

Evaluation of michael dell essay sample

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1. What is your evaluation of Michael Dell as CEO? How well has he performed the task of strategic management discussed in Chapter 1?

Strategic Management Tasks

- Analyzing External Environment
- Analyzing Company resources and Position
- Knowing Which strategy to Apply
- Identify Opportunities
- Select Right Business Model

M. Dell started his business when the market for the computers was still growing very fast though it already was dominated by big players with the strong brand image such as IBM. Even though he did not have the resources to compete with such strong competition he had the vision that some day his company may be the market leader.

His success was based on finding the opportunity to produce the computers at lower cost than IBM and sell directly to customers by omitting the retailers. His company was growing fast, although not without the problems. The case states that during the early nineties the company "hampered by growing pains- specifically, a lack of money, people and resources"(Thompson 216). Dell had the vision, knew market well, and had a good business model but he had the problem with controlling the company growth and getting more production capacity. Finally, these problems were overcome and Dell Corporation became a public company. One more thing

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that is worth to notice is that even thou Dell was so successful he also made some mistakes, the example is provided by textbook. In 1990, Dell started selling through the retailers and abandoned the initial strategy of selling directly to customers and it went four years when he finally realized that it was a mistake.

In 1996, Dell started to sell his computers to individuals over the Internet. He was able to see the opportunity for growing the market of tech savvy customers that did not need so much customer support.

He not only was selling the computers at low cost but he also customerized them. The mass customerization in computers was ingenious idea but combined with the low cost production was something that none has never done before.

Moreover, in the 2002-2004 when he realized that the market for the computers is slowing he was able to find another opportunities for his company. He started producing Dell printers and sell digital cameras, camcorders and event the high definitions TVs. Dell is a visionary that newer stops looking for innovative solutions for his business and he is not afraid to be first to apply it and that is what makes him so successful.

2. What are the elements of Dell's strategy? How well do the pieces fit together?

Is the strategy evolving?

Dell initial strategy was to sell directly to customers and eliminate the markups of the resellers and build-for -order. Build -for - order and keeping low cost is something that usually does not go together, though Dell's strategy pieces fit together perfectly.

To be able offer low prices Dell had to find many cost effective solutions, and build -to- order gave him many cost advantages that other manufacturers did not have.

The value chain of Dell's company reflects how good the strategy is applied.

The company is connected very closely with its suppliers who provide just-in-time inventory parts. The computers are assembled after the order is placed and are delivered to the customer within 3 to 5 days what reduce the cost of warehousing. This also ensures that Dell does not have inventory that he is not able to sell, and he is able to be flexible and respond fast on changing the market preferences and prices of computer parts.

Is the strategy evolving? Yes, Dell still introduces changes into his business. One of them was when he decided to enter new products on the market. His new strategy was to “ identify product with a good margins, figure out how to build cheaply enough to be able to significantly underprice competitive products and market the new products to Dell's steadily growing customer base” (Thompson 221).

3. Does Dell's expansion into other It products and services make a good strategic sense? Why or why not?

Yes and yes again. It does make sense for at least two reasons. First reason is that the computer market is maturing. Many computer users are yet not ready to replace their computers. Second is that Dell has a large customer base. Dell's customers are very loyal and I know that because I am one of them. This loyalty reflects not only appreciation for Dell's high quality products but also Dell's excellent customers service (thou I have to admit that it needs to be expanded because it takes too long to talk to representative).

Dell enters the new markets very carefully. I noticed on its website it only sells high quality products such as Canon digitals cameras therefore I do not think it may be in any danger of loosing its brand image. In addition, because it stays close to IT products is not in danger of diluting its brand.

4. What a SWOT analysis reveal about the attractiveness of Dell Computer's situation?

Internal Strengths Internal Weaknesses

Strong position of market leader Effective model Highly efficient procurement, manufacturing, distribution capabilities Skilled Sales

Force Effective advertisement High Dependence on U. S market To small Customer Service Department Weak R&D department

Opportunities Threats

Moving toward new customers markets - Small and business groups New Technologies that will grow new demand on IT products Diversification

opportunities Attractive acquisitions of competitors White box market
Maturing computer market Slowing sales through Web and Phone Direct
marketing by other manufacturers Sluggish Economy

5. What does a competitive strength assessment reveal about Dell, as compared to IBM, HP and Gateway? Among these competitors, who enjoys the strongest competitive position? Who is the weakest overall competition ?

Competitive Assessment of Dell versus its main competitors

HP IBM Gateway

Dell's Strong points Better performance in computer hardware, better customer service, more effective advertisement, better price, Dell has the lead in computer sales as the result of strong advertising and better price. More effective business model, better prices

Dell's Weak points HP leads the market in printing and servers (as of 2003) HP provides broader level of products and services. IBM has a strong R&D department and a more prestigious brand than Dell. IBM is stronger in information technology. Gateway owns its retail stores; better computer and notebook designs than Dell.

In 2003 the strongest position was held by HP, followed by Dell, IBM and Gateway. HP acquired Compaq and that acquisition had the effect of growing assets, customer base, capabilities, and new opportunities. Dell had very strong position as the best value provider, although its absence in retail stores made Dell's sales weaker around Christmas time. IBM (still

very prestigious brand) was third and it had many problems in the computer sales area, but was good in other IT products and computer services.

The weakest company was Gateway, even though it was a very recognizable brand it had very weak sales and the company recorded net loss of \$309 million.

6. Has Dell's strategy resulted in a substantial competitive advantage over its rivals? What is the basis for whatever competitive advantages it has?

Dell's competitive advantage results from its business model, value chain, and strategy - build custom - sell direct

- No in stock product advantages

- No wait to clear inventory

- Customers are always satisfied (result of customerization)

- Flexibility and possibilities of responding quickly on changing environment, customer preferences and new technologies

- Cost advantages results from flexibility on changes

- Better ability to respond fast on technological problems or defects in components then the competitors who maintain the inventory

- " Possibility to organize marketing sales around customers groups..."
(Thompson)

·Close relationship with suppliers allows them to minimize the costs from value chain and deliver a better price to customers

7. What is your assessment of the company's financial performance the past five years? (1999- 2003)

Net profit margin - Indicates the number of profit dollars generated for each \$100 in sales

1999 - \$8 2000-\$6. 59 2001-\$7. 01 2002-\$4 2003- \$5. 99

ROA - return on assets

2000200120022003

45%51%38%38%

ROE - return on shareholder equity

19992000200120022003

62%31%38%26%43%

The numbers indicate that the company performance from the year 1999 to 2002 was gradually worsening this was caused mostly by economic slowdown.

The year 2003 was much better in financial performance the sales grew about 13% as a result of Dell's successful advertisement campaign, improved customer service and higher demand for IT products.

8. Is Dell strategy potent enough to beat out Hp? What are Dell chances for becoming dominant leader in the global PC market?

The case about Dell in the textbook is outdated and many things happened during the last three years on the computer market.

I just read the article in Business Week "It's Dell vs. The Dell Way" and find out that Dell is the global leader in PC market share, with 17.2%, and most analysts expect it to continue to gain share even without any significant changes to its approach. One reason is that Dell has room to expand in fast-growing markets such as China. And Dell is making progress in offering basic computer installation and maintenance services to businesses as well as in reselling back-office storage gear from partner EMC Corp." (Lee, Business Week 3/06).

Another explanation of Dell success is the failings of its competitors. IBM decided to sell off its Desktop and Notebook division, HP's previous success was undermined by the poor leadership of CEO Carly Fiorina and the ineffective merger with Compaq, and Gateway deals with inherent higher costs and unsuccessful patent litigation with HP.

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