

# Strategic planning methods for dell inc

Business, Strategic Management



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The company was founded in 1984 by Michael Dell who was then a university of Texas student in Austin. Its initial brand name was PC's limited and its founder was an entrepreneur who believed with direct contact with the customers to meet their computing needs. Its first product to manufacture was the Turbo PC which came in to market in 1985 and received a direct advert through computer magazines to the consumers. To achieve market confidence, the company offered a lower retail price for the products for consumers' conveniences. This direct marketing model to customers was used by other companies but to no avail, this formed the Strategic planning procedures and base for the company. To their advantage, PC limited was the first company to succeed in the use of this model with the first year's sales reaching to a higher level of US \$ 73 million. In 1988, PC's limited changed its name to Dell Computer Corporation with its customers as the major driving and motivating factor in their operations (Pearce & Robinson, 2009).

The company thrived so well in this highly technological evolution competitive market and registered sales of over US \$ 1 million while venturing in the internet sales market. This trend increased to high point of registering sales of up to US \$ 50 million per day. It was until 2005 when the company was faced with an upper hill task when it recalled over 4 million laptops due to their default in the charging systems. It's reported that many of the laptops caught fire during their usage a scenario that was also repeated in 2007. Flaks never ended with its recalling exercise but also it was investigated by the American authorities due to its projected earnings over the last one decade. However despite all these flaks the company received, it went to history record as the first company to join and be a signatory of the climate group. Under this commitment, Dell Corporation has undertaken several carbon neutral and energy efficiency activities assuming a leadership role in the environmental conservation efforts (John & Farnum, 2004).

Dell Corporation is surrounded with highly competitive market structure especially in the Information Communication Technology world. Although Dell has been regarded as a market leader, in the last two decades, its affiliations and components have not indicated any growth and upward trend for the same period of time. Several indices have been quoted worldwide to include sale of Dell products in international markets. They include Credit Suisse First Boston Tech, Amex Deutsche Bank Croci US+IN, Dynamic hardware and Consumer EI, Amex Fortune 500 Index, Dynamic Large Cap Value Intelli, IPX Composite Index, NASDAQ Composite and Share BuyBack Achievers Index (Pearce & Robinson, 2009).

Resource based view analysis of an organization is the market tool used to assess, measure and determine the strength of the firm or a company according to its strategic resources at the company's disposal for growth and expansion. For a firm to enjoy the market competitive advantage according to resource based view and analysis, the company must be in a strategic position to efficiently utilize all the available resources to its advantage. In order for the organization to enjoy long term competitive market advantage, the valuable resources available should be immobile and heterogeneous. In this way, the market is highly restricted to new entrants and competitive advantage is enhanced to the existing company. This market condition creates a situation where substitutability of the products and service produced becomes almost difficult. By so doing, the dominant company maintains a competitive advantage both in short and long runs (Plan Ware Invest-Tech Limited, 2009).

Dell's introduction of direct relation with the customers placed it as the market leader in PC market. It enjoyed a wide and vast base for resource development and customer satisfaction a fact that saw Dell regarded as the best PC seller not only in the American market but also in the international front. In addition, experienced and skilled manpower with able and visionary leadership and management under the chairmanship of its founder Michael Dell has attracted a public confidence notion which has surpassed Dell to all other companies in the market. Therefore, the public figure and regard accorded to the company by the consumers has given Dell an opportunity to exploit all its competitive advantage in the market over other companies. Due to lack of close substitutability of the Dell products, the market has no

choice rather than adapt to the use of the company's products. This provides the company with the best platform to exercise and exploit all the market available opportunities to maximize on sales and reduced costs which consequently results to increased profitability (McNamara, 2009).

### **Strategic planning and approach: Control systems**

It is within the company's policies and objectives to maintain a leading role in the market for PC manufactures as well as internet provision in the world. Dell also strives to maintain a large customer base in the international market through provision of quality products and services and customer satisfaction. It's only through these practices that Dell will maintain a market leadership role and its international market status. In order for the company to realize its objectives, several measures were instigated and adhered to both in the production, distribution and sales market segments of the company. A strategic approach was also employed by the company where production processes were dictated and directed by customer's specification and inclined towards market expansion and growth. In order to achieve these objectives, the company further insists and concentrated on both internal and external control systems. The internal control systems were instituted to ensure that the products and services produced by Dell were of the required standards and meet the government's control systems and requirements. To realize these goals, the company was required to produce quality products and provision of quality services to the customers (Roger, 2003).

Through achievements of these steps, the company will therefore gain public confidence and occupy market leading position due to its product and service provisions. Control systems and quality management practices are vital in operations of any organization. Control systems ensures that all the produced products and services meets the required market and customer specification and avoids product recalls like the one witnessed in 2005 with the company recalling over 4 million laptops in the international market due to fault in the charging system. This exercise is an embarrassment to the company and lacks motivation to worker lowering their morale when redoing the work again. When control and quality management systems and procedures adhered to; such kind of a scenario could not have been experienced. When work is done thoroughly and completion done within the framework of company guidelines and policy stipulations, recommendations and complements from customers and other stakeholders motivates the employees and management teams of the company. In addition when quality management and control systems are well maintained and strictly followed, the workers operate without distraction and disturbance which greatly motivates them unlike when the company is under certain investigation which creates tension and workers feel intimidated like the case when the American government investigated Dell company concerning its earning and revenues sources and recordings (Robert and Matthias, 2008).

When the above policies and guidelines are followed within an organization, workers feels satisfied in their personal life as individuals as well as professional career since they are regarded as highly competent. The notion

of trust generated from company's success results to self actualization and confidence to professional endeavors of the employees.

## **Functional and dysfunctional control systems**

Management functional behaviors are encouraged in an organization and companies to ensure that all the stakeholders are governed and execute responsibilities with professionalism and diligence. However, more often than not, many personnel within an organizational set up do not conform to the functional stipulation of the company. Therefore dysfunctional behaviors are always witnessed in the learning of a company especially from the top executive managers like gaming and information manipulations. To alleviate these malpractices within an organization, management control systems are paramount involving components like variance reports, performance based remunerations, budgets and standard operating procedures. The major control systems involved in correction of dysfunctional behaviors in organizations are the strict adherence and reliance on accounting performance measures (RAPM), standard operating procedures (SOP) and the budgetary participation (BP). These control systems ensures accountability, transparency and credibility of not only the employees but also the organization at large (Michael & Jude, 2005).

## **SWOT analysis of Dell Corporation**

This represents the Strengths, Weaknesses, Opportunities and Threats facing an organization. SWOT analysis forms an internal examination of an organization in analyzation of its internal and external factors included in both positive and negative aspects. This analysis allows company

administration and management device the best strategic approach to profit maximization in a competitive market. The Strengths and Weaknesses represent the internal factors while Opportunities and Threats are the external influencing surroundings of the company.

## **SWOT Analysis Matrix for Dell Corporation**

Source: Researcher

The Strengths Dell enjoys is the being the largest PC manufacture in the world therefore a large market area size. This witnessed the company register the largest profits in America. Dealing with the customer directly gave Dell an upper hand in market capturing due to reduced bureaucratic processes and red tape. However despite all these strengths, Dell had immanent weaknesses; product recalls done in 2005 and 2007 was a strong indication that the internal operations were not very strong. Constrained supply due to few large scale retailers also limited its production capacity. External factors influencing Dell were the opportunities it witnessed after the change of the top management team which brought new talents in the company increasing production and enhancing growth. The diversification strategy introduced boosted sales and increased profitability. Despite these enormous opportunities, Dell experienced Threats as well. The market was experiencing new and strong entrants which increased competition reducing profitability. The world currency fluctuations and exchange rate instability was a great setback to Dell efforts for growth and expansion (Pearce & Robinson, 2009).



## **Development and evaluation of control systems**

The instituted management control systems that were adopted and implemented by Dell were aimed at enhancing efficiency and increasing profitability of the company through market expansion and product development. Control systems should be developed outside the company to enhance and guarantee their independency for efficiency purposes. Their implementation involves the monitoring and regulatory processes for directors, managers and all the supervisory personnel within the organization on their behaviors and conduct concerning organizational management. They should also be instituted in the decision making process for sound and proper policies to be implemented in an organization. To ensure that quality management programs are maintained at Dell, the company had independent internal as well as external auditors who examined its books of account to ensure they conform to the international accepted standards.

Independence of control management system guaranteed through separation with other departmental offices. The control system should have access to all the components of the company and its departments as well for efficiency. Independent and external evaluation should be carried out frequently to ensure conformity and should be practiced spontaneously to avoid internal arrangements and promote efficiency of the process. Dell has a policy of provision of the best services and manufacture of the best products in the market. This is not only aimed at capturing a large market area size, but also for customer satisfaction and convenience. From past experiences and shortcomings, the instituted control management and

quality control systems have been effective in their operations at Dell. Product recall is now a thing of the past and constitutes to the company history (Pearce & Robinson, 2009).

## **Conclusion**

Every company or an organization in the market strives to capture larger market area size to maximize on sales and consequently optimize its profits through increased sales. However, as discussed above, quality forms a fundamental component in achievement of this objective. The Strategic Planning of a company or an organization is very paramount towards realization of these objectives. Every step and market orientation adapted by the company should always conform and be grounded from the company's strategic planning procedures and guidelines. SWOT analysis should always guide the management team of a company in the formulation of a strategic approach to propel the company in achievement of its objectives. The company should always strive to utilize its strengths to reduce and eliminate weaknesses while capitalizing on all the potential opportunities to mitigate against the threats. In order to achieve all the strategic planning measures, a strong and effective quality control and management system should be in place at all times to guide company's activities and practices.