

# CIO- Corporate innovation online

## Innovation management best practices

### A comparison of innovative characteristics at Apple (under Jobs) versus RIM (under Lazaridis and Balsillie)

*The reasons for Apple's extreme success lies with a unique combination of management practices which may not be easily repeated.*

*RIM was up against the most innovative company in the world and did not recognize nor did it respond to the threat!*

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### The rationale for a retrospective

Based on our ongoing research into RIM and a close review of the biography of Steve Jobs by Walter Isaacson<sup>4</sup> we outline differences between the two companies which impacted their respective innovativeness. Are there some lessons to be learned?

We comment on four aspects of innovation;

- strategic direction
- leadership style
- the organization and management of day-to-day affairs and
- idea generation and realization.

The reason for choosing to explore a comparison between Apple and RIM is based, not only the literature available on both companies, but also because Apple, with Jobs at the head had many unacceptable or inappropriate management practices; i.e. don't listen to the customer, do not do market research, have a dictatorial style, admonish staff in front of other employees, etc. And yet Apple, at this time, is hugely successful. RIM, which at

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<sup>4</sup> Steve Jobs, Simon and Schuster, 2011

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one time was seen to be the epitome of a well-managed company, struggles and may not survive in its current form.

Can one learn anything from their experience?

Can we apply the lessons to other firms?

Is the Apple success story just an aberration – and not easily replicated?

The information referenced in this document is based on the latest biography, public information and from research into RIM which was presented in our two reports; Research in Motion's Innovative Capacity – September 8, 2011 and, A Glimpse of Hope for Research in Motion – August 2, 2012, both of which are no longer available on line.

One conclusion is that it is a combination of Factors, not just one Factor, that make for success. Based on the above analysis, it seems clear that while spending levels on research and development are important, success lies more with a company's tolerance for risk taking, tolerance for failure, and tolerance of mavericks which rank high as reasons for Apple's outstanding success under Jobs.

Another conclusion is that outstanding performance with certain management practices may offset poor performance in other practices. Not all practices necessarily need be in place for success.

The trick, if one is the CEO, is to know which management practices are at work and which can be improved.

#### Summary of Conclusions

- RIM was up against the most innovative company in the world.
- A constantly strong innovative culture permeated Apple at the time, RIM's faltered.
- Pursuit of perfection and innovation in every detail and functional area is important, particularly in marketing when a company is launching products or services that create new markets.
- Apple created a culture of innovation in and around a business which prospective customers trusted.
- Neither firm was really very well managed on a day-to-day basis when compared to the CIO's benchmark – the Best of Breed.
- Human resource management is important to ensure top performers are provided with the incentives to stick around and weak performers are let go. RIM realized this too late!
- A strong board that provides sound guidance to the management team can be a critical differentiator. Apple's Board worked effectively. RIM's did not.
- Factors impacting idea generation and realization were front and center to Apple's success – not so at RIM.
- Leadership at RIM was found wanting and the growing dysfunction of the CO-CEO structure did not help.
- Apple's success, under Jobs, was due to a combination of outstanding management practices which may be difficult to replicate.

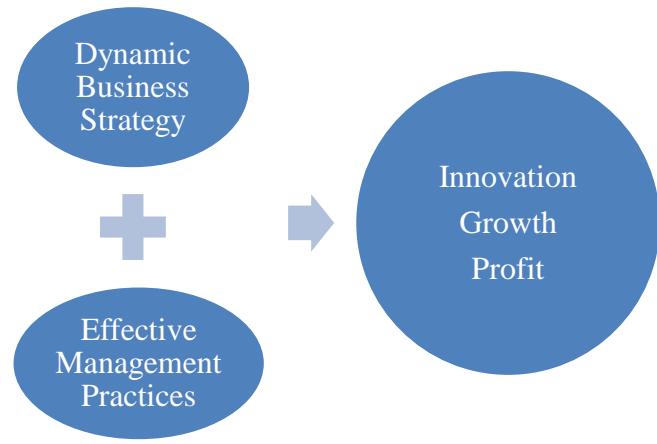
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#### Strategic analysis - differences between Apple and RIM

Our analysis of public information and opinion about RIM and Apple lead us to conclude that the keys to Apple's success over the last 15 years (starting with the second coming of Steve Jobs) were as follows.

- A continuous drive to innovate, not just improvements, but whole new products.
- A relentless pursuit of perfection, in both the development of concept and the details of execution.
- The same drive for perfection at Apple led to a constant weeding out of staff, so that only the best producers were likely to withstand Job's withering challenges to perform.
- Outstanding marketing led by an exceptional ability of Jobs to anticipate, without the benefit of market research, what would please his target markets and drive sales, and again brilliant execution, beginning with the "1984" introduction of the Macintosh in that year and repeated with virtually every new product launch since.
- While Jobs was clearly a 'One Man Show' he did receive and listen to important input from his Board of Directors and key employees.
- Apple followed a strategy based on its creation of completely new product and market concepts; the Apple II, Macintosh, Apple Stores, iPod, iTunes Store, iPhone, The App Store, iPad and, most recently the iCloud. Each product or service offering was, in its own way, a risky and bold venture.
- Strategy was developed and implemented through the singular efforts (no doubt supported by many senior people) of Jobs at the top. Decisions respecting priorities were his.
- At Apple, there was always a process in place of winnowing down the number of initiatives taken on at any one time. Priorities in terms of products were based on Jobs full in-depth knowledge of the technology of the product coupled with a sense of marketing and customers' needs. Apple sustained its innovativeness under Jobs. The Board played a strong role in questioning Job's initiatives, presenting its case, taking a part in the innovative process, and dealing with the genius of Jobs.



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By contrast, at RIM

- A successful initial drive to innovate seemed to fall apart when the competition got stronger.
- The initial pursuit of perfection was strong and led to the creation of the Smartphone market as a business and professional market, on the strength of all the features RIM built into its product that made it a big hit with these markets. RIM failed to follow this up when Apple opened up the market to consumers.
- One has the feeling that RIM was allowed to grow like topsy, with little attention to ensuring it kept the best performers and weeded out those who failed to deliver.
- Initially RIM's market strategy was brilliant and classic at the same time; RIM identified key players in the financial markets and with its suppliers, such as Intel, and later with the U.S. government, and worked with them to develop and deliver a Smartphone that met their needs. These "Partners" were seeded with the initial BlackBerrys and started the ball rolling in the business market. Later, in the face of competition from bigger players operating in bigger markets, RIM's marketing became dysfunctional and tried to cover too much at once. This led in turn to a lack of focus on product development that resulted in a series of botched product launches.
- The RIM board apparently proved unable to stand up to the two Co-CEOs. Initially when RIM was small, the CO-CEO approach worked well, but as the company grew and experienced the many different pressures of rapid growth, the CO-CEO structure became unhealthy, leading to a disconnect between marketing and sales, on the one hand, and innovation and product development on the other.
- RIM created one product but then chose to rely on a series of product enhancements and modifications. Not much was risked after the initial spectacular success of the product.
- RIM was characterized as 'egalitarian' – not a bad trait - but often leading to an excess tolerance for new ideas, new initiatives, and a dispersion of scarce resources. Decision making by the duo became testy, difficult, and ultimately led to slow or ineffective reaction to market developments.
- The deep knowledge of the technical aspects of the business was resident in only one of the duo – no doubt contributing to differing priorities and decision making. RIM lost its innovative mojo particularly once competition became stronger and market conditions changed. The Board seems (since little is heard about this aspect of RIM) to have not challenged the inaction of the duo and was completely taken in by the arguments of both Balsillie and Lazaridis.

**Building, sustaining and articulating innovation management best practices**

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### Methodology

By parsing and bisecting the information available on both Apple and RIM, we explore the strategic choices and management practices which contributed to Apple's huge success and those which led to RIM's difficulties.

Strategic thinking and implementation were clearly managed differently in each company. Each of the 25 Factors<sup>5</sup> outlined impacts the culture for innovation. Factors represent good management practices which, if implemented and supported over the long term, can create an innovative culture. The opposite can occur when practices are not followed or, as in some cases, management exhibits characteristics which are downright counter-productive.

A scoring methodology which enables one to compare the performance of Apple and RIM for each Factor is set out. Two benchmarks are used.

- A statistical analysis of respondents' opinions as registered on our on-line survey and which are called the 'Ideal' since that is what is asked of the respondents.
- A rating based on researching the management practices of highly-innovative, idea-intensive, companies which is called the Best of Breed or, for short, the BofB.

In the analysis below we have used only the 'Ideal' as a benchmark and, and for each Factor, provided a range to represent the assigned value.

For a discussion of the relationship between the 'Ideal' and the 'BofB' refer to the web site and click on an *Explanation of the approach to scoring methodology.pdf*. In summary, there is a close correlation between the two benchmarks but the BofB, since it is derived from researching the best practices of the companies which have been researched, represents a higher standard than the 'Ideal'.

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<sup>5</sup> For a full description of the 25 Factors, please visit the web site;  
<http://www.corporateinnovationonline.com>

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#### Leadership

*Apple's rating, compared to the 'Ideal' is outstanding.*

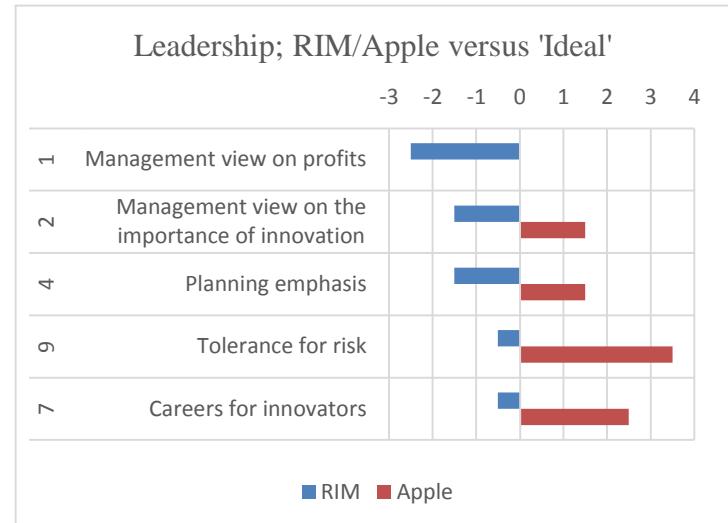
Apple has a better ranking than the 'Ideal' overall thus placing the company in an 'outstanding' category and raising the specter that RIM was competing with the most innovative company in the world at the time.

Five Factors make up the leadership chart opposite. For Factor #1, which measures management's views on short-term versus long-term profits; Apple's score is in line with 'Ideal' (that's why there is no Apple bar) whereas RIM's score – when RIM was in its decline – places much more emphasis on short-term profit goals.

The other four Factors all show that RIM's results are below those of the 'Ideal' while Apple's rating exceeds the 'Ideal'. A reminder that the 'Ideal' is based on the opinions of those who register their opinion in the on-line survey. The 'Ideal' is their view of what would be best practice for each of the twenty-five Factors.

Leadership at Apple and RIM was based on entirely different concepts. Jobs was a dominant leader clearly in charge of the troops but also significantly influenced by Board Members on several key occasions. RIM, after the arrival of Balsillie was two-headed. While this arrangement worked for a while, conflicts arose and these differences had serious consequences. Board influence was less evident, less effective, at RIM than at Apple.

We examine **five leadership Factors** which impacted corporate innovativeness.



Factor #1 Management's view on profits.	Management is prepared to wait a reasonable time for a payout from innovation. Management is not looking for short-term profits.	Ideal Range is 1 to 2
<b>RIM</b> Balsillie made it clear that managers should not be concerned about achieving quarterly results; their focus was to be elsewhere on such matters as product development, launching, or operations. His was an attempt to insulate RIM managers and staff from financial analyst pressure.		
<b>Apple</b> Jobs placed profits second to product ideas, implicitly looking beyond quarterly results.		

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<b>Factor #2</b> Management's view on the importance of innovation.	Management, supported by the Board, explicitly and aggressively looks for innovation.	Ideal Range is - 3 to- 4
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#### RIM

In the early days the emphasis was on innovation but as difficulties arose less emphasis was placed on innovation and more on the effectiveness and delivery of existing or slightly modified products.

The Board is silent on the issue of innovation. Ineffective communication from RIM may be at fault rather than Board intransigence but silence bred rumor and concern!

#### Apple

Jobs, throughout his whole career, looked for and demanded innovation, and this was well known.

Board involvement at Apple was front and center whereas there is little evidence that the Board of RIM had any significant role in either innovation or in directing Balsillie and/or Lazaridis.

<b>Factor #4</b> Management's planning emphasis.	Management, when planning, put a strong emphasis on looking for opportunities and is less focused on rationing resources.	Ideal Range is 2 to 3
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Neither company seemed adept at focusing at other than new product or market opportunities. Only latterly, under Heins, did RIM — start to focus on cost cutting and rationalization.

RIM seemed focused, not so much on cost reduction (as it perhaps should have been) but more on finding minor enhancements for existing platforms.

<b>Factor #9</b> Management's tolerance for risk in the planning process	Risk is fundamental to innovation. Without risk innovation is unlikely to happen.	Ideal Range is 0 to 1
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#### Apple

Jobs on more than one occasion bet the shop on a new idea or the launch of a new product.

'Breakthroughs', most involving high risk, were numerous and sought after by Jobs and his senior staff.

#### RIM

Balsillie was known to be risk averse. At the very beginning the BlackBerry was obviously a risky undertaking as all new ventures are but as success unfolded, the focus of product risk was reduced and modifications, most often asked for by the services organizations, were the basis of newness. Minor modifications as opposed to the introduction of significant product offerings were the pattern of innovation. The BlackBerry was a true 'breakthrough' but the follow up innovations were more akin to modifications than innovations. RIM employees were advised by Balsillie to have a 'diversified portfolio' to diversify their risk.

<b>Factor #7</b> Career for and recognition of innovators.	Most recent survey results clearly indicate that this is a major concern of CEOs and COOs.	Ideal Range is 1 to 2
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#### RIM

Lazaridis, in the early days, paid special attention to his engineers. Praise and recognition in a variety of ways was forthcoming – probably implicitly undervaluing non-technical contributions to innovation as it might have then been defined.

#### Apple

Jobs, reportedly, was a master at capturing other people's ideas and making them his own. Technical competence was highly valued – if it came up to the 'Jobs standard'.

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#### Organization and management of day-to-day affairs

*Niether company scored well compared to the BofB but, on balance, Apple was closer to the 'Ideal'*

Neither Apple nor RIM had an enviable reputation for their day-to-day management. Under this category, neither firm ranked better than the Ideal but Apple was closer to the 'Ideal' than RIM.

RIM's performance is ranked below or has a larger difference from the 'Ideal' than Apple for three Factors; people and their interactions, intra-firm communications, and for decentralization.

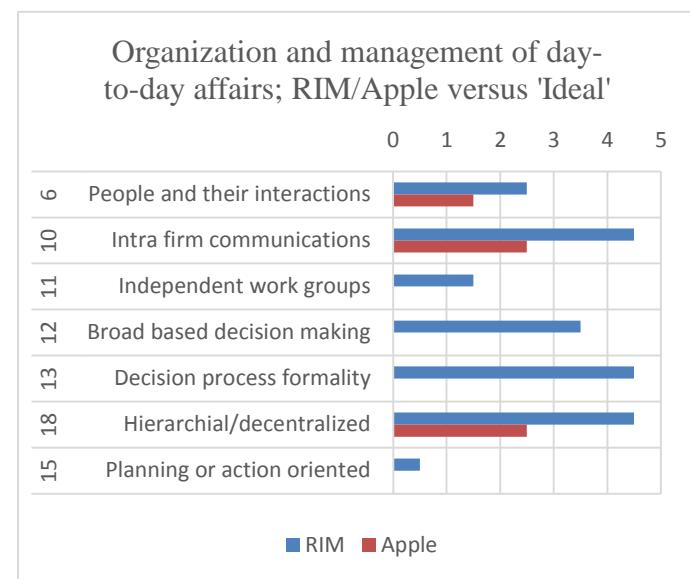
Ratings for three Factors, the use of independent work groups, broadly-based decision making and decision making formality suggest that Apple ranked at the 'Ideal' level and RIM rated lower.

Although not presented in this profile, neither company approached the Best of Breed for any of these seven Factors.

Management practices at RIM, in its earlier stages, portrayed a company which had adopted most of the good management practices associated with highly-innovative companies, for example; lots of participation, good internal communications, but trying to keep practices as they were when the company numbered 200 persons.

More recent reports suggest that many good practices were abandoned as competition increased, and tensions at senior levels became broadly known throughout the organization.

We examine **seven Factors** which impacted how each company was organized and managed on a day-to-day basis.



<b>Factor #6</b> <b>Attention paid to people and their interactions</b>	<b>Leaders, by way of their management practices, put a great deal of emphasis on the management of people and their interactions.</b>	<b>Ideal Range is 3 to 4</b>
<b>Apple</b> Jobs was not known for his adoption of good management practices. His treatment of people is legendary. His skills seem to have been in hiring and firing the right people at the right time.		
<b>RIM</b> Latter evidence seems to suggest that the duo heads, while encouraging input, were not listening to ideas for performance improvement.		

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<b>Factor #10</b> Style and effectiveness of intra-firm communications.	The emphasis in an innovative culture is on a minimum of formal communication and an encouragement of openness through less formality.	Ideal Range is - (3 to -4)
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<b>RIM</b> Early management style was based on open communication, encouragement of discussions, etc., but as problems were encountered this openness ceased or was constrained because of tensions at senior levels. <b>Apple</b> Jobs management style seems to have favored informality with lots of unscheduled meetings with team leaders.
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<b>Factor #11</b> Use of work independent work groups.	Viewed as an important management practice in a culture which supports innovativeness.	Ideal Range is - 2 to -3
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<b>RIM</b> While independent work groups were a feature of pre-problem RIM, it is less clear that the groups would have had real authority to make decisions and, rather would be used more as sounding boards. <b>Apple</b> The contrary seemed to be the case.
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<b>Factor #12</b> Decision making is broadly based.	Input from the whole corporation is a value associated with innovative companies. Less autocracy and more participation – more collaboration.	Ideal Range is 2 to 3
Both companies were highly centralized in terms of day-to-day decision making. <b>RIM</b> 's hiring at all levels was controlled by Balsillie with his 'once-per-month' approval of all hires. At <b>Apple</b> , all product decisions were in the end those made by Jobs. Jobs, while exhibiting an autocratic style and a tendency to micro-manage at least some aspects of the business, did listen to advice from some other employees, and his Board, even if he did not admit it at first.		

<b>Factor #13</b> Formality of decision process.	More informal and less formal decision making is the view held by respondents to the online survey.	Ideal Range is 2 to 3
<b>Apple</b> Key decisions were made by Jobs, usually after meetings with his team leaders. The process seems to have been quite informal. At <b>RIM</b> , under the two-headed arrangement, it is more likely that few decisions were made at the right time leading to a paralysis of decision making. Missteps in product announcements are evidence of a management system in array.		

<b>Factor #18</b> Extent to which the company is hierarchical; centralized or decentralized.	Highly-innovative companies devolve authority, responsibility and accountability to the greatest extent possible. Respondents to the online survey consider this to be a characteristic of sustaining innovation.	Ideal Range is -(2 to -3)
While decentralization is a characteristic of many highly-innovative companies such as 3M and Deere, this characteristic was not present in either company. Both companies devolved few of the very important decisions. As conditions worsened at RIM, decision making became even more centralized and split between two heads.		

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Factor #15 The extent to which the company is action or planning oriented.	There is a balance between shooting from the hip and becoming paralyzed by planning.	Ideal Range is -0 to -1
<b>Apple</b> Jobs could not be accused of being obsessed with planning. His orientation was to take action.		
<b>RIM</b> Our impression is that RIM was more planning oriented, perhaps to the point of paralysis with respect to some product launches.		

### Idea generation and realization

*Apple scores much better than RIM when identifying and commercializing ideas.*

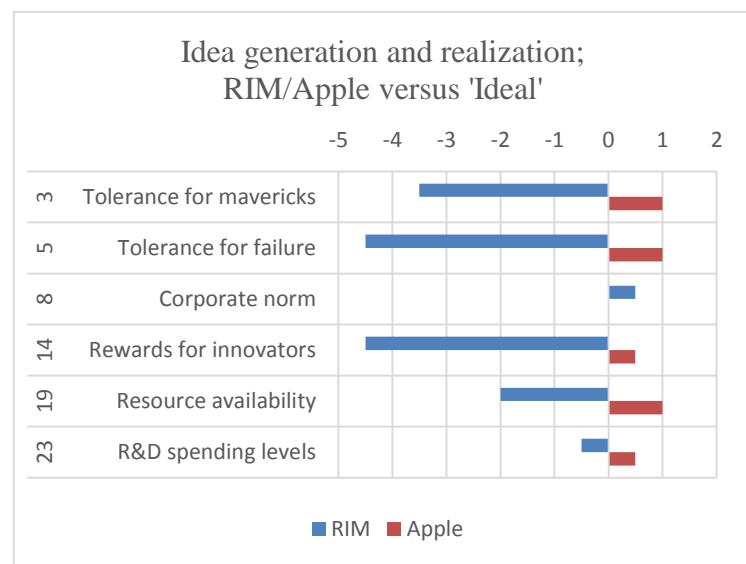
Apple scores higher than the 'Ideal' in 5 of the 6 Factors; thus confirming their outstanding performance in this category.

RIM's score relative to the 'Ideal' shows a significant negative difference for 3 of the 6 Factors as rated over the period when RIM was in decline.

When one compares Apple's score with RIM, the reasons for Apple's outstanding success becomes clear. RIM, on the other hand, scores well below the Ideal.

Ideas were sought at all times by Jobs. His genius was in the development of concepts out of ideas or the confluence of ideas of others. His reputation was one of picking up others ideas and essentially making them his own, seldom giving credit where it was due. Ideas were patented even in his own name when they were clearly the ideas of others. The climate of the Apple organization revolved around ideas; their development and how the ideas would be introduced to the market – a singular focus on ideas driven by one man – backed up by a coterie of high-performing professionals.

Lazaridis brought in Balsillie to handle the business side of the new venture of Blackberry and by so doing disconnected the money-making risk taking side of the business from product development. Lauded as a smart move at the time, the earlier similarity of views on strategy and product development deteriorated to the point where the dual headship was at loggerheads as the company could not meet the challenge of fast-rising competition.



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We examine **five Factors** which set the climate for coming up with ideas and lead to their successful commercialization.

<b>Factor #3</b> <b>Management's tolerance of mavericks.</b>	<b>Management really does have a high tolerance for mavericks in the organization.</b>	<b>Ideal Range is -2 to -3</b>
<b>Apple</b> Jobs was the classic maverick and would respect other mavericks if they stood up to him and were seen to have a lot to offer to Apple.		
<b>RIM</b> Balsillie would not be so much regarded as a maverick as a ‘business person’ or ‘suit’ by another term. Lazaridis was the maverick in terms of design and technical issues. Much of the hiring was from the Kitchener Waterloo area and not as diverse as Apple’s sources. Cloning is less risky!		

<b>Factor #5</b> <b>Management's tolerance for failure.</b>	<b>Management has a reasonably high tolerance for failure.</b>	<b>Ideal Range is -(2 to -3</b>
<b>Apple</b> Jobs had little tolerance for failure and was known to chastise his employees – at all levels – if they did not, in his view, perform. Firing staff who did not deliver was a common practice.		
<b>RIM</b> Balsillie, by all accounts, was a builder and not one who fired personnel as easily as Jobs managed to do. Perhaps RIM’s tolerance for failure was excessive, leading to many false starts or projects which should have been aborted earlier in their development. Engineers to not like to fail and are prone to study perhaps too much!		

<b>Factor #14</b> <b>Existence of reward mechanisms for innovators and innovation</b>	<b>Respondents to the on-line survey advocate the use of specific rewards for innovation.</b>	<b>Ideal Range is -3 to -4</b>
Jobs took aggressive steps to re price stock option prices to provide serious incentives for Apple staff. Little is known about RIM’s re pricing or not of stock options which at one time were worth a lot but for most must now be a disincentive. RIM had to pay a large fine for repricing options, so this was presumably a common occurrence at RIM as well.		

<b>Factor #19</b> <b>A sense that resources would be available if new ventures are identified</b>	<b>The indication, or past evidence, of resources being available for innovation is a definite incentive to be innovative.</b>	<b>Ideal range is 2 to 3</b>
There is a sense that there were too many ideas afloat in RIM and the problem was the process of dropping those which were not likely to result in significant businesses. A too ‘egalitarian’ approach to idea management is just as counter-productive as one that discourages new ideas.		

<b>Factor #23</b> <b>R&amp;D spending levels.</b>	<b>An expectation that R&amp;D spending would be at least, if not above, competitors spending.</b>	<b>Ideal range is 1 to 2</b>
Apple’s spending on R&D in the absolute amount substantially exceeds spending by RIM. However, given the wider range of Apple products, the two are comparable in amounts spent on R&D. There is the suggestion that RIM’s spending was not sufficiently prioritized – perhaps related to different ideas about strategy and exacerbated by product profusion. It may be that under Hein’s direction RIM has regained a focus on a manageable scope of R&D. The release of the BB10 will tell the tale.		

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### Other Factors

There are 25 Factors in all which are part of any full analysis<sup>6</sup> of corporate innovativeness but only 18 of them have been addressed above. Other Factors which were either less relevant, or we did not have sufficient information to make comment, are noted here.

Factor #21; Retention of innovators – where we do not have information,

Factor #24; What is the perception of the trend in innovation?

Factor #16; Attitudes towards mergers etc., where we do not have information on employee perceptions

Factor #17; Company versus personal loyalty.

Factor #20; Staff versus line involvements.

Factor #25; Role of employee groups, where we do not have information

Factor #22 deserves comment. This Factor addresses the issue of whether a company has an innovative tradition. The question; does the company – or *did* - in this case, under the management regimes researched - have an innovative tradition? At the outset RIM, under Lazaridis and Balsillie had an outstanding reputation for innovation, as did Apple. That tradition changed in the latter stages for RIM and was enhanced for Apple.

### Conclusions – Lessons learned

RIM was up against the most innovative company in the world, but they chose to minimize Apple as a competitor.

A consistently strong innovative culture permeated Apple throughout. Most importantly, it extended to Apple's marketing. This approach to making marketing as innovative as the new products can be traced back to one of the three Marketing Principles set out by Mike Markula as early as 1977. The third Principle was "Infuse", by which Markula meant to ensure that every part of the business sends a consistent signal to customers, employees, suppliers, investors.

When a company is launching new products or services that create new markets or change old markets in new ways, the marketing should be correspondingly innovative to help create a culture of innovation in and around the business so that prospective customers will trust that the company knows how to innovate. Apple succeeded in this; RIM fumbled the ball several times.

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<sup>6</sup> See <http://www.corporateinnovationonline.com> for a full description of the Factors

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### **Leadership**

While Jobs was clearly a one-man show, he did receive valuable input from key employees, such as Markula and Cook, and sound guidance from his Board. Leadership was found wanting at RIM; lack of Board involvement (inferred), reduced tolerance for risk, and incremental innovation rather than whole new products, such as tablet computers, became prevalent as the competition heated up. The growing dysfunction of the CO-CEO structure didn't help.

### **Day to day Management**

Neither firm was really very well managed on a day-to-day basis when compared to the 'Ideal' and the other benchmark, the Best of Breed'. However, Jobs sought perfection in every detail of the new products and services and drove his teams to exceed their own expectations.

RIM in contrast had this early on but fell apart when the competition from bigger players in bigger markets arrived. The Co-CEO structure became dysfunctional as Balsillie

sought a wider and wider range of markets stretching RIM's resources. This led in turn to lack of focus in product development that resulted in a series of botched product launches.

### **Idea Generation and Realization**

Factors impacting idea generation and realization were front and center to Apple's success; tolerance for mavericks, tolerance for failure, potential rewards for innovators, Apple being seen-to-have resource availability for new ideas, all Factors where Apple scored better than RIM, once Apple had entered the Smartphone market.

Jobs drive for perfection led to a constant weeding out of staff, so only the best producers were likely to withstand the withering challenges to perform emanating from Jobs. There is a sense, on the other hand, that RIM was allowed to grow like topsy, with insufficient attention paid to weeding out the non-performers.

### **Identifying the most important innovation management practices**

But what management practices contributed most to the success of Apple. As noted, their management practices respecting the organization and management of day-to-day affairs are not much different from the 'Ideal' of those registering their opinion on the on-line survey. Apple's practices in this category fall short of the standard of Best of Breed.

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What is clear is that Apple's penchant for innovation and its approach to idea generation and realization were outstanding. The performance in the following Factors made for the difference.

Apple's tolerance for risk – F#9 – exceeds by quite a margin the rating for Best of Breed and even more so than the 'Ideal' from survey respondents. Apple provided a career for innovators – F#7 – at the same rating as for Best of Breed and much above the 'Ideal'.

Apple's tolerance for mavericks – F#3 - and tolerance for failure – F#5 – fell just short of the Best or Breed rating but well above the 'Ideal'.

One conclusion is that, whether it is this combination of Factors that make for success, it is a combination of important Factors that does the trick. Based on the above analysis, it seems clear that while spending levels on research and development are important, success lies more with tolerance at several levels and risk taking rank high as reasons for Apples outstanding success at the time of Jobs.

