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Honors Capstone

Professor Lazowski & Rober

Final Draft

Introduction

There is no simple and easy way to be successful, there are many factors that are in play that could either lead to a company's rise or their downfall. However, this paper will look at how the budget of a company/ project can impact its success. The presented hypothesis is that the subjects that are able to operate under a smaller budget will be more likely to be considered creative, however, it does not mean that the subject will be more financially successful in comparison to its competitors. The independent variable, in this case, will be the budget of the subject, and the dependent variable is its success and creativity. The hopes this topic is to find ways for companies, regardless of their size and reputation, to increase their chances of success.

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Method

To test this hypothesis, want to keep my focus on two industries: technology, and film. Specifically, the tech company that will be analyzed is Apple, who is a company that is valued for their creativity and quality (Gho 2015), and the movie corporation that will be looked at is 21st Century Fox, because they have released many movie franchises as well as stand-alone films. The reasons that these two industries were selected are that they are both dependent on creativity to succeed. The specific movie franchise that will be looked at is the X-Men franchise that started in the year 2000 and still has new releases presently, the most recent one coming out in 2016. We examine Deadpool which was their release from 2016. The reason that these movies are being compared is that of their homogeneous characteristics, like the fact that they are both superhero movies whose source material comes from the same comic book company. Apple however, will be judged for its overall yearly performance from 1998-2018, with some attention being focused on individual products. The reasons behind choosing these industries are that both

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of them have budgets that are easily trackable. It will not be difficult to find out how many assets are at their disposal if one were to know how much money these companies have at their disposal, though knowing the allocation of the budget will not be very easy to find, if possible at all. Also, their profits are public information, so one could compare their monetary success to their past performances as well as their competitors. If a company is not reaching their financial goals, it would be difficult to fund, or in the case of a film producer, to be funded for future projects. Not only are their financial information public, but since both Apple and 21st Century Fox are both massive companies, there will be a large amount of information regarding how employees are treated as well as their working environment. Lastly, there is no shortage of reviews from both professional critics as well as the public. As a result, one would be able to get an idea of whether or not a majority of the people who the product is for were satisfied by it. This is important because this could affect the sale of future products. If a customer is satisfied by the goods or services of a company, they are more likely to return to it, allowing the brand loyalty of their consumers to increase. As for the products, there are a few reasons that the focus of this paper will be on the success of a select few of the products released by 21st Century Fox, but the focus on Apple will be towards the company as a whole. Firstly, both the movies that were selected as well as the products that Apple release are all made for a specific target market. This is important because this means that all of Apple's iPhones need to be made to satisfy the same demographic of people. If they were to suddenly change their image the current consumers would feel as though Apple forgot about them and disassociate themselves from the company. However, for 21st Century Fox, they already put out a multitude of different movies for a variety of different people and there has not been a significant amount of people who has turned their backs on them. However, the X-Men franchise, and other movies similar to that, have a specific

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demographic that they are trying to appeal to. Just like how romantic comedies and horror movies have their target market, so do the comic book action movies.

Though the term “success” can mean different things to different people, for the sake of this research, success will be measured by three categories, the first being the profit made by the company. 21st Century Fox will be judged by the profit of individual movies which will be calculated by taking each movies revenue from the box office sales and subtracting that by its budget. As for Apple, it will be judged off of the profits, as well as their revenue and profit growth throughout the years, as stated on their Annual Report. All of the numbers will be adjusted for inflation as well.

Another factor that will be judged is the public support and longevity of the companies and their products. These factors will be measured by their reviews and how creative they are. The creativity is an important aspect because it has been proven that the more creative a form of media is, the more **memorable it is** (Chen 2017). Hence, one can come to the conclusion that if a film is creative, then more people will remember it (hopefully fondly). As for tech companies, if they are releasing creative and functional products, then a consumer would be more likely to go to them for any future technology related needs since the consumer will remember them better than the competitors. Public support and longevity are important because if more people are supporting a product, it will make other people interested in it. This could result in more sales for either the tech or movie company.

How the longevity for each company will be specifically measured will rely on five factors. The first being the company’s resources. This applies to both the subject’s material/ capital as well as their human resources. The next thing that will be looked at is the subject’s business

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strategy. More specifically, what makes them unique compared to their competitors. The more different and creative they are, the better. After that is the Organizational Culture. As Khan describes, there are three levels to this. The first level consists of basic parts of the employee's work environment that anyone can see at first glance such as the conditions of the facilities and what the dress code of the company is like. The second level is the objectives and values the company has. If their values and clear and their objectives are obtainable, then that will benefit the company. The third and final level of a company's Organizational Culture is the feelings, attitudes and assumptions among organizational staff. If the employees are miserable working at the company despite it looking fine from the outside, this can negatively affect the longevity (Khan 2015).

The next factor that has an influence on a company's longevity are the organizational systems. This also has three different aspects, the first being quality of their manufacturing systems (making products or performing services). The second is the quality of the management systems or how well the leaders are running the different aspects of the company. The third factor of organizational systems is the communication among other parts within the company.

The last factor that can help measure the longevity of a company is their innovative capability. This means that the higher the ability to make new types of creations the subject has, the better their innovative capability. Also, if the company is prepared to survive the constantly changing economic climate, that will reflect well towards their innovative capability.

For a company to have the highest chance of having longevity, they must excel at all of these five factors. However, if they currently do not demonstrate one of these factors and do not

show any signs of improving on them, it could have some serious repercussions on their chances of being successful in the future.

“Creativity” is another term that is important to define before continuing this research paper. Many industries that judge and rate the creativity of other businesses do so based off of three main criteria: novelty, meaningfulness, and originality (Kübler 2012). Novelty is important because if a product is new to the consumer, it will attract their attention because they do not yet have anything like that. Originality is important for similar reasons to novelty. The best way to explain difference between the two is that an unoriginal idea can be reimagined in a novel way. An example of this can be seen in the movie Shrek, where the filmmakers took an unoriginal concept of a typical fairytales and added novelty by putting a satirical spin on it. Meaningfulness is important because it allows the consumer to make sense of what they are subjected to. If there is no meaning to something, then it makes it difficult for the consumer to enjoy the product.

Findings: 21st Century Fox

By looking at the data, one can find that a similar result had been found for both companies. A high budget does not necessarily mean that a product will be successful. In fact, there are instances in which a smaller budget could be beneficial to a product. For the case of 21st Century Fox, X-Men Days of Future Past, despite having the second largest budget, made the most profit out of all of the other movies in the franchise. At first, one could think that this would prove my hypothesis false. However, after taking a closer look at the other movies that made the highest profits, one would notice a similarity between all of them. Each movie was Bryan Singer. With that in mind, the author of the paper had the idea that the budget will only be a significant factor of success if the person who is in charge of the budget knows how to efficiently utilize it.

For instance, the Deadpool movies, which is also a Marvel comic book movie, made the most profit out of all of the X-Men movies, despite them having the lowest starting budget. Even the second Deadpool movie, which has nearly double the budget of the first movie, still has the second lowest budget out of all of the movies listed and the second highest profit.

As for the critical success of these movies, the results varied a bit more. The movies directed by Bryan Singer were almost all rated the highest out of all of the other X-Men movies. However, the two movies that fail to support my claims are X-Men First Class and X-Men Apocalypse. This is because First Class has some of the highest ratings out of all of the other movies, despite having a different director and the overall lowest profit of all of the movies. Also, Apocalypse has the lowest rating out all of the other movies, despite having Singer as the director and making the third most profit out of the X-Men movies. As for the Deadpool movies, their ratings have stayed consistent within the first two movies. However, one would feel as though it is important to note that this franchise is relatively new, and more sequels are said to come out in the future. Also, the directors for these two movies were different. This makes it difficult to tell the impact that the leader had on success of the final product.

Movie	Adjusted for inflation (Sept. 2018)				Reviews			
	Year	Budget	Revenue	Profit	RT: Critic	RT Audience	IMDb	Roger Ebert
X-Men	2000	112.6	443.1	330.5	82%	83%	7.4/10	2.5/4
X2	2003	152.9	566.7	413.8	85%	85%	7.5/10	3/4
X-men: The Last Stand	2006	266.7	583.4	316.7	58%	61%	6.7/10	3/4
X-men Origins: Wolverine	2009	180.0	447.7	267.7	37%	58%	6.6/10	2/4
X-men: First Class	2011	161.0	406.6	245.6	86%	87%	7.7/10	2.5/4
X-men: Days of Future Pass	2014	216.0	807.7	591.7	85%	91%	8/10	2.5/4
X-men Apocalypse	2016	190.5	582.0	391.5	48%	66%	7/10	1/4
Movie	Year	Budget	Revenue	Profit	RT: Critic	RT Audience	IMDb	Roger Ebert
Deadpool	2016	62.06	837.9	775.9	82%	84%	8.1/10	2/4
Deadpool 2	2018	110	734.2	624.2	85%	83%	7.8/10	2.5/4

When looking at the longevity of 21st Century Fox as a whole, they have many good things going for them. Due to Disney acquiring them in 2017, they can afford to have better

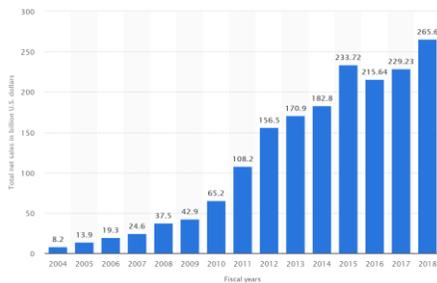
quality human and material resources (Snider & Truitt 2018). As for what makes them unique, their big competitive advantage is the movie rights that they own such as X-Men, Die Hard, Ice Age, Simpsons, etc (Woerner 2017). After looking into their organizational culture through different news articles, as well as websites like Glassdoor.com, there has been no major evidence of a destructive working environment. Employees have gone on to say things about the company like, "Great people to work with" and "It is a big corporation, so you will have good benefits and PTO" (Glassdoor 2018). The main downsides that I saw about working there mainly involved having a poor work/ life balance, but nothing that drew any red flags. The same comments can be made towards their organizational system. There is no public information available that negatively comments on them, so it is safe to assume that it is at least satisfactory. Lastly, 21st Century Fox's capability for innovation is nearly unlimited in regard to the types of movies they can make. However, all of their franchises have to have some similar qualities to the others, without being too similar.

Findings: Apple

If one were to look at Apple's performance throughout the years, they would notice a bit of a difference in the revenue growth during different periods of the company's existence. In Apple's Annual Reports, one could see that from years 2004 – 2012, there have been very large revenue growths. Some of the largest were a 68% increase in revenue from 2004 – 2005, a 66% increase from 2010 – 2011, and a 45% increase from 2011 – 2012. After 2012, the revenue growth stayed lower than usual, ranging from a high of 28% and a low of -8%, the first drop of revenue Apple had since the year 2000 (Apple 2018).

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With further research, one could notice that the year that Apple's revenue growth started to diminish was the same year that Steve Jobs, the co-founder of Apple passed away. Steve Jobs was known for his creativity and innovativeness, this can be seen with products like the iPhone, which revolutionized the way people viewed cell phones. Without him, Apple would not have become the massive multibillion-dollar company it is today. However, with their current CEO Tim Cook behind the wheels, one could believe that Apple will not fail in the near future. This is because Apple is already an established company with a very loyal following.



After looking at the factors of longevity of Apple, they also have many good things going for them. They have a very large amount of resources, with a market capitalization of 803.21 billion dollars (Yahoo 2018). They are also very selective hiring process, meaning that they look for quality over quantity (Glassdoor 2018). One past employee had one said, regarding Apple's hiring process, "We don't waste time with the dumb" (Edwards 2016). As for what makes them unique, their globally recognizable brand image and customer loyalty is a major competitive advantage for them. Also, they focus on making their products easy for anyone to use (Bajarin 2012). While analyzing their organizational culture through different news articles and Glassdoor.com, there has been nothing stating that they have a poor work environment. Employees have described the company as having a productive environment and to have a strong

emphasis on teamwork. The downsides, similar to 21st Century Fox, mainly comments on the poor work/ life balance (Edwards 2016). Also, like Fox, there is no public information available about their organizational systems, so it is safe to assume that it is at least satisfactory. Lastly, Apple's capability for innovation is nearly as limited as the technology will allow it to be. However, some criticisms about Apple often focus on how their products are too similar to each other and there has been a lack of creativity compared to its competitors. This is the only thing that should improve to ensure their longevity.

Takeaway

By looking at the data, one can find that a high budget does not necessarily mean that a product will be successful. In fact, there are instances in which a smaller budget could be beneficial to a product. As Friis and Allan explain in their paper, there are a few benefits a smaller budget could have. For instance, a process of artistic creation without any constraints would amount to limitless daydreaming. Monetary constraints allow the director to embrace a more rational perspective on creativity and artistic behavior (Friis and Allan 2015). It forces the creator to become innovative, which can take the product on an interesting route. However, a lower budget has its downsides as well. That being the fact that budgeting is often portrayed as a management control system that impedes creativity due to the manner in which it reduces flexibility, and constrains behavior, feelings of autonomy and freedom, which are considered key elements in fostering and implementing new and useful ideas (Chen 2017). However, whether or not the budget ends up being a benefit or a hinderance depends on who is working for the company. Their attitude towards the development of the product will have an impact on the final product. A way to solve this issue would be to make sure that whoever is leading the organization has a high level of creativity. It has been shown that a creative leader can positively

affect the creativity of their workers (Pan 2013). The figure below visualized the effect that a creative leader’s influence on their team. However, it does not only take a good leader to gain success. As the saying goes, “a chain is only as strong as its weakest link”, meaning that the whole team needs to work effectively to increase the chances of succeeding. As Mathisen, Gro Ellen discovered, there are many other factors that can determine how a team will respond to conflicts like a small budget. Factors that can drive the team further are that they all have a shared vision of the goal, that they have supervisory support, and that the individuals of the team have a sense of belonging. Factors that could act as a barrier to success would be a negative attitude throughout the team, a rigid structure, and a team full of people with individualistic goals (Mathisen 2011).

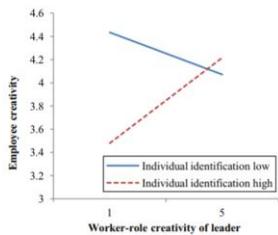


Figure 1. Moderating effect of individual identification on the relationship of worker-role creativity with employee creativity

Variables	M	SD	1	2	3
1. Worker-role creativity	3.03	0.43			
2. Manager-role creativity	3.92	0.20	0.06*		
3. Collective identification with leader	3.40	0.45	0.48**	0.47**	
4. Team creativity	3.95	0.20	0.17*	0.59**	0.34**

Table IV. Means, standard deviations and correlations at the team level

Notes: * $p < 0.05$; ** $p < 0.01$ (two-tailed); $N = 32$

Conclusion

With the information gathered, one can conclude that the budget will affect the overall success of a product. However, how the product is affected will depend on the creativity level of the person in charge. For instance, if the product has a high budget, and the leader has a low amount of creativity, then the high budget could improve the final product. This is because the leader can rely on the budget to carry them to creating a successful product. If the product has a low budget, and the leader has a low amount of creativity, then the low budget could be a detriment to the final product. This is because there is not much for that leader to work with, and the mindset of the leader could have a direct effect on their employees. If the product has a high budget, and the leader has a high amount of creativity, then the high budget could be a detriment to the success of the final product. This is because a creative person could be overwhelmed with the possibilities and have nothing to bring them down to Earth. Lastly, if the product has a low budget, and the leader has a high amount of creativity, then the low budget could be an asset to the final product. This is because the low budget could allow the leader to utilize their creativity to come up with innovative ideas that can lead to the success of the company. To get a clearer image of this concept, refer to the figure below. It is important to note that correlation does not equal causation. It is very possible for a leader with high creativity to greatly succeed with a high budget or a leader with low creativity to succeed with a lower budget, and so on.

	High Creativity	Low Creativity
High budget	Higher possibility of the budget being a hindrance	Lower possibility of the budget being a hindrance
Low Budget	Lower possibility of the budget being a hindrance	Higher possibility of the budget being a hindrance

Possible Errors

While conducting the research for this paper, there were some things that the author realized could have compromised me getting statistically significant results. Though one could still believe that the conclusion has factual evidence to support it, they should also understand that feelings and facts are two separate things.

The possible errors that the author could have come across are that my sample size for both of my subjects being too small. This is bad because a small sample size cannot represent the entire population, thereby decreasing the power of the study. The reason that the sample size is small because my time and resources are too limited. If the author were to revisit this subject in the future, he would focus on more companies along with Apple and 21st Century Fox. The author would also try and spread my focus to smaller companies as well. This is because he would want to make sure that my finding can apply to as many different companies as possible, regardless of their size.

Another error that could compromise the validity and reliability of my paper is that the author could have cherrypicked my subjects due to a conscious or unconscious bias. Meaning that he could have picked subjects that he knew supported my hypothesis and ignored ones that did not. To fix this, the author could have randomly chosen the subjects and studied those instead.

The third factor that could have negatively affected my results is that the fact that Apple and 21st Century Fox are so different that one cannot make claims based on their performances. This could be fixed in one of two ways, either only focus on one sector of business-like technology or media, or the author could look at many more sectors like real estate, healthcare,

theater, etc. Either way could lead to more valid results, but the ladder would be more difficult because it would involve learning about each individual sector.

The last thing that the author thought of that could have made my results invalid are any confounding variables that were out of my control as well as the subject's. This could include things like the 2008 recession, which could have lowered the demand of people wanting to go to the movies or buy a new Apple product. However, that is just one example, there could be many more factors that the author did not consider or could not control that affects the result of my findings.

Bibliography

1. Chen, Clara Xiaoling. "Management Control for Stimulating Different Types of Creativity:

The Role of Budgets." *Journal of Management Accounting Research*, vol. 29, no. 3, 2017, pp. 23–26., doi:10.2308/jmar-51795.

- a. Looks at a production studio for televised programming
 - i. This studio is a financially healthy company and is performing better than their average competitor
- b. Budgets are considered as an instrument that gives direction
- c. Permanent attention by the top management, which invites discussion and meetings between superiors and creative employees
- d. Flexible use and budget overrun allowed when this leads to strategically interesting results
- e. Budgets are important for developing new strategies, missions, and plans
 - i. TV/ Film media cannot be properly planned out without one
- f. Production companies have a top-down budgeting process
 - i. Senior management decides budget, then financial team allocates the money to the different departments, then each department utilized their budget for the project
- g. Creativity is considered to be especially encouraged
- h. The creative employees confirmed the inspiring power of the budget:
 - i. "We are, in contrast to what you probably hear, convinced that a clearly delineated, quite tight budgetary framework can stimulate

creativity. Within this framework, let us do something funny, or invent something good, or something shocking. This actually happens often, if I may emphasize so.”

- i. TV contains elements of both diagnostic and interactive budget use, with a relatively higher diagnostic use for the closed-type problems, and a relatively higher interactive use for the open-type problems.
 - i. Diagnostic
 - ii. Interactive

2. **Gho, Kim, and 채은혜** . “The Effects of Brand Priming on Creativity Test and Product

Evaluation: Focused on Brand Images.” *Journal of Consumption Culture*, vol. 18, no. 1, 2015, pp. 1–30., doi:10.17053/jcc.2015.18.1.001.

- a. Fitzsimons et al (2008) also report that more creative behavior was exhibited by subjects primed with a brand associated with creativity (Apple) than was the case when the brand was less associated with creativity (IBM).

3. **Kübler, Raoul V., and Dennis Proppe**. “Faking or Convincing: Why Do Some Advertising

Campaigns Win Creativity Awards?” *Business Research*, vol. 5, no. 1, 2012, pp. 60–81., doi:10.1007/bf03342732. A commonly accepted characteristics of creativity

- a. Novelty
- b. Meaningfulness

- c. Originality
- d. Without meaning, there will be nothing for the consumer to relate to or connect with
- e. Without novelty, it cannot catch the consumers attention

4. Friis, Ivar, and Allan Hansen. "Line-Item Budgeting and Film-Production."

Qualitative

Research in Accounting & Management, vol. 12, no. 4, Dec. 2015, pp. 321–345., doi:10.1108/qram-01-2015-0016.

- a. Benefits of a budget
 - i. Contrary to the conventional view, in which creativity is fueled by freedom, Elster suggests that a process of artistic creation without any constraints would amount to limitless daydreaming
 - ii. Monetary constraints allow the director to embrace a more rational perspective on creativity and artistic behavior
- b. Downsides
 - i. Budgeting is often portrayed as a management control system that impedes creativity due to the manner in which it reduces flexibility, and constrains behavior, feelings of autonomy and freedom, which are considered key elements in fostering and implementing new and useful ideas

5. Mathisen, Gro Ellen. "Organizational Antecedents of Creative Self-Efficacy."

Creativity and

Innovation Management, vol. 20, no. 3, 2011, pp. 185–195.,

doi:10.1111/j.1467-8691.2011.00606.x.

- a. Moreover, several of the barriers to organizational creativity are related to factors that necessarily exist in an organization, such as climate, leadership, or time pressures, and inevitably work either against or toward creativity.
- b. creativity takes place at the intersection of expertise or domain-specific skills, motivation, and creative thinking skills
- c. Individual & group motivators
- d. Organization level



e. **Fig. 1.** Examples of barriers to, drivers and, either-or factors of organizational creativity

6. Lee, Hsu-Hua, and Tsau-Tang Yang. “Employee Goal Orientation, Work Unit Goal Orientation and Employee Creativity.” *Creativity and Innovation Management*, vol. 24, no. 4, Apr. 2015, pp. 659–674., doi:10.1111/caim.12118.

- a. Uncertainties affecting group creativity at the group level. Problems that may hinder members from producing creatively have three determinants, including:
 - i. a group’s inability to maintain cohesion

- ii. a group’s inability to develop a constructive climate such as destructive competition between individual members
- iii. a group’s inability to deal with interpersonal conflict between members

b. Coping strategies to minimize barriers affecting creativity

Pan, Jingzhou, et al. “The Influence of the Leader’s Creativity on the Employees’ Creativity.” Acta Psychologica Sinica, vol. 45, no. 10, 2013, pp. 1147–1162., doi:10.3724/sp.j.1041.2013.01147.

c. The research of direct and substantial impact of the presence of leader creativity is limited

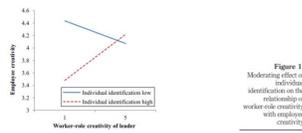


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Table IV. Means, standard deviations and correlations of the team level

- d. Notes: *p < 0.05; **p < 0.01 (two-tailed), N = 32
- e. The creative role model can exert influence on the observers’ creativity even though their works are not exactly the same
- f. When the identification with leader is low, this relation turns negative. But, for the relationship between manager-role creativity and team creativity, it is stronger when the team identification with leader is high

Apple Inc. (2018). 2018 annual report. Retrieved from <https://investor.apple.com/investor-relations/sec-filings/default.aspx>

7. Check the rate of revenue growth while comparing it to the free cash flows (FCF) to see if there is a correlation between the amount of FCF and future revenue
 - a. Excel will have to be used to organize this data
 - b. Also, see if there are any notes from the managerial staff that can explain any sudden spikes in growth (if they are there)
 - c. Examples of some of the data I will be using

	2000	CHANGE	1999	CHANGE
Net sales.....	\$7,983	30%	\$6,134	3%
Macintosh CPU unit sales (in thousands).....	4,558	32%	3,448	25%
Gross margin.....	\$2,166	28%	\$1,696	15%
Percentage of net sales.....	27%		28%	
Research and development.....	\$ 380	21%	\$ 314	4%
Percentage of net sales.....	5%		5%	
Selling, general and administrative.....	\$1,166	17%	\$ 996	10%
Percentage of net sales.....	15%		16%	
Operating income before special charges.....	\$ 620	61%	\$ 386	44%
Special charges:				
In-process research and development.....	\$ --		\$ --	
Restructuring costs.....	\$ 8		\$ 27	
Special charges.....	\$ 90		\$ --	
Operating income.....	\$ 522	31%	\$ 359	38%
Gains from sales of investment.....	\$ 367		\$ 230	
Interest and other income, net.....	\$ 203	133%	\$ 87	211%
Provision for income taxes.....	\$ 306	308%	\$ 75	275%
Net income.....	\$ 786	31%	\$ 601	94%
Earnings per common share:				
Basic.....	\$ 2.42	15%	\$ 2.10	79%
Diluted.....	\$ 2.18	20%	\$ 1.81	72%

i.

	2000	CHANGE	1999	CHANGE	1998
Americas net sales.....	\$4,298	22 %	\$3,527	2 %	\$3,468
Europe net sales.....	1,817	38 %	1,317	2 %	1,295
Japan net sales.....	1,345	57 %	858	17 %	731
Asia Pacific net sales.....	355	16 %	306	4 %	293
Other segments net sales.....	168	33 %	126	(18) %	154
Total net sales.....	\$7,983	30 %	\$6,134	3 %	\$5,941
Americas Macintosh unit sales.....	2,507	24 %	2,021	22 %	1,655
Europe Macintosh unit sales.....	1,110	53 %	724	23 %	588
Japan Macintosh unit sales.....	730	39 %	524	35 %	389
Asia Pacific Macintosh unit sales.....	211	18 %	179	37 %	131
Total Macintosh unit sales.....	4,558	32 %	3,448	25 %	2,763
Power Macintosh unit sales.....	1,329	3 %	1,296	2 %	1,266
PowerBook unit sales.....	383	11 %	344	(19) %	427
G4 Cube unit sales.....	107	--	--	--	--
iMac unit sales(a).....	2,194	22 %	1,802	68 %	1,070
iBook unit sales.....	555	--	6	--	--
Total Macintosh unit sales.....	4,558	32 %	3,448	25 %	2,763

ii.

THREE FISCAL YEARS ENDED SEPTEMBER 30, 2000	2000	1999	1998
Net sales.....	\$ 7,983	\$ 6,134	\$ 5,941
Cost of sales.....	5,817	4,438	4,462
Gross margin.....	2,166	1,696	1,479
Operating expenses:			
Research and development.....	380	314	303
Selling, general, and administrative.....	1,166	996	908
Special charges:			
Executive bonus.....	90	--	--
Restructuring costs.....	8	27	--
In-process research and development.....	--	--	7
Total operating expenses.....	1,644	1,337	1,218
Operating income.....	522	359	261
Gains from sales of investment.....	367	230	40
Interest and other income, net.....	203	87	28
Total interest and other income, net.....	570	317	68
Income before provision for income taxes.....	1,092	676	329
Provision for income taxes.....	306	75	20
Net income.....	\$ 786	\$ 601	\$ 309
Earnings per common share:			
Basic.....	\$ 2.42	\$ 2.10	\$ 1.17
Diluted.....	\$ 2.18	\$ 1.81	\$ 1.05
Shares used in computing earnings per share (in thousands):			
Basic.....	324,568	286,314	263,948
Diluted.....	360,324	348,328	335,834

iii.

	2000	1999	1998
Net sales:			
Power Macintosh.....	\$2,582	\$2,345	\$2,421
PowerBook.....	948	823	913
G4 Cube.....	165	--	--
iMac (a).....	2,381	1,905	1,528
iBook.....	809	9	--
Software, service, and other net sales.....	1,098	1,052	1,079
Total net sales.....	\$7,983	\$6,134	\$5,941

iv.

Rest of Work Cited

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