# Does the shuffle of CEOs portend stagnation for Apple?

August 26 2011, By Jennifer Tucker

When Apple announced yesterday that Steve Jobs was resigning as CEO to become chairman of the board of directors, the company's new CEO sent an email that caught the attention of a Lehigh management professor.

"I want you to be confident that Apple is not going to change," Tim Cook wrote to employees as he assumed leadership of the tech giant. "We are really looking forward to Steve's ongoing guidance and inspiration as our Chairman."

Cook's strategy, says Tim Quigley, assistant professor of management in the College of Business and Economics (CBE), may not bode well for the future of innovation at Apple.

"The genius of Steve Jobs has been his ability to innovate, evolve and change the firm," says Quigley. "Apple today looks little like the Apple of even five or 10 years ago.

"No one knows for sure how Steve does it. Presumably, he has a keen eye for scanning the environment for market trends, consumer preferences and technology developments, and then putting them all together into new and amazing products people want to have.

"My concern is that, as Jobs takes more time to deal with other issues in his life, he will have less time to monitor what's going on and agonize over every last detail of product design. If Jobs sticks around for a long time but declines in his ability to do these things, people might still defer to him rather than push forward precisely because he is still chairman.

“And his presence might keep someone else from stepping into that void.”

## A freezing effect on future strategic change

In a forthcoming article in *Strategic Management Journal*, Quigley and coauthor Donald Hambrick of Penn State University’s Smeal College of Business suggest that Jobs’ ongoing presence as chairman could result, over the long term, in stagnation rather than innovation.

Their article is titled “When the Former CEO Stays on as Board Chair: Effects on Successor Discretion, Strategic Change, and Performance.”

By moving from CEO to board chairman, Quigley says, Jobs may be “freezing the firm from making subsequent strategic change.

“Our study shows there are fewer strategic changes and fewer swings in firm performance when the predecessor sticks around as board chair. The place stays like it was at the time of succession rather than evolving. That would be a huge problem for Apple.”

“Most interesting, however, we found in supplementary analysis that the predecessor as chair has a disproportional effect on performance.

## A possible impact on the next blockbuster device

“Namely, his continued presence as chair decreases the likelihood of large gains in performance but has no impact on the chances for steep declines.”

In Apple's case, Quigley said, his study leads him to conclude that corporate strategy will remain the same.

"While this might sound like a positive, it might mean Apple will stagnate rather than continue to innovate.

"Instead, Jobs' continued presence as chairman might restrict Apple from making the strategic changes or investments the company needs to make, which could lead to a greater chance for severe declines in performance.

"So, while some are arguing that Jobs' ongoing presence might nullify concerns about Apple's immediate future, our study suggests that there might be cause for heightened concern precisely because he is sticking around.

"We know iPhone 5 and iPad 3 are coming. Apple will sell millions of these over the holidays and probably have a record-breaking quarter. Analysts will say Jobs' stepping down as CEO had no effect or even was a good thing.

"But these products are already in the pipleline. My concern is the next generation of products—iPhone 6, iPad 4 and, more important, the next big blockbuster device Apple has yet to invent.

"If Jobs spends less time on these issues and his presence as chair blocks others from filling the void, you will see a problem in one year or 18 months, and few will make the connection then."

Provided by Lehigh University