

# The performance of michael dell at dell



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Michael Dell is an innovative businessman who has come up with a successful formula for business. He was one of the mythic heroes of the PC industry and the most innovative guy for marketing computers. In his roles as Dell's CEO, he became the youngest CEO ever to head a fortune 500 company. Also, he was considered a very accessible CEO and a role model for young executives because he had done what many of them were trying to do. He delegated authority to subordinates, believing that the best results came from "turning loose talented people who can be relied upon to do what they're supposed to do". But as soon as Michael Dell transferred his title of CEO to Kevin Rollin and he remained as chairman of the board. When you're the leader of a company, be it large or small, you can't do everything yourself. The more talented people you have to help you, the better off you and the company will be. A company's success should always be defined by its strategy and its ideas-and it should not be limited by the abilities of the people running it . . . When you are trying to grow a new business, you really need the experience of others who have been there and can help you anticipate and plan for things you might have never thought of.

### **There are five tasks of crafting and executing strategy that Michael Dell's can be performed :**

A) Developing a strategic vision of where the company needs to head and what its future product, market, customer, technology focuses should be, which should provide long-term direction. Dell's vision was for Dell computer to become one of the top three PC companies, that could be built to order and sold directly to customers. Michael Dell believed his approach to the PC business had two advantages: (1) Bypassing distributors and retail dealers eliminated the markups of resellers, and (2) building to order greatly

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reduced the costs and risks associated with carrying large stocks of parts, components, and finished goods. While the company sometimes struggled during its early years trying to refine its strategy, build an adequate infrastructure, and establish market credibility against better-known rivals, Dell's build-to-order, sell-direct approach proved appealing to growing numbers of customers worldwide during the 1990s as global PC sales rose to record levels. And, as Michael Dell had envisioned, the direct-to-the-customer strategy gave the company a substantial cost and profit margin advantage over rivals that manufactured various PC models in volume and kept their distributors and retailers stocked with ample inventories.

B) Setting objectives to spell out for the company how much of what kind of performance is expected, and by when. The objectives needs to require a significant amount of organizational stretch to perform at its full potential and deliver the best possible results . Dell's foray into new products and business to be profitable for a time. Dell was making inroads in other product categories . In addition , Dell begun selling low cost , data routing switches , and begun marketing Dell branded printers and printer cartridges , selling flat screen LCD TVs and retail -store systems, including electronic cash registers , specialized software services, and peripherals required to link retail -store checkout lanes to corporate information systems. Also, he sol handheld PC devices , and MP3 player that compared against the Apple ipod.

C) Crafting a strategy to achieve the objectives and move the company along the strategic course that management has charted. The task of crafting a strategy entails answering of how to grow the business, how to please customers, how to outcompete rivals , how to achieve strategic and

financial objectives, and more others . It is searching for opportunities to do new things or to do existing things in new or better ways. Michael Dell strategy was to sell directly to end users by eliminating thr retail markup. Dell's new company was able to sell IBM's beast-selling PCs . Moreover , he sought to refine the company's business model the company's business model , add needed production capacity , and build a bigger deeper management staff and corporate infrastructure while at the same time keeping costs low . In addition , Dell added a sales force to serve large customer quickly which became the dominant part of Dell's business. There are some tenets to deliver superior customer value , which are , selling direct to customers in the most efficient way to market the company's products , allowing customers to purchse custom-built products . Also , Dell can deliver added value to customers by reaching all the technological options, trying to determine which ones are in the sense of delivering the best combination of performance and efficiency, and being accountable to customers for helping them obtain the highest return on their investment in IT products and services .

**Q2) what are the elements of Dells strategy? Which one of the five generic competitive strategies is Dell employing? How well do the different pieces of Dells strategy fit together? In what ways is Dells strategy evolving?**

There are seven core elements in Dell's strategy :

Making build-to-order manufacturing, partnerships with suppliers

Partnering closely with suppliers to squeeze cost savings out of the supply chain ( just-in-time components inventories)

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Using direct sales techniques to gain customers

award-winning customer service and technical support

Expending into additional products and services to capture a bigger share of customers IT spending

Keeping R&D and engineering activities focused squarely on better meeting the needs of customers

and pioneering use of the Internet and e-commerce technology.

Management believed that a strong first-mover advantage accrued to the company from its lead over rivals in making e-commerce a centerpiece in its strategy.

Dell strategy has other elements that complemented its core strategy :

Entry into the White-box segment of the PC industry

Advertising

Continues pursuit of cost reduction initiatives.

There are five generic competitive strategies , Which are : a low cost provider strategy , a broad differentiation strategy , a best cost provider strategy , a focused strategy based on low costs , and a focused strategy based on differentiation . The business model on which the Dell's strategy was predicated was searching for ways to reduce costs. The different pieces of Dell's strategy can fit together by using the company considerable resources and capabilities in making low cost and standard-technology PCs

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to go after the market. Moreover, there are several ways evolving in Dell's strategy, by using the company's strong capabilities in supply chain management, low cost manufacturing, and direct sales to grow sales and market share in both the PC and server segments and expand into product categories where Dell could provide added value to its customers in the form of lower prices.

### **Q3- ) Does Dells expansion into other IT products and services make good strategic sense? Why or why not?**

Yes, because Dell's expansion into other IT products' and services make strategic good sense and expansion into new products lets Dell complement its sales of PCs and servers. First it started to have a high market share for desktops and notebooks, by offering some services. Also, they will have more customers, because they know that's going to save their costs.

Because the company corporate and intuitional customers were making increasing use of high speed data storage and retrieved devices. The PowerVault products used standardized technology and components, allowing Dell to underprice rivals and drive down storage costs for its customers by about 50 percent. Moreover, Dell's ability to improve productivity and take costs out of its value chain, and Dell's strategy of passing along cost saving to its customers and trying to deliver more value to customers' than its rivals did.

There were several driving forces contributing to increased global spending for information technology products and services starting in 2004. One way was the explosion of digital information and content. Second force was the rapid expansion of search engine activity, e-mail, text messages, and

social networking Web sites . Third force was the rapidly growing demand for information technology products and services in emerging markets around the world . All of these aspects of the global IT marketplace created huge opportunities for IT providers and huge challenges for IT users.

### **Q5) What does a SWOT analysis reveal about the attractiveness of Dells situation in 2008?**

SWOT Analysis about the attractiveness of Dee's situation are :

#### **Strengths (Capabilities, Competitive Assets).**

- Build-to-order capability.
- Efficient cell manufacturing assembly.
- Just-in-time inventory know how and capabilities.
- Long-term partnerships with key suppliers.
- Virtual integration – information sharing, close collaboration with suppliers.
- Capability to Mass Customize PC to individual and business.
- Intimate knowledge of customer requirements.
- Dell's global manufacturing and sales capabilities.
- More potent direct sales capability.
- Management team and leadership.
- R&D capability.

- Reputation and Image.
- Use of Internet as cornerstone e-commerce vehicle.

### **Weaknesses (Deficiencies, Competitive Limitations).**

- No in-house repair service capability (only technical support function).
- Lacks complete off the self product line up.
- Direct sales model not “ normal” channel outside of USA for most of the customer base.

### **Opportunities.**

- Continue to take market share away from rivals.
- Make further inroads in services.

### **Threats.**

- Corporate customers and other large customers decide to rely more and more heavily on the systems and services capabilities of rivals.
- Long-term slow down in global sales of PC's.

**Q6 ) which company is competitively strong Dell or hewlett Packard/ use the weight competitive strength assessments methodology shown in table 4. 4 of chapter 4 to support you answer?**

Dell is competitively stronger than HP. The real advantage is for Dell to position itself as an information systems solution provider, rather than a hardware vendor, providing customers with entire systems, which integrate Dell hardware and Dell's internal capabilities. This is already beginning to

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happen utilizing the Internet. Dell's customers can use a web page to configure, place and track orders, as well as obtain technical and sales information. In other words Dell is offering a solution to the information systems department for the procurement process of Dell equipment. Dells major strategic focus should also be on capturing more of the individual consumer market and taking advantage of the worldwide opportunities opening up to computer markets.

**Q7) -In what respects, if any , is Hewlett-Packards in Pc s more appealing or better than Dells strategy?**

Yes , Hp's strategy in PC's better than Dell's strategy . Hp had a direct sales force that sold direct to large enterprises and select other customers. A very sizable share of HP's sales of PCs were made through distributors , retailers , and other channels. These include

Retailers that sold HP products to the public through their own physical or internet stores .

Retailers that sold HP products and services , frequently with their own value-added products or services to targeted customer groups.

Distribution partners that supplied HP products to smaller resellers with which HP had no direct relationships.

Independent software vendors that often assisted HP in selling HP computers , servicers and other products or services to their software clients.

Systems integrators that helped large enterprises design and implement custom IT solutions.

In addition , While in house personal designed the company's PC's and \*86 servers , the vast majority were assembled by contract manufacturers located in the various parts of the world.

### **Q8) what issues and problems does Michael Dell need to address?**

Dell employed a shorter value chain model, selling directly to customers and eliminating the time and costs associated with distributing through independent resellers. Dell's success in using its business model and strategy to become the low-cost leader. Also, its success in gaining large enterprise customers with its direct sales force had forced growing numbers of PC vendors to supplement the efforts of their independent dealers with direct sales and service efforts of their own.

There are some issues and problems That Michael need to address which consists having to keep many differently equipped models on retailers' shelves to fill buyer requests for one or another configuration of options and component, having to clear out slow-selling models at a discount before introducing new generations of PCs, don't have enough talented people who will help the company to do better, don't a good management staff and leadership.

### **Q9) what actions and strategy changes would you recommend to Michael Dell to boost the companys performance and its prospects for overtaking HP in global sales of PCS?**

For any company to succeed, it's critical for top management to share power successfully. You have to be focused on achieving goals for the organization,

not on accumulating power for yourself. You also need to respect one another, and communicate so constantly that you're practically of one mind on the most important topics and issues that face the company. The most important thing in Dells strategy is to satisfy their consumers and to be profitable. There are many enormous opportunities they can grow across multiple dimensions in terms of products with servers, storage, printing and services representing a huge realm of expansion. They should focus on pinching those opportunities, seizing on them and making sure have the talent and the leadership growing inside the company to support all that growth. They also, should continue to reduce costs to help them restore profit margins, given that there seemed to be some modest relief from having to contend with eroding average revenues per unit sold.

Also, needs more talented people who will help the company to do better, build a bigger deeper management staff and corporate infrastructure while at the same time keeping costs low. Also he should sought to refine the company's model and add needed production capacity, continue to Invest in Services Program Development, continue to apply the lessons it has learned from the mass customization of PC's, selectively integrate new technologies and service paradigms into new offerings.