

Leadership Styles and Organizational Performance: A Comparative Analysis of Apple and Microsoft

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Abstract: In today's rapidly changing market conditions and technological advancements, effective leadership style plays a vital role in ensuring the success and sustainability of a company. Thus, business owners must understand which leadership style to adopt. This scientific article examines the impact of leadership styles on the organizational performance of two major tech companies, Apple Inc. and Microsoft Corporation. Using comparative analysis, this study compares these two companies based on the impact of their leadership styles on 4 key elements of organizational performance: market capitalization, stock performance, market shares, and employee satisfaction. The research yielded mixed results: Apple outperformed in market capitalization and market share while Microsoft excelled in stock performance and employee satisfaction. Therefore, it remains unclear whether Apple's democratic leadership style is superior to Microsoft's transformative leadership style or vice versa.

Keywords: Apple Inc., Microsoft Corporation, leadership style, organizational performance, Satya Nadella, Tim Cook.

Introduction: In the dynamic of today's corporate world, leadership styles play a pivotal role in shaping the trajectory of organizations. The effectiveness of leadership styles employed by major players in the global market directly influences organizational performance. This scientific article examines and performs a comparative analysis of the leadership styles and their connection to the organizational performances of two giant technology companies – Apple Inc. and Microsoft Corporation. As these companies continue to dominate the global market, understanding the nuances of their leadership styles is imperative for business practitioners, scientists, and politicians alike.

Leadership involves different approaches that influence organizational dynamics differently. The choices made by leaders vary throughout the organizations, affecting their employee engagement, innovation, and, finally, bottom lines. Apple Inc. and Microsoft Corporation, which have dominated the technology market for over 2 centuries, serve as epitomes of success for other business owners.

Therefore, meticulous scrutiny, comprehensive analysis, and detailed comparison of the influence of their leadership styles on organizational performance provide essential insight for young start-ups and other businesses on wise decision-making making which will ultimately contribute to their success.

As these two leaders have vastly different approaches to leadership, this scientific article provides a comparative analysis to identify areas where their philosophies differ and whose approach is superior. Do Apple's innovation-driven leadership strategies yield better results compared to Microsoft's focus on adaptability and strategic partnerships? The answer lies in comparing leadership philosophies and organizational outcomes.

Therefore, the goal of this article is twofold: first, to explore the leadership styles of Apple Inc. and Microsoft Corporation; and second, to compare their organizational performances to determine which approach is superior.

Analysis of the previous works:

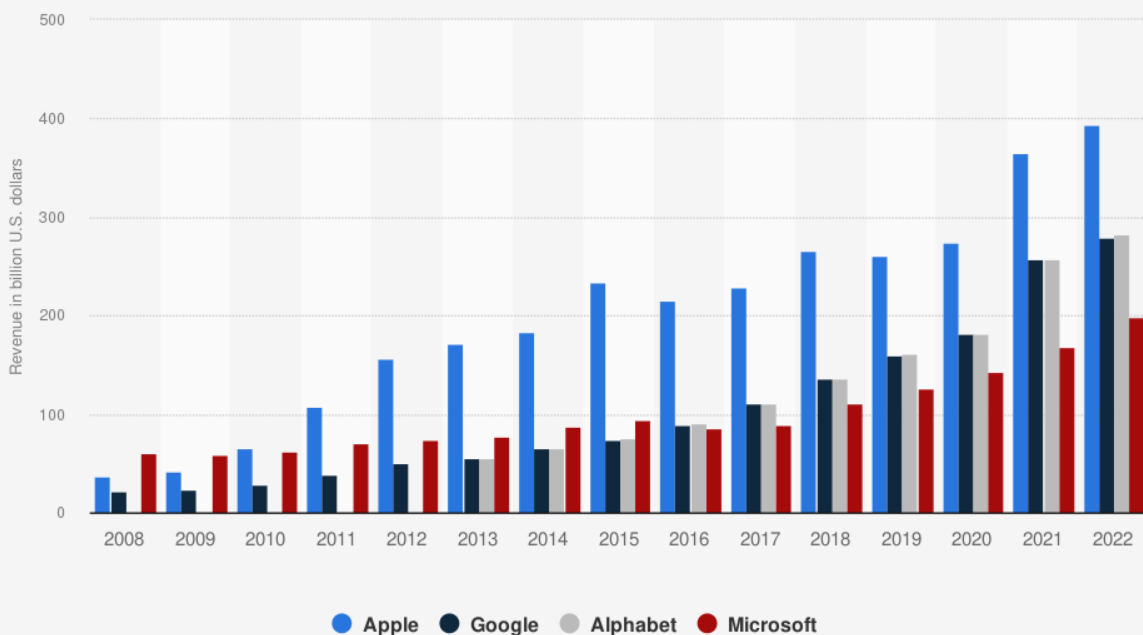
The rivalry between Apple and Microsoft began in the 1980s when Microsoft allowed other computer manufacturers to use its operating system. As a result, Windows was installed and run on several different devices. At the same time, Apple decided to manufacture its unique hardware that would be suitable to run only Apple's operating system. Following their establishment, these two major corporations have been extensively studied and compared to determine which one is superior. In the series of studies carried out by Collins and Hansen, they aimed to identify principles and strategies that set successful companies apart. Over an extended period of 11 years ranging from 1991 to 2002, the authors compared paired companies, which included Apple and Microsoft. In their analysis presented in the book "Great by Choice" [1], they established that Microsoft as a company fitted the category "great" by adopting the principles outlined by Great by Choice- which included ambition, fanatic discipline, productive paranoia, and empirical creativity -while Apple did not align itself with these identified principles.

Later, James A. Sena and Eric Olsen carried out the same research as Collins and Hansen did; however, they concentrated on the period from 2002 to 2012. In their paper called "Microsoft vs Apple: Which is Great

by Choice?" [2], they first examined the last 11 years (1991 to 2001) to verify whether Microsoft outperformed Apple. Indeed, a comparison of these two companies to Standards vs. Poor's 500 (S&P) [2] revealed that Microsoft performed almost 13 times better than the S&P 500 while Apple performed poorly. Second, they compared their performance from 2002 to 2012, including their conformity to GBC principles, employee salaries, annual returns, etc. They concluded that Apple throughout the period of examination consistently increased its conformity to GBC principles while Microsoft ceased. Nevertheless, they were unable to reach any decisive conclusion, due to the fact that both Apple and Microsoft's uses of GBC principles varied during the period.

In the report titled "Revenue Comparison of Apple, Google, Alphabet, and Microsoft from 2008 to 2022"[3], it was shown that Apple earned more revenue than Microsoft in every year except 2008 and 2009. During these two years, Microsoft's revenue exceeded Apple's by almost 23 and 16 billion dollars respectively. However, after 2009, Apple's revenue was consistently twice as much as Microsoft's. This trend continued until 2022, with Apple earning \$394.33 billion and Microsoft earning \$198.27 billion.

Revenue comparison of Apple, Google, Alphabet, and Microsoft from 2008 to 2022 (in billion U.S. dollars)



Sources
Apple; Google; Alphabet
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Additional Information:
Worldwide; Apple; Google; Alphabet; Fiscal years 2008 to 2022

Main Part:

Apple:

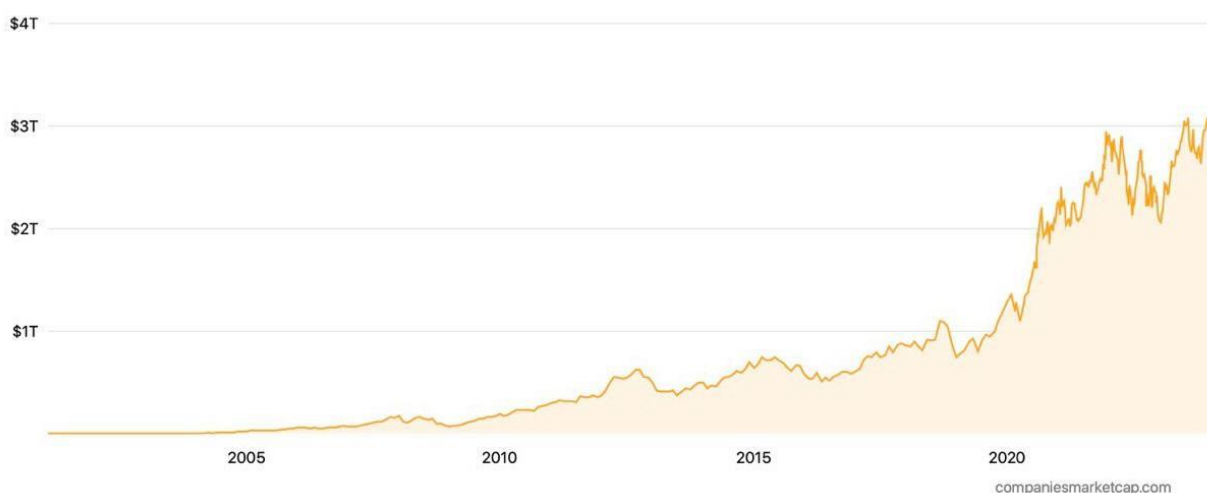
Apple Inc. was founded in 1976 and since then has been led by 7 different CEOs, including Mark Scott (1977 - 1981), Mike Markkula (1981 - 1983), John Sculley (1983 - 1993), Michael Spindler (1993 - 1996), Gil Amelio (1996-1997), Steve Jobs (1997 - 2011), and Tim Cook (2011 - present), whose leadership styles varied vastly. Among these 7 chief executives, 2 had a very profound impact not only on the company's financial success but also on its culture and structure: namely, Steve Jobs and Tim Cook. Steve Jobs's leadership style was numerous reported to be autocratic. According to the EWOR Team's article, "Steve Jobs was known for his impatience, perfectionism, and high expectations as a leader." [4]. Here are some examples of the qualities that placed Steve Jobs among autocratic leaders: demanding, he expected a lot from his employees; reluctant to delegate, he rarely assigned any job to his employees that he thought he could do better; and separated creatives from critics, he once said, "Gather ten intelligent people in a room and you'll find a couple who are creative, some who excel at problem-solving, and a handful who are critical. Keep the creatives away from the critics." [5] However, this soon changed after Tim Cook took charge of Apple Inc. Acknowledged as one of the most influential leaders of 2022 by Times Magazine [6], Tim Cook assumed a drastically different approach compared to his predecessor Steve Jobs. Under his leadership, the multinational company transitioned from an autocratic leadership style to a democratic one. Tim Cook is currently the CEO of Apple Inc. The leadership style of Apple incorporates three

main elements. First, democracy is the key feature where every strategic decision is made only after a consensus is reached among all the senior managers. Second, autonomy is given to the product development department, as the CEO's participation in the product development process is limited. Third, Tim Cook's calmness is widely praised in handling business matters. Due to his quiet way of dealing with things, many regard him as a "quiet leader". [7] However, Tim Cook is periodically criticized for his passive attitude toward the introduction of new products and services. Tim Cook during his management only managed to launch a handful of products and services, including the Apple Watch, iPad Mini, iPad Retina, and Apple TV subscription services. Moreover, one of the defining characteristics of its leadership style of Apple is its reliance on strategic decision-making on technical experts rather than on general managers. The logic behind this is simple: Apple has to operate in an industry where the life span of products is really short and more technologies are introduced that are better and more effective; therefore, Apple has a limited time to react to such disruptions in the market and has to predict which product is likely to succeed.

Apple's democratic leadership style has a direct impact on its various organizational performance elements:

1. Financial performance: In 2011, when Tim Cook first introduced his democratic leadership style, Apple's market capitalization was around \$377 billion. Since then, it has experienced an average annual growth of 23.26%, reaching a mind-blowing \$3 trillion at present. [8]

Market cap history of Apple from 2001 to 2024



Additionally, under Tim Cook's leadership, Apple's stock prices have thrived. The annual average growth in stock prices since 2011 has been 102.8%. In 2011, the stock price was \$14.40, but now it is \$192.53. [9]

During Tim Cook's tenure, stock prices became less volatile, with a volatility rate of only 28%, compared to a staggering 48% previously. [10] A stock with low volatility is less risky and more attractive to investors.

2. Market share: Apple is one of the largest technology companies in the world, offering a variety of products such as smartphones, personal computers, and software. Despite operating in multiple industries, Apple has a significant competitive advantage in most of them. In the third quarter of 2023, Apple claimed a 17.7% share of the global smartphone market. [11] According to IDC, Apple PCs accounted for 10.6% of the global PC market share in the same period. [12] Additionally, as of December 2023, Apple macOS for desktops and laptop computers had a global market share of 21%. [13]

3. Employee satisfaction: According to a review conducted at Apple, 79% of the 1801 employees surveyed reported having a positive experience working at Apple Inc. Additionally, Tim Cook received a 79% positive rating out of 6729. However, the Manager Team and Executive Team received lower scores, 71%, and 73% respectively. As a result, their overall Leadership Score was 74%, which places Apple Inc. in the top 25% of companies with 10000+ employees. [14]

Microsoft:

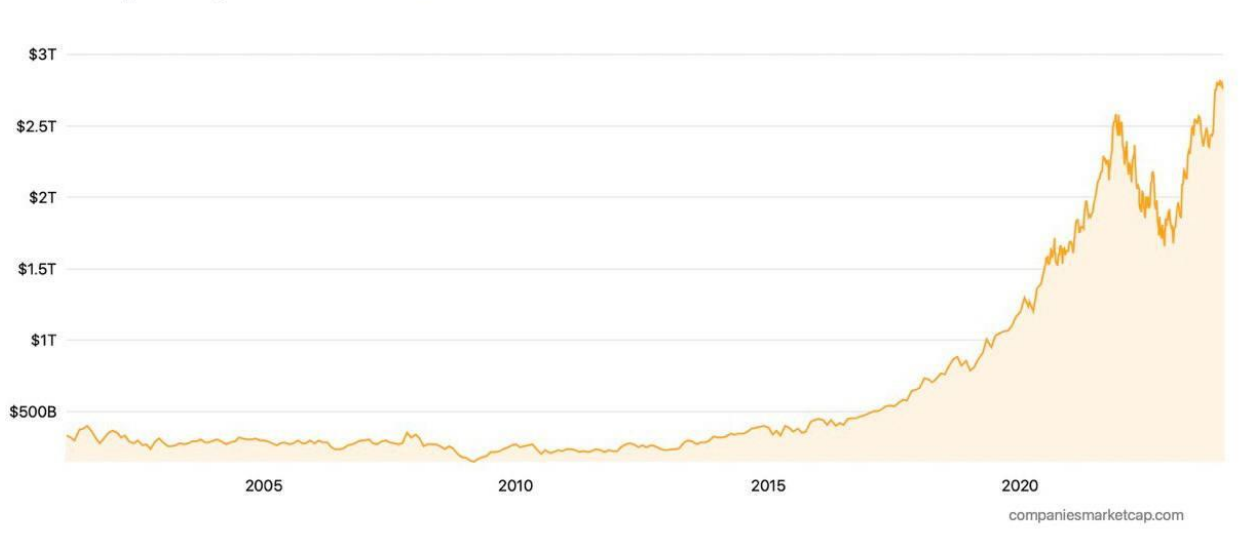
Microsoft Corporation was founded in 1975 by Bill Gates and Paul Allen. Unlike Apple Inc., it has only been led by 3 chief executives: Bill Gates (1975 – 2000), Steve Ballmer (2000 – 2014), and Satya Nadella (2014 – current). During his control, Bill Gates exercised an autocratic leadership style. In the same way as his competitor Steve Jobs, he was extremely demanding of his employees and very critical of their work. In the book “Hard Drive and the Making of the Microsoft Empire,” Gates was described as notorious for sending sarcastic emails: “Unlucky programmer received an email at 2.00 that began ‘This is the stupidest code ever written.’” [15] Steve Ballmer, however, took a very different approach. He was regularly described as an

inspiring and motivating leader. Key aspects of his leadership style involved being passionate, effective communication, encouraging collaboration, adapting to change, and leading by example. Yet his tenure as Microsoft CEO had its downfalls and successes. Although he is praised for his enthusiasm and passion, he was highly criticized for his lack of vision. The most significant example would be his inability to recognize the importance of mobile technology, thereby losing most of the market share to Apple and Google. Satya Nadella who represents the current leadership of Microsoft Corporation has been exercising transformational leadership since 2014. Satya Nadella’s transformational leadership integrates the following qualities: empathy, he believes that a leader should deeply understand his employees, customers, and partners; innovation and adaptation, he embraces technological advancements and adopts them to stay ahead of the industry; a growth mindset, any challenge or drawback is an opportunity to learn for him; effective communication, he possesses an incredible ability to convey complex’s ideas clearly; and social responsibility, he is involved in sustainability efforts as he believes in the importance giving back to society.[16]

Microsoft’s transformational leadership has a profound impact on its elements of organizational performance:

1. Financial Performance: When Satya Nadella took over as the CEO of Microsoft Corporation, the company's market capitalization was \$381.72 billion. However, as of December 2023, Microsoft Corporation's market cap has grown significantly to \$2.789 trillion with an average annual growth rate of 27.4%. This has made Microsoft the world's second most valuable company by market cap. [17]

Market cap history of Microsoft from 2001 to 2024



The annual stock price growth of Microsoft is significantly higher than that of any other company, having closed at \$36.35 on Nadella's first day at the job and now standing at \$375, which is an increase of almost 1031%. [18] This translates to an annual stock price growth of nearly 108%. Satya Nadella's tenure has also witnessed a significant decrease in the stock volatility of Microsoft Corporation, which now stands at 22.48% as of December 2023. [19]

2. **Market share:** Microsoft Corporation holds a significant market share in several industries, such as software, personal computers, and smartphones. Although Microsoft ventured into the smartphone market, it was not successful, and as a result, its market capitalization is comparatively low. Similarly, despite selling products in the personal computer market, they were not as popular with the general public. However, Microsoft's Windows operating system has the highest global market share for computers and laptops, with a whopping 69% usage rate. [13]

3. **Employee Satisfaction:** According to a recent survey conducted at Microsoft, out of 1,971 employees, 82% reported having a positive experience at the company. The survey also included ratings for the leadership team, with CEO Satya Nadella receiving 83% positive feedback out of 11827 ratings. However, the Manager and Executive teams did not perform as well, with only 75% and 77% positive feedback, respectively. Overall, the entire leadership team received a 77% positive rating, which places the company among the top 15% of companies with 10000+ employees. [20]

Comparative analysis

A comparative analysis was conducted on Apple Inc. and Microsoft Corporation, which yielded the following results:

- **Market cap:** The leadership style of Tim Cook has proven to be more successful in terms of market capitalization when compared to that of Satya Nadella. When they both took over as CEOs, their companies had a market cap of around \$380 billion. However, Tim Cook was able to increase the market cap of his company to \$3 trillion, while Satya Nadella's company reached \$2.789 trillion.
- **Stock prices:** According to the research, Microsoft's stock price is almost twice as high as Apple's, with \$375 compared to \$192.53. Additionally, Microsoft has a 6% higher annual average stock growth than Apple. Lastly, Microsoft has lower stock volatility than Apple. Therefore, it can be concluded that Satya Nadella's leadership style has been more successful in terms of the company's stocks.

- **Market shares:** Both companies compete in three markets: smartphones, PCs, and software. Apple has the upper hand in most of these markets except for software, where Microsoft outperforms it by 48%. However, the comparison of market share is difficult as Microsoft specializes mostly in software development rather than in other products. Although Microsoft has a minor market share in other markets where Apple exists, Apple is a key player in the other two markets and holds a competitive advantage in the software market, making it the winner in this category.

- **Employee satisfaction:** According to surveys conducted among employees of Apple and Microsoft, the majority of workers reported having a positive experience at their respective companies. Specifically, 79% of Apple employees and 82% of Microsoft employees reported having a pleasurable experience. In another survey, employees were asked to rate the leadership teams of both companies. Results showed that Satya Nadella, CEO of Microsoft, received 83% positive feedback, while Tim Cook, CEO of Apple, received 79%. These surveys indicate that Microsoft's leadership style is more effective in terms of employee satisfaction when compared to Apple's.

In general, there is no definitive proof that one type of leadership style - either Apple's democratic leadership or Microsoft's transformative leadership - is superior to the other. Depending on the specific category, both companies have achieved more success. Apple has performed better in market cap and market share, while Microsoft has excelled in employee satisfaction and stock prices.

CONCLUSION

In the comparative analysis of Microsoft and Apple, we delved into the relationship between leadership styles and their impact on organizational performance. Examining the leadership histories of both companies with a specific focus on Tim Cook's democratic leadership style and Satya Nadella's transformative leadership style allowed us to identify their influences on the key elements of organizational performance.

On the one hand, under Tim Cook's democratic style, Apple showcased remarkable successes in market capitalization and market share. The company experienced substantial growth, reaching a market cap of \$3 trillion in 2023. Additionally, Apple's competitive presence in many global industries, such as software, smartphones, and PCs, shows the reliability of its leadership style.

On the other hand, Microsoft excelled in the other two categories, namely stock prices and employee satisfaction. Satya Nadella's style with a heavy emphasis on the future contributed to the consistent

yearly growth of stock prices and the decrease in their volatility. Moreover, high ratings regarding the positive experiences of employees received by Microsoft company indicate that a more harmonious work environment is formed under transformative leadership.

Despite the relative strengths observed in each company, no definitive conclusion can be reached on the superiority of one leadership style over the other. The efficiency of leadership style depends on the context: while Apple thrived under a democratic leadership style, Microsoft flourished with a transformative one. The elusiveness of a clear winner in this analysis showcases the complexity of the influence of leadership styles on organizational performance. Therefore, the choice between transformative and democratic leadership approaches depends on the policy, culture, and goals that the company incorporates.

As the technology sector continues to evolve, the efficacy of leadership styles will rely more on soft skills, such as adaptability, flexibility, and resilience, rather than hard skills which were the primary focus of the article. This highlights the need for further research to establish a connection between leadership styles and organizational performance in the constantly changing realm of technology.

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