

# Comparison of michael dell and chuanzhi liu as business leaders



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Michael Dell is an American born entrepreneur, founder and CEO of Dell Computer. He is one of the richest people in the world with a net worth of over \$12.3 billion according to the Forbes.<sup>5</sup> He was born in 1965 in Austin, Texas where he still lives with his wife and four children. In 1992, he became the youngest CEO to head a Fortune 500 company at the age of only 27 years old.

Michael Dell is most famous for starting Dell Computer Corporation while a college student. This was the first computer company to offer a direct-to-consumer method of selling a computer. Rather than buy a pre-packaged computer at a store, customers could order a custom made product directly from the factory. This eliminated the middle-man and allowed for a greater profit margin for the company. In 1983, he began selling built-to-order computers out of his dorm room. He was a very optimistic student eager to beat IBM, the main producer of the time. His little venture became rather successful. The next year, against the wishes of his parents and with only \$1000 of start-up capital invested, he dropped out of school and began running the business full time<sup>6</sup>. The rest, as we say, is history.

Unlike many of the 'rags to riches' stories that permeate the fairy tales of the American Dream, Dell was raised to be a success in life. From a sociological perspective, Dell was born reasonably privileged and had all the tools needed to plant the seeds of success. His father was an orthodontist, his grandfather was a doctor, and his mother was a stock-broker. Growing up, his parents were supportive of his interests and encouraged his studies. In addition, his mother, a successful business woman herself, frequently discussed market influences at home<sup>7</sup>. From an early age, Dell had

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demonstrated skills in math and science and was expected to become a doctor. He went into the University of Texas, Austin to study biology. Having this encouragement as a child does not, of course, guarantee one's success in life. However, his supportive background, combined with his own personality traits lead him to where he is today.

There are many stories about Dell and his own personal factors that contributed to his success. Most of these stories talk of his taking initiative to start businesses early in life. One commonly told story when he was a teenager he had a job selling newspaper subscriptions. In the process of selling the papers, he noticed that the main people who bought the papers were newlyweds and people just moving to the area. Rather than just randomly canvas a sales area, he took this information and hired some friends to research the public records of marriage and real estate information. This gave him a targeted list of potential customers and he was able to sell a large number of subscriptions, eventually earning more money than someone working full time<sup>7</sup>. He was able to succeed through initiative, combined with his ability to influence people to support his vision. Later on, while in college, he continued this proactive approach to money-making by starting the company in his dorm room and not just waiting until he was out of school or when his parents said he should. He has a very strong internal Locus of Control which identifies and seizes opportunities when they arise.

## **Liu ChuanZhi**

Liu Chuanzhi was born at a rich family in 1944 in Jiangsu province. His father had worked as the first generation of executive for the Bank of China before 1949. With the effect by his father, Liu became one of the best students in <https://assignbuster.com/comparison-of-michael-dell-and-chuanzhi-liu-as-business-leaders/>

his high school. In 1961, he entered the Xian Military Communication Engineering College. It is very difficult to enter the university to study at that period in China. During his university years, Liu's teachers all experienced the war time, their stories affected Liu Chuanzhi a lot, he had the army spirit from that time. After he graduated in 1966, he became a researcher in Chinese Academy of Science. When Liu prepared to jump into his job with full passion, the Cultural Revolution broke out. During that time, the school and university closed, people all stopped to work. Liu Chuanzhi was forced to be a laborer and sent to a state-owned rice farm from 1968 to 1970. After that, Liu went back to the Academy as an engineer-administrator in 1970 when it reopened.<sup>[i]</sup> But under the background in China at that time, the development of China almost stopped in the 1970s, people just struggle each other, Liu cannot do science research. When the reform ended, Liu was 35 years old, he already lost his youth, and his best time had been wasted.

Time changed when Deng Xiaoping started an economic reform in the 1980s. China had more flexible policy to make money and business. Liu Chuanzhi had worked in Chinese Academy of Sciences for over 13 years at that time. He felt boring because he has great ambition, he has passion and he wants to do something great, but he never had opportunity to do. Now, he saw a big chance, maybe the last chance to make his dream come true, so he decided to change to build his own business. Then, Liu loaned from the academy for 200,000 Yuan and 10 staff, found a company—Lenovo in 1984, that year he was 40 years old.

Based on the situation at that time, Liu Chuanzhi decided to develop

technology and trade as the company strategy. The company developed a  
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device for Chinese character input on computer in 1985, and then they finished a character recognition device which can allow people input their language by handwriting them on a pad in 1990. In addition to this, Lenovo grew not only by developing PC, but also by acting as agent for foreign computer companies like IBM & HP from the end of the 1980s. The high-tech product promoted the influence and brand of the company. The trade helps Liu and his company obtain enough money and understand the marketing better. Liu Chuanzhi's company became one of the most effectiveness IT companies in China when time is early 1990s.

But In 1994, the Lenovo didn't achieved their planned selling target first time because of the strong competitors — foreign PC companies like IBM, HP and Compaq. The main reason is that Chinese government decided to decrease the tariffs and opened the market for the foreign computer companies. These foreign companies have strong advantages on the aspects of technical, funding and management. The PC market share for Lenovo dropped to 6% that time. Facing this difficult situation, Liu analysis and made new company strategy. First, strengthen the product localization to suit Chinese customer better. Second, set up an excellent supply chain called " golden supply chain" to reduce the product cost. In the same time, Liu Chuanzhi re-designed the company organization, delegated a young people Yang Yuanqing who had been coached by Liu as the general manager of PC business division. By these actions, after 2 years, Lenovo had surpassed IBM and other companies became the first position for market share in computer sales in China.

After enter to the new century, Liu Chuanzhi lead his company into the global market competition. He faced more challenge and opportunity. In the end of 2004, he purchased the PC division from IBM. This news shocked the world, and this is a historic timing for the Chinese company, Liu Chuanzhi became a hero in China.

In 2004, Liu left his job to Yang Yuanqing and quit from the chair man of Lenovo group, focus on the investment business. But the company didn't go very well after he left, they encountered deficit for first time in 2008. So Liu Chuanzhi decided return to Lenovo group, leading his company again to get rid of the crisis. Based on the new environment of global market, he adjusted the strategy for company. During 2009 and 2010, the company made profit again and transformed successful.[iv]

Liu Chuanzhi has a great ambition and strong self-confidence. He start his enterprise at 40 years old, this is quite rare even around the world. Also, he has great vision, he can set up and adjust the strategy effectively when the company facing crisis. He can always understand the market and situation clearly and do the right things. Other side, Liu has great ability to inspire and coach the talents. He let young talent join the management earlier, therefore these young men can understand the management and themselves more. Liu doesn't just order them what to do, but also coach what they should think and leave the rights to themselves. After Liu's coach, these young men like Yang Yuanqing and Guo Wei, growth vey fast and operate the company very well.

## **What made them who they are**

### **Michael Dell**

#### **Personality Highlights**

Locus of control

Risk Taking

Emotional Stability

Openness to Experience

Conscientiousness

Agreeableness

Low-Key

Intelligent

Initiative

#### **Values**

##### **Terminal value—Happiness**

Individual Happiness

Happiness, do things what you really like. This is Michael Dell's definition of success, and also is his terminal value. Reviewing his legendary history, Mr. Dell was always driven by what he wanted to do, not he had to do. A lot of people conform to the routine which their family or surrounding society think

they should follow, and then go through life unhappy, no matter others think they are successful or not.

### Family Happiness

He not only cares about his own happiness but also cares about his family's concern. When he decided to quit from college and put up his own business. He didn't just insist on his own way when others strongly opposed. Instead, he smartly gives an eclectic proposal that he will provide a satisfying sales figure to prove he could continue his business, by which he obtained the support from his parents.

### Universal Happiness

When he try to boost the development of company, he believe that the enterprise ' s commitment is not just to make profit to satisfy shareholder, but more importantly, is to benefit people's life. Around this happiness principle, Mr. Dell, his company, and all his life, positively influenced all human beings in this world.

### **Instrumental Value—Responsibility, Broad-minded, Courageous**

He try to keep a good balance between work and life with full responsibilities for both business and family.. When he gained the fortune and became one of the richest people on the earth, he did not retire just to enjoy the rest of his life with his huge fortune. Instead, he and his wife set up a charity fund, focusing on children and women charity activities.



He encourages other people's idea, never afraid of making changes. While Dell Inc. met crisis during 2006-2007, he came back to the company, reclaimed the CEO position, and confronted the problem courageously with all staff. He hired highly efficient professionals, listened to their ideas, and made changes on the strategy following market situations.

## **Culture Influence**

Michael Dell's personal traits and values, which are main factors to his success, are greatly influenced by western culture and American culture. In western culture, people uphold the spirit of innovation, encourage independent thinking and respect individuality. These cultural elements greatly mixed into Michael Dell's blood, and mold him into a courageous and innovative person, who always dares to try new things and start his own business when he was still in teenager age.

On the other hand, the advanced development of commercialization in western society also contributed on Michael's flexible thinking and market sensitivity, which enabled him to capture business opportunities and figure out the most efficient strategy for earning profit. As Mr. Dell said while he decided to quit: "Education is important for a person, however, it is more important for a person to grasping the good chances.

## **Market Opportunity**

There is an old Chinese saying : " Situation made the hero" (æ- ¶åŠ;é€ è<±é>,,). In terms of this sense, Michael Dell is definitely a hero made by the coming-up of the information age.

During 1980's, computer, which formerly is considered as equipment of industrial production, began to speed its steps into the sight of personal consumption. People have not only desire for it, but also curiousness and confusion as well. However, the commonly used selling method was not customer oriented and the transactions with a middle party made the PC price were incredibly high. After recognizing that, Michael Dell innovated a direct-sell strategy with a communication mechanism with potential customers. What is more fundamental is that the age and accompanied innovation of technology create conditions on which he could apply his excellent marketing ability. From the end of 1990's to the earlier several years of 21st century, the significant information technical development influence greatly on almost every aspects of human's life. People changed their communication style, shopping style, entertainment style, etc. Meantime, people have more specific demands on what they purchased. This change gave the company both a new opportunity and a challenge in some way. To meet this consumption trend, Dell's company implemented their model-customizing strategy to allow people customize special PC component through internet.

## **Liu ChuanZhi**

### **Personality Highlights**

Locus of control

Machiavellianism

Conscientiousness

Extroversion

Perseverance

Ambition

Type A personality Self-Confidence Dominance

## Values

### **Terminal Value—A sense of Accomplishment**

All through Liu Chuanzhi's successful and exciting life, he is always chasing a sense of accomplishment. No matter what kind of difficulties in road, no matter what kind of success he has achieved, he never stop going, never satisfied with staying where they are. That value gave him direction all through his life. When he was young, he entered military school expected to make contributions to the country. When he started his business in 1984, he was forty years old, holding a engineer position in the Chinese Academy of Sciences, feeling unsatisfied with the monotonous daily work. When the company was going through a fast developing period in 1980s through selling foreign brand products, he decided to develop their own PC brand, which is now known as Lenovo. Liu Chuanzhi once mentioned in an interview that the most interests in a person are to accomplish the goals he set by himself. Even today, Liu Chuanzhi is still trying to achieve development in investment and real-estate industry. His inner need of a strong sense of accomplishment made his an ambitious visionary and intellectual leader of the company.

## **Instrumental Value—Ambitious, Intellectual, Responsible**

The developing process of Lenovo is the clear indication of Liu's great ambitious and intelligence. His responsibility not only shows in his daily hard working for the company, but also in his insistence on developing national IT industry, and build up world level IT brand. These values not only formed his personal spirit but also became a part of Lenovo's corporate culture.

## **Culture Influence**

As a leader who raised and educated in China, Liu Chuanzhi was greatly influenced by the traditional Chinese philosophy. In such theory, there is a lot of discussion about situation. Understanding of these theories always helps him take advantage from the chaotic market order.

## **Military and Life Experience**

Years experience of learning in the Xian Institute of Military Communication Engineering school and also the afterward experience as a manual labor on a rice farm had shaped Liu Chuanzhi a person with strong determination. He is ambitious, decisive, doing thing with a clear vision and quick action. These characteristics are legacies of military life and early hardship, also critical factors that made him a highly efficient and effective leader in company.

## **Market Opportunity**

When Liu Chuanzhi started the enterprise named as Legend in 1984, China was just undergoing great economic and social changes. The reform and opening-up policy had been carried out for five years, which waken commercialization in the country. The market was becoming more and more active, with little competition and loose regulation. When Liu took a loan of

200, 000 yuan from his superior at the academy with 10 other staff members, he had the advantage of technological supports from Chinese Academy of Sciences Computer Institution. Taking use of this advantage, Legend developed a Chinese character set for computers in 1985. This gave the company the first opportunity to stand out, and, when the company began to produce PCs in 1990, it also began to develop technology that provided character recognition of the Chinese language. By the late 1990s Legend had produced a Chinese character recognizer for the PC, which allowed users to write Chinese characters on a digital pad and translate the characters onto a computer screen.

## **Eastern vs. Western Differences**

From the end of the 20th century to the beginning of the 21st century, a lot of technology products were introduced from west to eastern, including PC computers. For a long time in the last century, China is a mysterious country for most western entrepreneurs. Doing business in China is very different from doing so in western country. As west concerns, in China, government administrates the market, controls the competition, and rations most important business resources. In western countries, business people could try to achieve the enterprise goal by creative ideas and optimized marketing strategy. Under that environment, whether a company is good or not usually is the reflection of this company's business ability. Comparing to that, enterprise trying to do business need more political acuteness in China. However, as the progress of the reform and opening in last several decades, China has been developing a socialist market system balanced with a good momentum of growth in the national economy. Fair competition and that

only the best could survive have gradually become the major principle of China market. It is the inevitable result caused by global trend. Mr. Dell, is just the right business leader who are business insightful and farsighted with a long-term business goal. In 1989, Mr. Dell visited Shenzhen, a symbol city of China reform and opening. Now, Dell Inc. has a big market share in PC sales as the second largest PC seller in China. The company would not make this achievement without stepping into China market at earlier time. It's a big risk for a MNC to enter China market at that time, but just as Mr. Dell said, " Don't be afraid to fail because that's usually when you learn." 8

The unique features of a local environment always give special characteristics to its inhabitants. Leaders from different cultures have different leadership style, in this case Michael Dell and Liu Chuanzhi. For Michael Dell and those western business leaders, they always focus on the management of their business and maximize the benefits. Those leaders in China we may tell a different story. Due to the political condition of China, ' Political correctness' has become a pet phrase of Chinese business leaders. Running a company in China, leaders must have a sharp political sensitivity.

Leadership practice may be different with different culture background and different political background. However, there is some universal core ingredient within both western leadership and eastern leadership: study and the situation, and figure out the best solution.

It's hard to say which is better; both have their advantages and disadvantages. Business leaders from different culture background will more

adapted to local market conditions, after enter a new environment; all of them have a learning and adaptation process.

Different situation shapes different type of leadership styles. It's really hard to find the extreme example like reform and opening up in modern western history. On the other hand, the Chinese business leaders may not suit for the western market rules. They had suit for the changing market of China, when they enter a stable market, the market rules may made them pretty uncomfortable.

## **Leadership Practice**

### **Michael Dell**

Leadership characteristics

#### Powerful Vision

Vision is the most critical elements for Michael Dell's success. In 1984, when Michael Dell was still a 19 year-old student, he noticed an opportunity of selling PCs at lower price. At that time, PC has not entered ordinary family because of the unacceptable high price. Michael Dell saw that when a consumer bought a PC, the inside components only worth about one fifth of the price he paid. PC producers such as IBM, would buy these components from other companies, assemble them, and then sell the assembled products to dealers with a price about 2 or 3 times of costs. Then the dealer, who basically knew little about supporting computers, would sell it with a higher price. Michael Dell realized the disadvantages of this traditional business model and understood the market needs of lower price PC. So when he was

designing his own business, he skipped the step of selling to dealers, offering assembled products directly to consumers. In that way, Michael Dell not only created a low-cost direct-sell business model, which offer ceaseless driving force for Dell Company in the past twenty years, but also greatly promoted the popularization of the PC.

### Sense of Innovation

Computer industry is known for fast development and innovative work. As a industry leader, Michael Dell, to some extent, promoted and dominated the pace and directions of the industry development. His strong sense of innovation made him keep trying new things, taking risk and working hard to find better solutions. Some of those solutions led to a revolutionary change or became industrial criterion.

Dell was the pioneer of the revolutionary direct selling business model to end users.

Dell also became a pioneer of on-line PC selling business in 1994, and soon enlarged the business scale and turned it into a profit engine. By 1999, Dell was the largest seller on the Internet, trumping Amazon. com (AMZN ), eBay (EBAY ), and Yahoo! combined.[3]

Dell was the first to create a “ No Inventory” business model that enabled the company to maintain a low inventory of computer parts through scientific and accurate management. This strategy only reduce the need and cost for warehouse space, but also ensure that Dell keeps the newest products its supplier offer and could update stock promptly and low-costly



whenever a new techniques hits market. The “ No Inventory Strategy” made the company to achieve a 50 percent annual growth rate from 1994-1998, and enhanced the company from a second-tier PC maker to the world largest giant.

#### Stable and consistent Goal Chaser

Michael Dell became the youngest CEO of Fortune 500 company in 1992, at age of 27. Through the past years, he was admired as a visionary and an innovator, but he was also a stable, consistent leader. When he was still a freshman in college, Michael Dell declared that he wanted to beat IBM in someday. So when he finally started his own business, competing with IBM in PC field, he established a revolutionary new business model challenging the traditional model advocated by IBM. Then he kept focused on his direct service, low price strategy in achieving further business success. His focus was so obvious and significant that many business analysts even regarded it as one of Dell’s secrets to success.[4]

#### Flexible and market-oriented

Although Michael Dell kept focusing on the concept of direct sales business strategy, he didn’t regard it as the only option in business practice. He is market-oriented, and could be flexible to adjust company strategies and operating model whenever necessary. When PC market was in a slump in early 2000s, he diversified products and led the company up to peak in 2004. After noticing that laptops outsell desktops, he changed his producing strategy. And after recognizing that customers prefer to handle laptops before buying, he updated the company’s sales strategy through employing <https://assignbuster.com/comparison-of-michael-dell-and-chuanzhi-liu-as-business-leaders/>

some indirect sales channels, such as retailing chains Wal-Mart and Best Buy.

### Open-minded and Inspiring

Michael Dell cherishes difference as a factor breeds innovation. He encourages different thinking in his team, and gathered a diversified work force and external consultants in his teams to diagnose problems and search solutions with different angles. In 2007, he declared a two-month “ amnesty” within the company to encourage people to discuss problems and deal with them quickly, without fear of being fired or demoted.[5]

### Passionate for work

Michael Dell insists on doing things he love. He has great passion in computer technology. This passion made him decides to drop out of school and keep hand at helm of the company from early days to now, when Dell Company has already became a major player in the global IT industry and himself has became one of the richest person in the world. Michael Dell once relinquished the CEO title to Kevin Rollins and only kept the chairman in the company in 2004. However, even in this period, he remained in charge of the company through creating a shared leadership structure with Rollins. Michael devotes ceaseless passion in work and regards it as his responsibility to keep his company growing sustainably, maintain its leading position in market and also pursue its growth ambitions in the computer industry.

### Type of leader and Power Analysis

## **Visionary Innovative Clear goal**

## **Market-Oriented Open-minded**

## **Passion**

Leadership Characteristics

## **Visionary Leader**

## **Inspiration Leader**

Leader type

## **Vision Power**

## **Knowledge Power**

## **Reference Power**

Power

Influence Power

## **Leadership Interaction Analysis**

### **Case Study: Handling Crisis in 2007**

2006 was a bad year for Dell Inc. In this year, Dell was surpassed by HP and lost its title as the largest PC seller in the world. It suffered from a sluggish growth, a disappointing fiscal result, an enormous battery recall and a federal accounting investigation. In that year, only two years after Dell reaching top, the company became disadvantageous in the changing market. During this period, corporate PC sales slowed and consumer sales boomed, consumer became picky on product design, and the U. S. market which Dell kept focusing on got mature and was growing weakly. Under this

circumstance, after only being in the position of chairman for 3 years,

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Michael Dell reclaimed the CEO title in January 2007. And he carried out significant changes to the company.

Restructured management, cut bureaucracy. Brought in new blood through hiring highly professional top executives.

Emphasized on the consumer market, diversify consumer products. Paid more attention on customer services; built up relationship with the consumer PC buyers. Set up a Web site called Idea Storm, which served as a platform for collecting customer suggestions on new products and services and discussions about the proposals[6].

Explore oversea markets, made a big push to increase market share there.

Made a change in its distribution model, opened retail channels through cooperating with world retailing giants, after recognizing the difference between corporate PC buyers and consumer PC buyers, that consumer PC buyers would like to handle devices in person before buying.

Except from carrying out strategic changes, Michael Dell also paid attention to use his vision to motivate his employees and improve team moral. Even though the management restructuring led to some high level turbulence within the company, the highly experienced top executives he hired soon began to play their role in streamlining the business in different functions. Generally speaking the company's employees were keeping high expectation on company turnaround leading by Michael, and the personal opportunity to learn and grow. They were encouraged to be direct, and eager to contribute new ideas as well.[7]

The new strategies enhanced the brand image of Dell, also helped to gain a revenue recovery in later years. In Fiscal 2008 the company increased its year-over-year net revenue by 6% to \$61. 1 billion, net income was \$2. 9 billion for Fiscal 2008, or 4. 8% of net revenue compared to \$2. 6 billion for Fiscal 2007.[8]The overseas markets experienced fast grow, and generate about half of its sales already.

## **Interaction with followers and situation**

Visionary and innovative decision maker

Highly responsible for the company

Flexible and market-oriented

Courageous to change managerial structures and switch emphasis

Trust subordinates and be open-minded

## **Leader**

Vision Strategy

Personality

Trust and respect to Michael Dell.

Highly efficient professionals

Innovative corporate culture

Negative influence of the replacement some top executives

## **Follower**

Values Norms

Cohesiveness

## **Situation**

Task Stress

Environment

Market Changes in consumer preference and consuming habits

Mature market and fierce competition

Higher consumer requests

Internal problems in supply chain management

Declining trend in U. S. market

Accounting scandal

## **Leadership**

### **Liu ChuanZhi**

### **What we could learn?**

### **What can we learn from Michael Dell?**

Dell is always highly motivated by Michael Dell's powerful vision. On the basis of sharing his ambitions, influencing and motivating his followers with his goals, dreams and visions, Dell finds path to convert his goals and vision into all followers' believing and actions. Teamwork expedites realization of

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those Big Dreams. And habitually being sensitive to occurrence of any change in situation, he can quick adjust himself to cope with the change and seize favorable business opportunities from it.

Strong sense of innovation: S