FORTUNE

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NO. 2

🔴 **His iMac saved Apple**

🟠 **His new operating system will rattle Windows**

🟢 **Now he's out to make the Net more fun**

Stevie Wonder!

Apple's Jobs keeps the hits coming.

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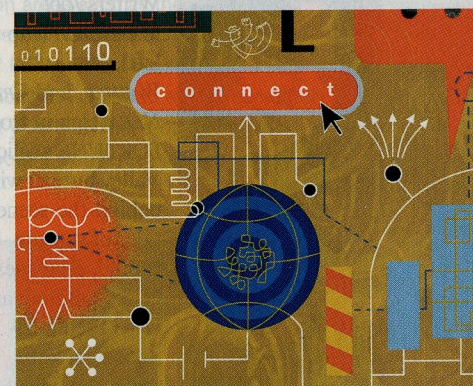
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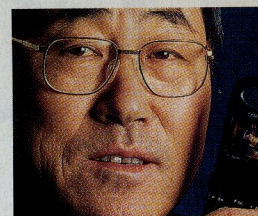
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Steve Jobs' Apple

Mr. Apple's new mission: to marry the iMac and the Internet with an easy-to-use new operating system and free Web services for everything from your photos to your home page. If it works, Microsoft, AOL, and others will be playing catch-up with a company left for dead two years ago.

by Brent Schlender

Steve Jobs, the personal-computer industry's chief aesthetic officer, is in his element. Here in the boardroom at Apple Computer's Cupertino, Calif., headquarters, he's the only person seated. Reclining, actually. Hands clasped behind his head, he stares pokerfaced at a couple of Web pages displayed side by side on an outsized 22-inch-wide Apple Cinema flat-panel monitor. Twelve weary-looking men—programmers, marketers, graphic designers, and Web experts—stand in pensive poses, forming an arc behind him, some scribbling notes on Palm hand-held devices whenever the 44-year-old iCEO comments.

"The icon for 'real estate' doesn't do anything for me at all," announces Jobs, snapping out of his reverie and leaning forward. He points at a Web-link button on the mocked-up home page for iReviews, Apple's new Website-rating service. "That's not what a 'for sale' sign looks like. And I don't much like this 'investing' icon either. I can't tell if it's supposed to look like a dollar bill or a stock certificate. But this old-fashioned highway sign for 'cars,' now that's cool. I love it! You instantly know exactly what it means."

Jobs has been presiding over secret meetings like this several hours a day, three or four times a week, throughout most of November and December. No detail was too trivial to escape his scrutiny as he passed final judgment on the look and feel—or what he calls the fit and finish—of a series of ambitious Apple software products and Internet initiatives that he would an-
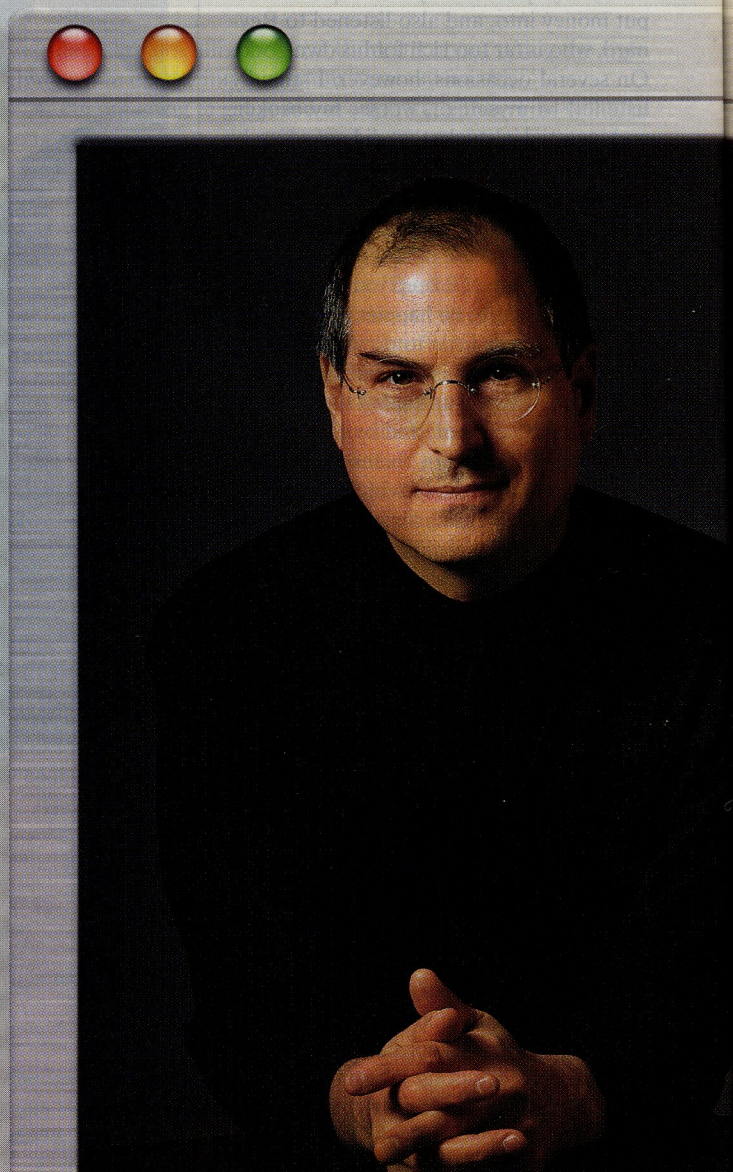
No more soap opera: Under Jobs and software

Gets Way Cooler

nounce in early January at the annual MacWorld trade show in San Francisco. These surprise announcements would prove more than the latest manifestations of Jobs' knack for high-tech showmanship. They would be his way of drawing a new line in the sand and daring Microsoft or Compaq or AOL or Sun or any other competitor to cross it.

Everyone expected him to unveil a new computer or two. Instead, Jobs showed off a flashy, completely redesigned Macintosh operating system called Mac OS X [ten], which, when it's delivered this summer, will put a glossy new face—graphical user interface, that is—on the Mac. "We made the buttons on the screen look so good you'll want to lick them," he says. (Some of the design elements he approved help illustrate these pages.) Just as provocative was a set of jazzy and useful free Internet services available immediately—online data-storage space, build-'em-yourself personal home pages and Websites, and a new kind of parental-control filter to keep kids from seeing the wrong kinds of Web content, to name just a few. These Web services, which Apple calls iTools, are designed to work exclusively with Macintosh computers, not PCs or any other kind of Internet device. Jobs' shrewd goal: to use the Internet to make Apple's computers show up Wintel PCs rather than merely stay even.

Yep. Once again Steve Jobs is trying to win by design—to use aesthetics and finesse instead of brute force to change the rules of the computing game. That's what he did when he rolled out the first Macintosh in 1984. He did it again upon returning to Apple in 1997, when he coaxed engineers to come up with the sleek, colorful iMacs and iBooks, winsome machines that consumers are buying hand over fist. Now he has turned his connoisseur's eye beyond the box, hoping that a fresh approach to system software and especially to the Internet will further fuel demand for Apple's products.

And, oh, there's a soap opera subtext to all this. Most of these software and Web innovations spring from the technologies and engineers that Apple acquired in 1997 when it bought Next, the company Jobs started in a fit of pique after being cast out of Apple in 1985. Until Apple handed over $400 million for Next, that company's software breakthroughs had been widely praised, but its products had never made much of a splash in the market. Many people thought Jobs snookered Apple's then CEO, Gil Amelio, in the deal, collecting an inflated price for Next, not to mention inveigling himself into a position to commandeer Apple if Amelio stumbled.

Now it's looking like a pretty good deal all around. (Unless you're Amelio, of course.) After being repotted into Apple along

...sage Tevanian, Apple innovates on demand.

with Jobs, the Next technology has had a chance to blossom. Says Jobs: "Once this all plays out, I think we'll all feel vindicated—those of us from Next and everybody at Apple too."

Steve has good reason to feel vindicated already. In four of the past five quarters, his $6-billion-a-year company has posted solid revenue gains, and it is expected to have grown by 16% in its fiscal first quarter, which ended in December. (The sole blip, in the previous quarter, was caused by a shortage of microprocessors for Apple's hottest new computer, the G4.) Profits doubled in the last fiscal year. Best of all, Apple's stock set an all-time high of $118 in early December and has been hovering around $100 ever since, eight times the price at its nadir, shortly after Jobs took over.

Those are pretty good numbers, especially considering that in a world dominated by Microsoft Windows PCs, Apple is the size of a fly. Despite the iMac's runaway success, the company still hasn't managed to push its worldwide market share—close to 10% in the late '80s—much beyond 3%. In fact, its buckets of profits seem to buttress Jobs' belief that the PC industry has grown big and varied enough to accommodate a niche for a high-end BMW-like computer maker. Nor does market share seem to matter one whit when it comes to Apple's ability to alter the course of the PC business—and that, of course, is what gives Steve his biggest buzz.

"I don't want to toot our own horn too much, because it sounds arrogant, but the rest of the industry is trying to copy our every move again, just like in the '80s," says Jobs. "Every PC manufacturer is trying to copy the iMac in one way or another. And you can bet they'll be cloning iBook next year. The same goes for our

software. Our QuickTime streaming video player has this sleek, brushed-metal look on the screen, and our iMovie digital video editing software on the new iMacs lets you make your home movies actually viewable. Well, a month ago Bill Gates announced that Microsoft's next Windows multimedia player was going to feature a brushed-metal interface, and that they're coming out with Windows Movie Maker. So now we've got Microsoft copying us again too. And I don't mind. I don't mind."

Microsoft, for its part, couldn't be happier about Apple's resurgence. For one thing, its business selling Macintosh applications software is hugely profitable. And its lawyers, now in the throes of trying to settle Microsoft's celebrated federal antitrust case, can point to Apple's comeback as hard evidence that the PC industry does foster at least a little competition. Best of all, the controversial $150 million investment Microsoft made in Apple after Jobs came back in 1997—which seemed a charity donation at the time—now looks downright prescient.

So we can forgive Jobs if he gloats a little. Things are clicking in both his CEO gigs. Pixar's *Toy Story 2* was the holiday season's biggest box office hit. As for Apple, Job says, "It has been a bigger company, but it has never been more capable or more profitable than today. The best thing is that we're done patching the place up. Now we're marching forward on all fronts." No wonder he used the MacWorld forum to announce that he has dropped the "interim" from his CEO title. This guy clearly plans to stick around. (For more on Jobs' thoughts, feelings, and plans for Apple and his future, including an explanation of why he still won't let the company pay him more than $1 a year, see the interview that follows this story.)

Translucence and the 'dock' of icons along the bottom of the screen are hallmarks of Apple's sleek new OS X user interface.

🔴 *Jobs turned Apple's boardroom into a designer's loft in the race to complete OS X and Apple's new Internet iTools.*

A s much as Jobs loves to develop gee-whiz hardware, system software has always been what really distinguishes the Macintosh. At Jobs' insistence, the Mac was the first PC to popularize the now-familiar graphical user interface, or GUI, in which you use a mouse, onscreen windows, and icons to operate the computer. Microsoft and Sun Microsystems have openly copied many of Apple's interface innovations in their Windows and Solaris operating systems.

Apple added more and more capabilities to the Mac OS over the years to make it more robust. But the company never tinkered much with the interface. That has changed with Mac OS X, a top-to-bottom rewrite of the operating system. Mac users will see differences on their screens as soon as they load OS X and its new user interface, Aqua. The software, which all recent Macs and iMacs will be able to use, continues to employ windows, icons, pull-down menus, buttons, and dialogue boxes, but they've been subtly transformed. As with iMac hardware, translucence is a key design element—you can peer through command boxes, for instance, to glimpse the documents underneath. The interface introduces something called a dock—a band of animated icons and miniaturized windows along the bottom of the screen. Designed to cut clutter, they streamline humdrum tasks like clicking from program to program and document to document. The interface aims to be "better yet familiar," says Avie Tevanian, senior vice president for software engineering, Jobs' former chief soul mate

at Next and his present one at Apple. "Aqua pushes the envelope, but it doesn't create a whole new envelope, because we wanted to preserve the best elements of the Mac OS."

The truly radical changes in OS X are under the hood. Based on Next's operating system, OS X is actually a blood relative of industrial-strength Unix operating systems like Sun's Solaris and Linux, the current freeware sensation; hence OS X is far less likely to crash than any previous Mac OS. Because of its lineage, Mac OS X may not even require a Mac; with a little fiddling by Apple, it could be made to work in Dells, Compaqs, or other Intel-based PCs. (Tevanian stresses that this is not one of Apple's immediate priorities.)

OS X handles onscreen graphics in a unique way that allows a Mac to display just about any kind of document the user might receive over the Internet, even if he doesn't have the program used to create it. Though it is fundamentally different from earlier Mac operating systems, it boasts a mode that will enable it to run most existing Mac programs (Jobs calls these classic applications) almost as smoothly as they run on today's iMacs.

The most profound advantages of OS X will reveal themselves as developers craft new software for it. There will be two ways to do that. "We've made it easy for developers to recompile their older applications so that they can run 'native' in the new operating system with much better performance and stability," explains Tevanian. "We're also providing a whole set of

🟢 *Click on an icon in OS X and see it swirl to center screen in an animation worthy of Jobs' other employer, Pixar.*
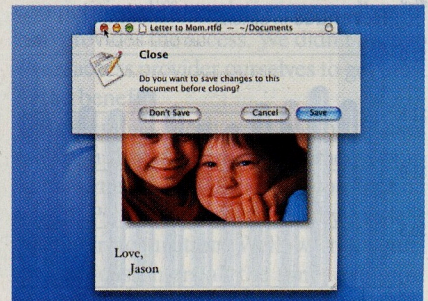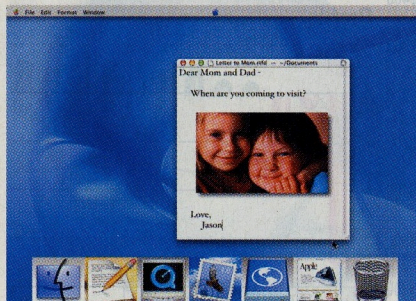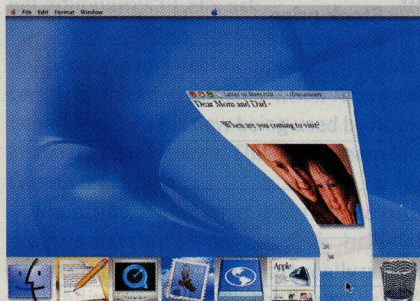
development tools and interfaces we call Cocoa that lets programmers build brand-new programs in about a tenth the time it would take to write them for any other operating system." Tevanian hopes Cocoa will tempt developers—who deserted by the hundreds in recent years as Apple's market share waned—to start building Mac applications again.

Jobs, as usual, has a vivid metaphor ready to explain why Apple geeks will be able to improve OS X faster than Microsoft geeks can improve Windows: "Think of Windows and our older Mac OS's as houses built with two-by-fours. You can build that kind of house only so high before it collapses from its own weight. So as you start to build it higher, you have to spend 90% of your time going back down to shore up the lower floors with more two-by-fours before you can go on to build the next floor. That leaves you with only 10% of your engineering budget to spend on actually innovating—it's why new versions of Windows always come out way late. On the other hand, OS X is like a software space frame made out of titanium. It is so strong and light and well designed that it lets us spend all of our resources innovating, not reinforcing the foundations."

As sophisticated as it is underneath, OS X is intended first and foremost for consumers, using state-of-the-art programming to enhance and simplify the computing experience. "Who says consumers don't want and need the best technology?" says Phil Schiller, Apple's vice president for worldwide marketing. "Always before, the consumer market was considered the tail of the dog. Well, we're driving advanced technology back to the consumer. That's how the whole PC business started."

Jobs' passions have always been cool hardware and mouthwatering system software. But lately he is just as smitten by the Internet's potential to add a special dimension to the Macintosh user experience. "I actually think that our new Internet services are going to be the equal of OS X in making the Macintosh stand out," he says. "They are *so* hot."

Of the free iTools he unveiled in San Francisco, some are improved versions of services you can find elsewhere on the Web; a

couple are truly novel. All are designed to take particular advantage of Macs equipped with OS 9, Apple's current operating system, and OS X when it hits the market. Says Eddie Cue, senior director of Internet services: "We're the first to really let the operating system play a key part in Internet computing. In some cases you won't even need your browser to take advantage of an iTool." Here's a quick rundown of Apple's first batch of iTools:

iDisk Probably the most intriguing new Apple service, iDisk provides every Mac user with 20 megabytes of free data-storage space on the company's servers (if you want more you'll have to pay for it). That gives the user a place to build online archives of digital photos, documents, and even digital film clips. iDisk also provides a "public folder" so that you can make stuff available for other Web surfers to see or download. Other Internet services offer free storage, but what makes iDisk unique is that, on the user's computer screen, it looks and behaves just like a disk drive inside the machine. All the user has to do is drag and drop files onto the iDisk icon, and the next time the Mac goes online, it automatically uploads the data to Apple's servers. The iDisk is key to several other iTools.

HomePage Websites like Homestead.com and Yahoo's Geo-Cities offer free home pages, but Apple promises that Mac owners will get their personal Website up and running much more quickly and easily if they go to www.apple.com. Apple will provide templates and plug-in features like guest books and visitor counters; anyone with an iDisk will be able to easily and instantly update their site with digital photos, sound bites, documents, or video clips.

KidSafe Many parents worry about X-rated, violent, or otherwise objectionable stuff their kids might come across while surfing what often seems the Wild Wild Web. Apple's solution is radically different from conventional kid-protection software, which tries to filter out what kids shouldn't see on the fly. By contrast, KidSafe, which is controlled directly by the Mac OS, specifies what sites kids *can* see. To accomplish this, Apple assembled an advisory board of teachers and librarians to certify that specific Web sites are "KidSafe." The board has already approved

Schiller: Consumers deserve better.

Cue: iTools are the answer.

OLIVIER LAUDE (2)

At a Recharged Apple, the Numbers All Click

The second Jobs Administration began in fall 1997; revenues remained solid, profits rebounded, and the stock is on a roll.

Revenues in billions

$2.5
$2.0 — est.
$1.5
$1.0
$0.5
0
1997   '98   '99

Profits in millions

$400
$200
0
−$200
−$400
−$600
−$800
1997   '98   '99   est.

Stock price

$120
$100
$80
$60
$40
$20
0
1997   '98   '99   '00

1/7
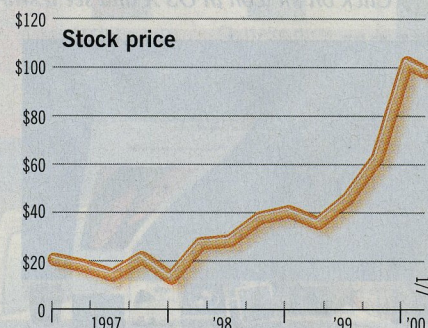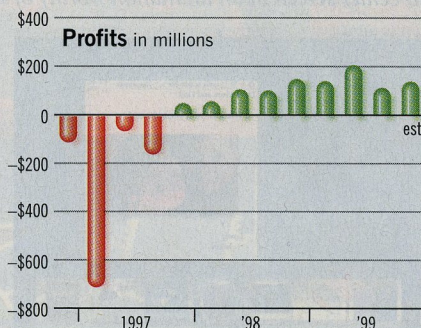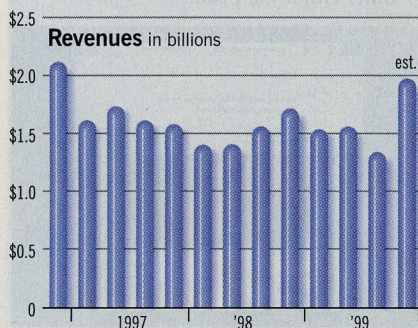
FORTUNE CHARTS / SOURCES: BLOOMBERG; CREDIT SUISSE FIRST BOSTON

50,000 sites; the goal is to add 10,000 each month. Parents also may add to their children's list of permissible destinations. Because KidSafe works in the operating system and not the browser, kids can't easily turn it off or get around it.

There are other iTools. Mac.com is a free e-mail service that can be used with any e-mail application or Internet browser; iCards is a free e-mail greeting-card service. Apple has also cooked up an Internet wayfinder called iReview. Unlike conventional search engines and portals, iReview offers quality ratings for thousands of Websites in a dozen or so categories, making it easier to figure out which are really worth visiting. The service provides two kinds of ratings: It employs a panel of Web experts to review and rank sites. (Any Internet surfer can look at these.) And if you are a Mac user, iReview also invites you to weigh in with your own opinion and keeps a running score for each site. And, like all the iTool sites, iReview has a quality that reflects Apple's counterculture roots: It won't accept advertising. Apple's own branding on the sites is discreet—usually a small Apple logo at the top of each Web page.

Offering services exclusively for Mac users raises the possibility that Apple may start a dangerous trend: breaking up the Internet into exclusive, jealously guarded preserves. Jobs insists that can't happen: "The Internet has resisted all efforts to balkanize it. The point is that iMac users can get everything else on the Web that everyone else gets, plus all these new services." You may buy

REPORTER ASSOCIATE *Christine Y. Chen*

that or not, but there is no question that computing's No. 1 impresario is on a roll. Talk to him a little longer and it becomes clear that while Jobs has lots he's proud of—Apple's new OS X and Internet strategy, its colorful hardware, its financial turnaround—what really gets him cranked is the buff condition of Apple itself.

It's true: Jobs has marshaled the management team, the operational prowess, and the engineering skill that enable Apple to dream up and deliver genuinely innovative products and services quickly. Long known for its melodramatic, snafu-ridden, often downright dysfunctional culture, the company now routinely meets and even beats deadlines. Most of the surprises it springs on customers and investors are of the positive kind.

That's the real reason Jobs stripped the word 'interim' from his title. "I took a walk with my wife the other night and was telling her how, the way I see it, Apple offers me a base that I would be foolish to walk away from," he says. "Think about it. By the end of this year we'll have maybe $5 billion in the bank, the Macintosh will be thriving, hopefully our Internet services will be a big hit, and our engineering teams will be operating at the peak of their games. I'm always keeping my eyes open for the next big opportunity, but the way the world is now, it will take enormous resources, both in money and in engineering talent, to make it happen. I don't know what that next big thing might be, but I have a few ideas. Whatever it is, it will be much easier and better to use Apple as the springboard than to have to start from scratch." During that same walk, he told his wife he plans to stay with Apple at least four or five more years. In Internet time, that would be forever. **F**

Apple's One-Dollar-a-Year Man

Now that Steve Jobs has showed his hand on Apple's Internet and system software strategies and dropped the "interim" from his title, other questions loom. He's always denied it, but isn't it true that his old company, Next, did wind up taking over Apple? Will there ever be an encore to the 15-year-old Macintosh? Short of that, does Apple have any plans to jump into the "Internet appliance" fray? Will Apple ever build computers for business people again? And what, pray tell, does Steve think of all these young Internet zillionaires? Let's ask.

Practically every technology that your old company, Next, possessed when Apple acquired it in 1997 is now being used by Apple in some strategic way. This must seem like sweet vindication.

The thing about Next was that we produced something that was truly brilliant for an audience that our heart really wasn't into selling to—namely, the enterprise.

I suppose if you were writing a book, this would be a great plot line, because the whole thing circles back. All of a sudden, it's coming out for the market that we would've liked to create it for in the first place—i.e., consumers. So it's a good ending.

So now you're at the beginning of something else. How did Apple's Internet services come together? It seems like it happened quickly.
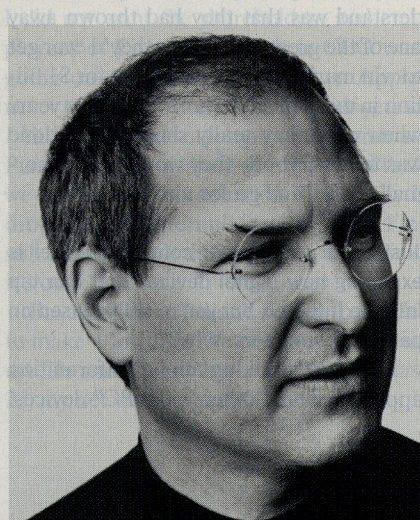
We entered 1999 with a feeling of having had tremendous success in 1998, what with the introduction of the iMac and all. And I was getting suggestions from people inside and outside Apple that we needed to think about starting an ISP [Internet service provider] business, just like Compaq and Gateway and Dell.

I was dragging my feet because it just didn't feel right. The more I thought about it, the more I saw that you can separate services from Internet access, and use those unique services to create incredible competitive differentiation, regardless of who provides the access. We didn't have to be an access provider ourselves to get most of the benefits.

Remember, we have a lot of market power in that we own an extremely popular Internet-access device. If you look at most ISPs, their No. 1 expense by a mile is customer acquisition. Well, we're acquiring new customers all the time; one third of all iMac customers are first-time com-

MICHAEL O'NEILL (3)

puter owners. We can help those hundreds of thousands of newbies—who also happen to have incredible demographics—find an ISP. So we've made Earthlink our exclusive ISP; we'll get paid a bounty and they'll get new customers.

I'd say the big light bulb on services came on about nine months ago. The big light bulb being: "Wait a minute. We own a major operating system. Why don't we build some services that work uniquely with it to give us unfair competitive advantage?" Everything fell into place this fall. Our secret weapon to be able to build these services so quickly is OS X and the set of programmers' development tools that goes with it, WebObjects. We really do eat our own dog food around here.

Given that you're emphasizing Mac OS X and iTools, and not even introducing new hardware at a time of year when you customarily do, should Apple's new slogan be something like "It's the software, stupid"?

We're still heavily into the box. We love the box. We have amazing computers today, and amazing hardware in the pipeline. I still spend a lot of my time working on new computers, and it will always be a primal thing for Apple. But the user experience is what we care about most, and we're expanding that experience beyond the box by making better use of the Internet. The user experience now entails four things: the hardware, the operating system, the applications, and the Net. We want to do all four uniquely well for our customers.

You seem more focused than ever on the consumer market. Why do you think it holds so much promise?

A lot of people can't get past the fact that we're not going after the enterprise market. But that's like saying, "How can the Gap be successful not making suits?" Well, we don't make wingtips here either.

Then again, big companies are beginning to buy a lot from us simply because they like our jellybeans. If you want to have your employee up and on your intranet in seven minutes and if you want to have lower maintenance costs than you would running Windows, iMacs are great. But we make zero effort to sell to big companies.

We think that a lot more big businesses will eventually come back to us, because FORTUNE 500 companies use a lot of consumer products. If you want a minivan for your corporation, you don't have one cus-

tom made; you go to the Chrysler dealer and buy one. They make great minivans, even though they don't make them for Corporate America. Even so, a lot of big companies—including ours—buy them.

It's really hard to serve multiple masters—different sets of customers with completely different points of view, requirements, and ways of approaching computing. I think Microsoft is experiencing this.

I've always believed that the biggest market for PCs is consumers. The Mac was originally intended to be a consumer PC. One of the big arguments I had with [former Apple CEO] John Sculley was that the Mac was designed to sell for $1,000. Yes, we overshot a little and it cost too much to make to sell for that, but even so, I thought it should have sold for between $1,500 and $1,799. John wanted to bump it
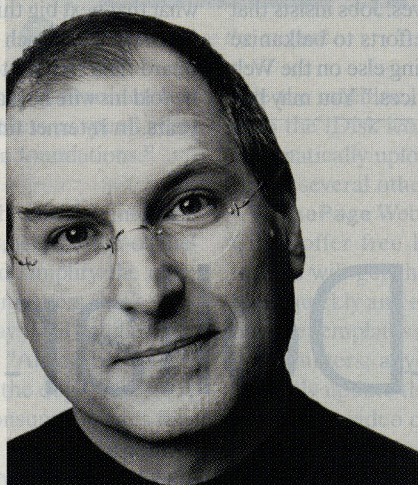
up to $2,499. His vision was to keep on going all the way up and have Macs selling for $5,000 or $10,000. After I left, that's exactly what Apple did.

By some measures, it worked. Apple made a fortune, although not as much as we're making today. What they didn't understand was that they had thrown away one of the greatest chances they'd ever get to win market share. They went for $1 billion in extra profits over four or five years when what they really should have done was tell everybody they would make 'normal' profits and go for market share.

Just about every other computer maker is exploring new digital devices that can tap into the Internet, but you're still focused on personal computers. Why?

Everyone's talking about "information appliances" and other "post-PC" devices.

So far, there have only been two or three that have succeeded—the Palm and game machines like the Sony PlayStation and possibly the cell phone. None of the others have succeeded. Why is that?

Well, if you look at the Internet, you can see it is absolutely optimized for PCs. All the pages are laid out to be viewed on a PC. That's one reason WebTV—a device that displays Websites on a normal TV—has failed. Beyond that, the Web is rich with things like Java and QuickTime and RealPlayer and MP3 sound files. By the time you build a device that [can handle those things], you've got something that is like a PC without the disk drives and is only about $50 cheaper than a PC or an iMac.

Then you ask your user if they care about storing anything. Do you care about storing MP3 files, or would you rather wait a few minutes to download them every time you want to hear them? Do you care about storing the photos you take with your digital camera? The answer is almost always yes. It's not that expensive to add a disk drive to let you do these things, and once you do, you're back to a PC. The only way to make it any cheaper is to start giving up things.

Apple is very much weighted toward the consumer-electronics space right now, because we're selling to a lot of consumers and we want to help them get more benefits from hooking up various things to computers and to each other. The perfect example is the digital camcorder and the iMac. It's amazing what you can do when you plug these things together—we call it iMovies.

I won't lie, we're working on other digital devices like everybody else. But I'm not convinced that customers won't pay a little bit more for a device that's not going to be obsolete in a year and that's going to give them the full Internet experience, not an "Internet Jr." experience.

What has always distinguished the products of the companies you've led is the design aesthetic. Is your obsession with design an inborn instinct or what?

We don't have good language to talk about this kind of thing. In most people's vocabularies, design means veneer. It's interior decorating. It's the fabric of the curtains and the sofa. But to me, nothing could be further from the meaning of design. Design is the fundamental soul of a man-made creation that ends up expressing itself in successive outer layers of the

product or service. The iMac is not just the color or translucence or the shape of the shell. The essence of the iMac is to be the finest possible consumer computer in which each element plays together.

On our latest iMac, I was adamant that we get rid of the fan, because it is much more pleasant to work on a computer that doesn't drone all the time. That was not just "Steve's decision" to pull out the fan; it required an enormous engineering effort to figure out how to manage power better and do a better job of thermal conduction through the machine. That is the furthest thing from veneer. It was at the core of the product the day we started.

This is what customers pay us for—to sweat all these details so it's easy and pleasant for them to use our computers. We're supposed to be really good at this. That doesn't mean we don't listen to customers, but it's hard for them to tell you what they want when they've never seen anything remotely like it. Take desktop video editing. I never got one request from someone who wanted to edit movies on his computer. Yet now that people see it, they say, "Oh my God, that's great!"

I don't see enough innovation like that in our industry. My position coming back to Apple was that our industry was in a coma. It reminded me of Detroit in the '70s, when American cars were boats on wheels. That's why we have a really good chance to be a serious player again.

You and Apple have been responsible for popularizing the personal computer. What will be the next big breakthrough?

People are always asking, "What will be the next Macintosh?" My answer still is "I don't know and I don't care." Everybody at Apple has been working really hard the last two and a half years to reinvent this *company*. We've made tremendous progress. My goal has been to get Apple healthy enough so that if we do figure out the next big thing, we can seize the moment. Getting a company healthy doesn't happen overnight. You have to rebuild some organizations, clean up others that don't make sense, and build up new engineering capabilities.

Another priority was to make Apple more entrepreneurial and startup-like. So we immediately reorganized, drastically narrowed the product line, and changed compensation for senior managers so they get a lot of stock but no cash bonuses. The upshot is that the place feels more like a young company.

We're trying to use the swiftness and creativity in a younger-style company, and yet bring to bear the tremendous resources of a company the size of Apple to do large projects that you could never handle at a startup. A startup could never do the new iMac. Literally 2,000 people worked on it. A startup could never do Mac OS X. It's not easy at a big company either, but Apple now has the management and systems in place to get things like that done. I can't emphasize how rare that is. That's what makes Sony and Disney so special.

Now when we see new things or opportunities, we can seize them. In fact, we have already seized a few, like desktop movies, wireless networking, and iTools. A creative period like this lasts only maybe a decade, but it can be a golden decade if we manage it properly.

You've finally done away with the word "interim" in your title. But you still only let Apple pay you $1 a year. Why don't you take any salary or stock yet?

The board has made several incredibly generous offers. I have turned them all down for a few reasons. For the first year I did not want the shareholders and employees of Pixar to think their CEO was going on a camping trip over to Apple never to return. After two and a half years, I think that the management teams at Pixar and at Apple have demonstrated that we can handle this situation. That's why I dropped the "interim" from my title. I'm still called iCEO, though, because I think it's cool.

Bottom line is, I didn't return to Apple to make a fortune. I've been very lucky in my life and already have one. When I was 25, my net worth was $100 million or so. I decided then that I wasn't going to let it ruin my life. There's no way you could ever spend it all, and I don't view wealth as something that validates my intelligence. I just wanted to see if we could work together to turn this thing around when the company was literally on the verge of bankruptcy. The decision to go without pay has served me well.

Do you ever look around and think that a younger generation is driving this industry now?

I had dinner in Seattle at Bill Gates' house a couple of weeks ago. We were both remarking how at one time we were the youngest guys in this business, and now we're the graybeards.

When I got started I was 20 or 21, and my role models were the semiconductor guys like Robert Noyce and Andy Grove of Intel, and of course Bill Hewlett and David Packard. They were out not so much to make money as to change the world and to build companies that could keep growing and changing. They left incredible legacies.

It's hard to tell with these Internet startups if they're really interested in building companies or if they're just interested in the money. I can tell you, though: If they don't really want to build a company, they won't luck into it. That's because it's so hard that if you don't have a passion, you'll give up. There were times in the first two years when we could have given up and sold Apple, and it probably would've died.

But then, the rewarding thing isn't merely to start a company or to take it public. It's like when you're a parent. Although the birth experience is a miracle, what's truly rewarding is living with your child and helping him grow up.

The problem with the Internet startup craze isn't that too many people are starting companies; it's that too many people aren't sticking with it. That's somewhat understandable, because there are many moments that are filled with despair and agony, when you have to fire people and cancel things and deal with very difficult situations. That's when you find out who you are and what your values are.

So when these people sell out, even though they get fabulously rich, they're gypping themselves out of one of the potentially most rewarding experiences of their unfolding lives. Without it, they may never know their values or how to keep their newfound wealth in perspective. **F**