**Video Title**: How Apple is Organized for Innovation: The Functional Organization

**Video URL:** [**https://www.youtube.com/watch?v=5hENFA3CJUY**](https://www.youtube.com/watch?v=5hENFA3CJUY)

**Running Time/Source:** 4:36, Harvard Business Review/YouTube

**Close Caption Available:** Yes

Behavioral aspects of innovation are described on pages 418-421 of the textbook. The description of the functional organizational structure on page 360. Is also directly relevant to this video. When Steve Jobs returned to Apple in the 1990s, he laid off the general managers who were the head of business units. A business unit entails an organization designed according to product, as a personal computer.

The adoption of a functional structure may have been unsurprising for a company of Apple’s size at the time. What is surprising—in fact, remarkable—is that Apple retains it today, even though the company is nearly 45 times as large in terms of revenue and far more complex than it was in 1998. Senior vice presidents are in charge of functions, not products. A major advantage of a functional structure is that people with high levels of expertise make decisions about their domain, such as a microelectronics engineer deciding about a smartphone feature. Leaders with advanced knowledge in their disciplines make the final decision related to their field. For example, a marketing executive might decide about how to launch a new Apple watch. Research and development managers are expected to forecast what they think will be the acceptance of a product or product features, such as an enhanced camera phone.

As was the case with Jobs before him, CEO Tim Cook occupies the only position on the organizational chart where the design, engineering, operations, marketing, and retail of any of Apple’s main products meet. In effect, besides the CEO, the company operates with no conventional general managers: people who control an entire process from product development through sales and are judged according to a P&L statement.

*Questions for Thought and Discussion*

1. What is wrong with Apple Corp? The functional structure must be 100 years old. Why doesn’t Apple rely on a more modern overall organizational structure?

2. Why might corporate professionals with advanced expertise in their field, such as logistics, finance, or engineering enjoy working the type of functional structure used at Apple?

3. Give an example of how a senior vice presidents would in charge of a functions, not a product.

4. If Apple did retain general managers for use in a product structure, give examples of two job titles for the general managers.

5. Visualize a way in which critics of the functional structure are being hypercritical when it comes to their own life.