of innovation. For example, Apple has created game-changing products and services like the iPod, iTunes, iPhone and iPad. Safari is known to be the world's fastest desktop browser. They also constantly introduce new updates for their MacOS and iOS like the latest App Library, App Clips etc. Without any limits to their innovation, they have diversified and produced products like the iWatch, Apple TV and more. They have offered products with features that people could have never imagined before, and this shows how innovative the company has been throughout history.

Tesla is now known to be the most innovative company in the world. Their technology and AI have allowed them to produce products such as their electric cars, solar panels, solar roofs etc. They have made products never seen before and are working towards a great goal that promotes sustainable development and innovation. Overall, it can be said that the organisational management, structure and culture at both these companies have helped define the successful companies they are today. Viewing the past trends, both Apple and Tesla have set off on their innovative journey and will only come up with new innovations in the future.