

Photograph by K. Gypsy Zaboroskie

**T**he search for a new president for Apple Computer came to an end on April 6 when John Sculley, former president and chief executive officer of Pepsi Cola Company, took over from Mike Markkula, one of the vital contributors to the mind-boggling success story of Apple Computer.

Markkula had been considering withdrawing from the hectic day-to-day operation of the company for more than a year. The entry of IBM into the personal-computer market, however, made the choice of a qualified leader for Apple even more significant than it had been before.

Recently, *InfoWorld* editors Maggie Canon and Paul Freiberger visited Sculley in his office in Apple's Cupertino, California, facility. Raised in Bermuda, with an education that includes architectural studies and an MBA, with an emphasis on marketing, from the Wharton School, Sculley offers Apple a seasoned executive who is used to taking on big competitors.

Perhaps it will come as a surprise to many that he also has a background as a ham-radio and electronics hobbyist and that he understands a good deal about personal-computer technology.

The discussion with Sculley covered many topics, ranging from his background to his strategy for running Apple. The only question Sculley wouldn't address concerned new products. When asked whether MacIntosh would outsell the Apple IIe next year, Sculley quickly shot back, "I'm not introducing any new products today."

What follows is an edited version of the interview with John Sculley. [See Sculley, page 29](#)

# FROM HIGH FIZZ TO HIGH TECH

Apple's  
new  
president,  
John Sculley,  
moves  
in

**Sculley**

*continued from page 27*

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What follows is an edited version of the interview with John Sculley.

**IW:** You were at Pepsi a long time?

**Sculley:** About 16 years. I started off driving a truck, working in bottling plants, putting signs up out in the desert of Phoenix, Arizona.

**IW:** That was in your job description?

**Sculley:** They had never hired an MBA, and they didn't know what to do with me. So I went out and knocked around the bottling plants. Then I came back to headquarters, and I ended up in the market-research department.

I had a lucky break, too, when cyclamates were banned. CBS asked the head of Coca Cola if he would go on Walter Cronkite's show to do an interview. He couldn't do it because he was out of the country. So, CBS asked the head of Pepsi, and he couldn't do it—it was going through a reorganization—so he asked me to do it.

**IW:** What do you think your major contribution to Pepsi was?

**Sculley:** I think it was probably creative marketing, giving Pepsi the idea that it really could become the number 1 soft drink. It had always assumed that it was going to be number 2.

**IW:** Did you have the idea for the "Pepsi generation" advertising campaign?

**Sculley:** The line "Pepsi generation" had been developed before I got there, but it had been abandoned. I resurrected it and redesigned the graphic on Pepsi. If you look at Pepsi in 1970, the graphic was gold, white and black.

**IW:** What were your first impressions of Apple—coming from such a different field?

**Sculley:** You mean from high fizz to high tech? Well, it's not a lot different from a cultural standpoint. When I joined Pepsi, it was half the size of Apple today. It was a small, entrepreneurial company that was growing rapidly—and that's what Apple is.

A second thing: Pepsi was never considered a structured corporation. It doesn't have a lot of layers of management. It doesn't believe a lot in structure. Apple isn't that way, either.

What Pepsi did believe in was discipline and not structure, and that's presumably one of the things I'll have the opportunity to bring to Apple.

**IW:** Do you have any plans for changing the company?

**Sculley:** I don't have a lot of interest in making many structural changes. I'm

more interested in taking something that is working really well, and as the company gets bigger, help the organization grow as far as the business is.

When most companies hire somebody from the outside, it's because they have a problem. Apple doesn't have a problem. What it has are some incredible opportunities. My job is to preserve the values and the quality of the environment that we have here, as the company gets bigger, and not let it get encumbered with too much corporate-America structure.

So, contrary to what people think—that here's this guy from East Coast, corporate America—how is he going to adjust from a three-piece business suit to the laid-back California

*See Sculley, page 30*



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
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## Sculley

*continued from preceding page*  
environment—guess what, I like it. I was sort of a maverick at Pepsi anyway.

**IW:** What parallels do you see between high fizz and high tech?

**Sculley:** The beverage industry is large—\$24 billion; it's highly competitive. It's a Pepsi/Coke race.

The personal-computer industry is in the process of becoming very large, and it's highly competitive; it's an Apple/IBM race.

**IW:** From what we read, IBM is quickly catching up.

**Sculley:** I think IBM is doing a great job, and I think it's good for the industry because clearly IBM has added credibility to the industry, just with those three initials.

I think that just by being what it is, it brings standardization to a large part of the industry. I want to be in a business where the major competitors are also the major contributors.

If you look at the low end of the home-computer market, which is sort of games migrating up, I don't see anybody contributing to that part of the business except by cutting price.

It's hard to see what people are getting for their investment. There doesn't seem to be much brand loyalty there; there doesn't seem to be any real product innovation there.

That's a part of the industry that I'm glad we're not in. We're trying to take high-cost technology and translate it into low-cost, high-quality, extremely easy to use products, and we're making a big investment in research and development here. IBM does the same thing.

**IW:** For how long will IBM's role as a contributor be more important than its role as a competitor?

**Sculley:** I think as long as there's this terrific growth, there's no problem. In the personal-computer industry, where we're still experiencing 50% growth per year, and it doesn't look like it's going to change for many years to come, IBM can do very well and so can Apple.

The two companies aren't trying to kill one another. They're both trying to give shape to what the industry is going to look like.

**IW:** Is it going to be a number 1 and number 2 and everyone else below?

**Sculley:** I would think so, probably.

**IW:** Do you see a shakeout coming?

**Sculley:** I don't know when it's going to happen, but there's no question that it will happen because it has happened in every other business that I can think of.

Eventually, the economies of scale make it difficult for people who don't bring anything to the industry other than taking someone else's product and selling it for a lower price or selling for the same price and giving a little more performance. It's difficult for them to get a niche in the marketplace.

As long as the industry is fluid, and

it has incredible growth, and the technology is breaking new ground and contributing to that growth, there's still room for people to come in.

So, I would guess that while there'll be a shakeout of people who aren't

haven't even started yet. They've got to bring incredibly good products, though.

**IW:** Will you be heavily involved in marketing and advertising plans?

**'People have asked me what we want to model Apple after, and the answer is nobody. We want to create a new environment.'**

contributing much to the business—just repackaging or taking a 16-bit MS-DOS product and selling it for less—there'll still be room for people who have really great ideas.

There will probably be some big competitors in the industry who

**Sculley:** I would guess, a year from now, you'll begin to see some things that are different from what we've done before.










**IW:** What are your feelings about price cutting?

**Sculley:** The cost of building personal computers is going down. That will be reflected in the prices, particularly when we're in a period of low inflation in the economy.

At the same time, we know that the performance of personal computers is going to be improving over time. So, there is an overall marketing dynamic of prices coming down and performance going up. But I think that the real price-value relationship for branded products is going to come in giving the consumer better value, rather than lower prices, on things that are already available now.

The low end of the market has chosen to take things that are already available and just lower the price. I think that gets you in trouble.

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Photograph by K. Gypsy Zaboroskie

Not only does it drive manufacturers' margins down, but it has a lot of other implications: Who wants to write software when the software prices are driven down to nothing? Who wants to be the retailer when the retail margins are driven down to nothing? And who wants to make the peripherals when the peripheral margins are driven down to nothing?

It takes away everybody's incentive for investment in that segment of the business. I believe in the area of the industry that Apple is in—the higher end of the market.

Our focus will be more in terms of enhancing the value of the product by making it easier to use, by bundling more things with the product, as opposed to just price cutting.

**IW:** Will you be involved in deciding which products should be developed?

**Sculley:** Yeah, most of the time I've spent at Apple has been spent developing a product-line strategy for the company.

**IW:** That would strike people as odd—that somebody who hasn't been in the industry before could come in and develop a product line?

**Sculley:** I don't sit in my office and do it. The style of management that I enjoy is a teamwork style, where you get a small group together, and you try to work through a problem.

What we've actually done is to go off for two days at a time, from seven in the morning until midnight, brainstorming—working through where our products are going. Where does this lead? How is this product compatible with what's behind it? How does it fit in with other products?

It's part of the work that you go through when you go from a single-product company, which is what Apple has largely been, to a multiproduct company. It's how all these fit together, because the level of complexity goes up exponentially.

**IW:** Who is the consumer for Apple?

**Sculley:** I think the people we are going after are probably under 40—35 and younger down into the teens. People who are achievement-oriented, who like to get involved with things, who like to do things themselves and who are willing to make the investment in terms of time and money to get into personal computing and really get excited about it.

If these people weren't doing personal computing, they'd probably be out spending their time doing something else. They'd be learning how to become great sailors. They'd be learning how to climb mountains.

They're just high-energy people who really like to keep active. The kind of people that, if they're in business, you probably find in the office on Saturday mornings working on projects.

You'd probably find them to be creative people who are interested in ideas, and people who really want to be on the frontier, on the leading edge of what's going on in the world.

If you look at the penetration of personal computers, it's really low. Only 3% of homes have personal computers, and another 3% of the population use them in offices, and another 1% uses them in offices and homes—that's a total of 7% of the population of this country actually using personal computers in some form or another.

Because the penetration is so low, you're talking to a small group at this point. As the products become easier and easier to use, that target is going to expand.

It won't just be people of 35 and under, and it won't be just these people who are high-energy, high-work-ethic kinds of people, but it will start to reach more casual users.

That's why we think there is still a lot of growth left in the personal-computer industry—because penetration is low and the products are getting so much easier to use.

*See Sculley, page 32*

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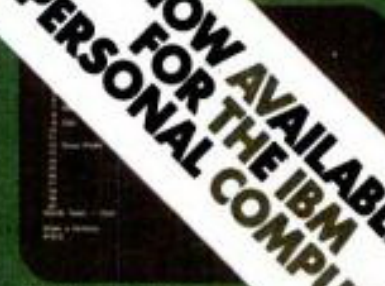
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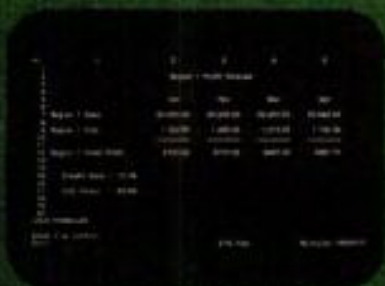
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**Sculley**

*continued from preceding page*  
**IW:** Is the IBM consumer different from the one you've just described for Apple?

**Sculley:** Yeah, I think so. I think IBM consumers are more traditional. If you see them in the office, they probably have their jacket on, and they wouldn't give an interview without a three-piece suit on.

They are the people who have already arrived. Apple consumers are people who are still on the way up. IBM is one of the great treasures of this country; Apple is one of the great gems of the future that's still in the process of being shaped.

Photograph by K. Gymer Zahorvatka

**IW:** Are you working with Steve Jobs in his effort to get Apple computers into schools?

**Sculley:** I'm not too concerned about who does what. I'm more concerned that Apple does a lot of great things, and Steve is one of the most incredibly talented people I've ever met in my whole life.

If you can pick one reason why I came to Apple, it was to have the chance to work with Steve because I look on him as being someone who can be one of the really important figures in our country during this century. And I have a chance to help him grow. That in itself is exciting.

**IW:** Will you be working with Steve Wozniak?

**Sculley:** I've never met Steve Wozniak. I know that he is an outstanding engineer, and, if he wants to come back and work on something, that would be great. I hope he does come back.

**IW:** The Apple II created a whole industry by virtue of being an open system, and hundreds of software designers developed software and peripherals. Today it looks as though the IBM PC has become that kind of machine. Innovative software is coming out for the IBM machine. How can you compete with that? How is Apple going to attract third-party designers for future machines?

**Sculley:** That suggests we're having a problem attracting third-party developers for future machines. We're not. We have developers working with future products right now.

I think if we were not Apple, if we were someone trying to get into the computer business, we wouldn't have any choice but to go with IBM's open architecture—8088 and MS-DOS.

In terms of future products, we have taken a big technology bet that we can leapfrog the 16-bit processor and go right to the 32-bit architecture. That's what we're doing with the Motorola 68000, which we have in the Lisa and which will be in future products that come out of that technology.

I think you're going to see two things: one is that there will be a tremendous amount of software written for Apple 68000 products, and the second thing is I think you'll see a lot of software developers converting Apple software for IBM and IBM software for Apple.

We'll eventually have the ability to take IBM software and bring it into a window on a Lisa, for example. So the compatibility issue, I think, will kind of solve itself, over time.

**IW:** Will the Japanese have an impact on the market?

**Sculley:** Definitely, but I think they will do what they have demonstrated in the past that they do well. They make high-quality products, particularly smaller products, and I think they will be a major force in portable computers. But, there is still some technology that has to be solved.

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**Sculley:** I don't feel any great urge to. Will we have one eventually? Sure. It isn't the highest priority, though.

**IW:** What trends do you see in the industry?

**Sculley:** I think you're going to see more people moving to 32-bit architecture for personal computers. I think you're going to see 5 and 10 megabytes built into products, as standard, at the high end.

And you're going to find some kind of fileserver on a network that will go to 40 or 50 or 100 megabytes.

At NCC, we saw some sophisticated Japanese, color, laser printers, and I think that is one of the things coming. I believe that some of the people who have traditionally been in the office market, such as Xerox or Wang, that have had dedicated systems, even

**'A year from now, you'll begin to see some things that are different from what we've done before.'**

though they are introducing personal computers now—I think they're doing it not so much as a strategic decision but more as a commodity that fits into the line, and they don't want to be left out.

No one wants to be accused five years from now of being marketing myopic and having overlooked the personal computer.

But I suspect you're going to see some refocusing of energy over time, and some of those manufacturers are going to return to dedicated systems.

**IW:** For how long do you anticipate the II will remain the bread-and-butter product for Apple?

**Sculley:** I think it's going to be an important product for quite a few years to come. It's going to be like the Volkswagen Beetle was for so many years—sort of a cult product. As long as we can keep getting great software on it, and as long as we can keep enhancing it, the product will still have a lot of life ahead of it.

**IW:** What contribution is the personal computer making to society?

**Sculley:** I think the contribution is still in the process of being shaped. It will not be looked back upon as a product that helped people calculate numbers faster.

It will be looked upon as a product that opened up tremendous new possibilities for what people could do, in terms of working with concepts, projects.

I think it's the first connection between man and machine that really has romance involved with it or maybe the first one was when people fell in love with cars in the 20s and 30s.

**IW:** Some people believe that a large company can't be a technology leader—that that's why Apple rather than IBM came out with the Lisa. As Apple gets bigger, will it be harder to remain a technology leader?

**Sculley:** I think great companies try to stand for something and then live up to it. In the case of IBM, IBM is a great service organization. That's what it has built a great company around.

It doesn't have the need in its charter to be on the cutting edge of high technology, nor do you find that in any of its history. Apple has said that technology is an important part of its success and will be an important part of its future.

The way we've been successful is by having had small teams creating great products, and we have not been encumbered by a lot of structure. The risk is that we can become just bigger and bigger, and suddenly, those people who enjoy working in little teams, such as those who created the Lisa and Apple IIe, don't want to work here anymore.

That's my job and Steve Jobs' job—to make sure that never happens. One way to do it is to come up with organizational concepts that allow us to become good at getting the functional infrastructure in place. Our customers can then have confidence that we can back up our products on the one hand, and that we can manage a complex, multiproduct business on the other hand, still maintaining the small-team, entrepreneurial environment.

People have asked me what we want to model Apple after, and the answer is, nobody. We want to create a new environment. There aren't any good examples. ■

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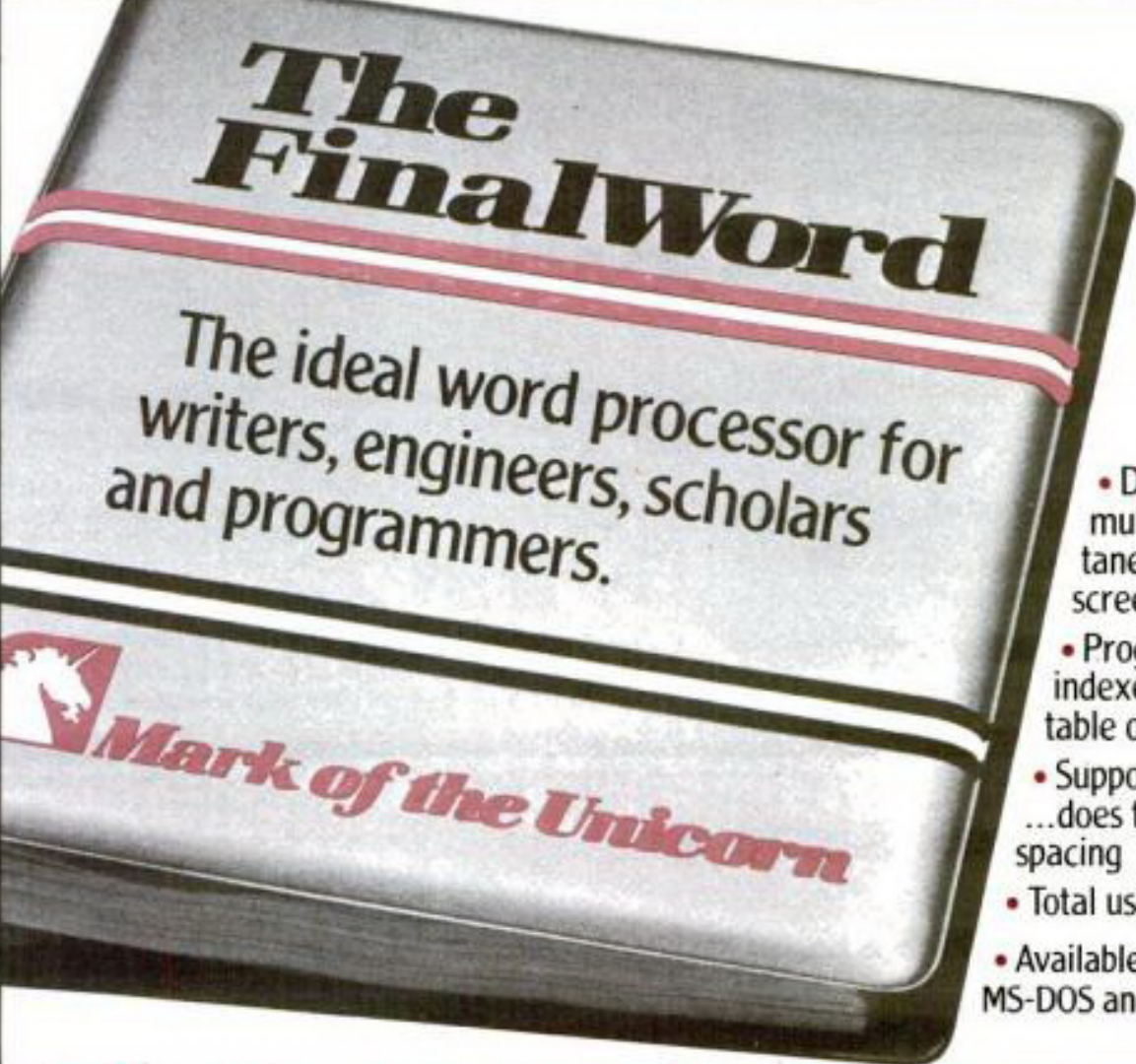
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