

Strategic management of the dell corporation



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This report displays strategic management of Dell Company. We are team of three members, and we will display this case to implement what we are studying in Strategic Management course.

Dell Company is famous company in world and it is one of the most significant companies in the modern economy.

This report sheds light in many important points which are parts of strategic management such as first, starting with analyzing Dell industry. Second, describing Dell Company situation with its current issues. Then, there is a part which explains Dell current strategic posture which contains the current vision and mission, current objectives and goals and current corporate structure and culture. After that, describing the SWOT analysis of opportunities and threats in external environment and strengths and weaknesses in internal environment. Finally, the report is supported by putting some recommendations about reviewing its vision, mission, objectives, goals and using alternative strategies. Also, there is appendix at the end of the report which is about the strategic audit format.

Industry situation

Industry history & Industry development

All industries in the market places have been go through steps that gave the company itself the strength in taking the opportunities that were available while avoiding the threats.

In order to be successful in the market you have to beware about the key success factors which are as follow:

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Key success factors of the industry

Product attributes

Are the characteristics by which products are identified and differentiated?

Product attributes usually comprise features, functions, benefits, and uses which is important in the product to be known in the market as Dell dose.

Resources competencies

Competency is an area of knowledge or skill that is critical for producing key outputs and is something that a firm can do well and that meets the following three conditions:

It provides customer benefits.

It is hard for competitors to do as they done.

It can be leveraged widely too many products and markets.

A competency can take various forms, including technical, subject matter know how, a reliable process, and close relationships with customers and suppliers. It may also include product development or culture such as employee dedication. Modern business theories suggest that most activities that are not part of a company's core competency should be outsourced.

Characteristics of Competencies

Potential access to a wide variety of markets - the competency must be capable of developing new products and services

A competency must make a significant contribution to the perceived benefits of the end product.

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Competencies should be difficult for competitors to imitate. In many industries, such competencies are likely to be unique

Competitive capabilities

Is the rivalry of two or more companies over product which is laptops? Each company has its ability to compete in the market to produce the best quality of laptops in the industry by this each company will put its capacity to be the leader of this industry as the companies is trying their best to do and face the competition. Competition may also exist at different sizes; some competitions may be between two members of a species, while other competitions can involve entire species. In an example in economics, a competition between two small stores would be considered small compared to competition between several mega-giants. As a result, the consequences of the competition would also vary- the larger the competition, the larger the effect. In addition, the level of competition can also vary. At some levels, competition can be informal and be more for pride or fun. However, other competitions can be extreme and bitter

History of industry:

Personal computer industry first began in 1980s.

IBM was seen as a “ computer solution” company and had the broadest and deepest capabilities in :

Customer service.

Technical support.

System integration.

IBM's global Services business group was the world's largest information technology services provider.

In 1984, the Dell computer was founded with simple vision and business concept.

There are many competitors in PCs market such as Hewlett-Packard, IBM, Gateway, Sun Microsystems and many others.

Issues within the industry:

Technology

Technology can be as an issue in the industry by using new operations or strategy in producing the products or services. In our case using technology is very profitably because it helps the company to do the work quickly and efficiently.

Customer needs:

Customer needs can be one of the biggest issues in the industry, because it's very important to keep in mind what the customer need and what they prefer, the companies have to care from small thing like shape and design to big things like performance; by this the company can reach their targets easily.

Diversification:

Diversification is very important because when the company expanding their products and services that will lead to customer satisfaction and also to reach a great number of customers.

Company Situation:

Michael Dell established Dell Computer Corporation in 1984 in Austin, TX with the capital of \$1, 000, during the time he was Attending University of Texas. He had a vision that he could do great things by upgrading PCs and sell them. In 1983, his father asked him what he wanted to do with his life; Michael's answer was " I want to compete with IBM!" Even-though his father was not amused; he made his choice and started his own business with all his heart. While upgrading and selling PCs, he found out that traditional manufacturer-retailer chain is not as productive as it should be. Therefore he started to think of finding ways to sell to the end users directly. By doing so, decreasing the costs on the supply chain and more important servicing the customer with those saved dollars would be a great solution in order to increase customer satisfaction and loyalty. He was right to do what he believed in as an entrepreneur and now he has a reputable company not only in terms of the sales but also building great customer relationships.

Dell TimeLine:

1984 - With \$1, 000 in startup capital, Michael Dell registers his business as Dell Computer Corporate. The company becomes the first in the industry to sell custom-build computers directly to end-users, bypassing the dominant system of using computer resellers to sell mass-produced computers.

1986 - The company also pioneers the industry's first thirty-day money back guarantee, which becomes the cornerstone of Dell's commitment to expand its service offerings and offer superior customer satisfaction and offers the industry's first onsite service program.

1987-Dell establishes its first international subsidiary in the UK.

1990-Dell started to sell computers through consumer retail stores such as CompUSA and Best Buy. The company later exits this segment after determining the retail-store model did not meet its financial objectives.

1994-Dell launches its Dell Japan and Dell Asia/Pacific operations.

1996-Dell launches [www. dell. com](http://www.dell.com), starts selling custom-built computers online and introduces its custom-made web links for customers called “premier pages”

1998-Dell opens an integrated sales, manufacturing and support center in China.

1999-Sales over [www. dell. com](http://www.dell.com) tops 35\$ million per day.

2003-Dell ships out 6 million units over HP with 5 million units

2003-40, 000 regular employees. Approximately 27, 000 in the U. S., and approximately 13, 000 in other countries

Dell Computer Corporation designs, develops, manufactures, markets, services and supports a wide range of computer systems, including desktop computer systems, notebook computers and enterprise systems (includes servers, workstations and storage products), and also markets software, peripherals and service and support programs. The Company is managed on a geographic basis. The three geographic segments are the Americas, Europe, and Asia-Pacific and Japan.

The direct model is based on the principle that delivering custom-built computer systems is the best business model for providing solutions that are truly relevant to end-user needs. This concept, together with the Company's flexible, build-to-order manufacturing process, enables the Company to achieve faster inventory turnover and reduced inventory levels and allows the Company to rapidly incorporate new technologies and components into its product offerings. In the same way that the Company's computer products are built-to-order, service and support programs are designed to fit specific customer requirements. The Company offers a broad range of service and support programs through its own technical personnel and its direct management of specialized service suppliers. These services range from online support to onsite customer-dedicated systems engineers

Dell is the first company, which starts the direct selling model to end users in computer market place. Following benefits give great competitive advantage to Dell Corporation:

Eliminates the need to support an extensive network of wholesale and retail dealers

Avoiding dealer mark-ups

Avoids the higher inventory costs associated with the wholesale/ retail channel and the competition for retail shelf space

Reduces the high risk of obsolescence associated with products in a rapidly changing technological market

Allows the Company to maintain, monitor and update a customer database that can be used to shape future product offerings and post-sale service and support programs.

The Company develops and utilizes direct customer relationships to understand end-users' needs and to deliver high quality computer products and services tailored to meet those needs. For large corporate and institutional customers, the Company works with the customer prior to the sale to plan a strategy to meet that customer's current and future technology needs. After the sale, the Company continues the direct relationship by establishing account teams, consisting of sales, customer service and technical personnel, dedicated to the Company's large corporate and institutional customers. The Company also establishes direct relationships with small-to-medium businesses and individuals through account representatives, telephone sales representatives or Internet contact. These direct customer relationships provide the Company with a constant flow of information about its customers' plans and requirements and enable the Company to weigh its customers' needs against emerging technologies.

Michael believed that Dell Company has a list of services includes developing, manufacturing, selling and supporting servers, personal computers, data-storage devices, personal digital assistants (PDAs), software, TVs, network-switches, notebooks, printers, computer-peripherals .

Problems:

Direct sales business would not grow fast enough

The firm faced several challenges, the company had trouble reproducing important aspects of the PS/2's architecture, and the computers were delayed significantly, embarrassing the young company.

There are different competitors for the company in the computer market.

Current vision/mission

Vision :

A strategic vision is a roadmap of a company's future. It is used for providing specifics about technology and customer focus, the geographic and product markets to be pursued, the capabilities it plans to develop, and the kind of company that management is trying to create.

Company's vision is: -To explore new ways of using technology to do good things and leave a positive impression on the world.

(Learn how Dell is reinventing the way the world uses information technology, and how we demonstrate our commitment to responsible and sustainable business practices).

Mission:

A company's mission statement is typically focused on its present business scope or who we are and what we do. Mission statements broadly describe an organization's present capabilities, customer focus, activities, and business makeup.

Dell's mission is to be the most successful computer company in the world at delivering the best customer experience in markets we serve. In doing so, Dell will meet customer expectations of:

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Highest quality

Leading technology

Competitive pricing

Individual and company accountability

Best-in-class service and support

Flexible customization capability

Superior corporate citizenship

Financial stability

. Current goals/objectives:

Objectives are an organization's performance targets or the results and outcomes it wants to achieve. They function as yardsticks for tracking an organization's performance and progress.

To run and develop as a well known business

Build close relationships with our customers

Better customer loyalty

Greater customer satisfaction

Higher-sales and marketing performance

Improved marketing efficiency

Stronger brand consistency

Improved customer profitability

More cost-effective customer service

Current strategies: a – Corporate, b – Business c- Functional

Corporate level:

Corporate strategy is the overall managerial game plan for a diversified company. It consists of the moves made to establish business positions in different industries and the approaches used to manage the company's group of businesses

Target new markets

Target from different demographics, which will increase the purchasing.

Business level:

Using new methods in advertising its new product collections before the competitors do.

Using application that didn't required training, and must be intuitive to the end user.

Functional level:

The core of dell computer strategy was to use its strong capabilities in supply chain management, low cost manufacturing, and direct sales capabilities to

expand in to product categories where it could provide added value to its customer in the form of lower price.

Expand its marketing strategy to increase the selling.

Using its competitive capabilities in PCs and servers to pursue revenue growth opportunities.

Dell's build to order strategy meant that the company had no in house stock of finished goods inventories and that unlike competitor using the traditional value chain model.

Current corporate structure/culture

The corporate structure and management of Dell extends beyond the board of directors. The Dell Global Executive Management Committee sets the strategic direction for how the corporation keeps customers at the forefront, from designing and manufacturing computer systems to offering products that meet customers' requirements to providing sufficient service and support.

Dell had Multi-nationals employees of 40, 000 employees in 34 countries and its employees were located in countries outside the United State.

On January 31, 2007 Michael Dell returned to the company as CEO and the company saw immediate changes in operations. Also he believed in many things such as:

Treat employees as partners

Build for the future, rather that immediate gain.

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Recognize that the road for success includes failing.

Involve associates at all levels in the total decision-making process.

Treat individual with respect and dignity

Strive for excellence

Service to customers

SWOT analysis of Dell

External environment Analysis

Opportunities

The Opportunities is the chances that offer to any company to be one of the best companies in their industry field. And to make more profit. Dell Company has an opportunity facing the industry that let customers found the ease of shopping. On the other hand DELL has the opportunity to set up standards and dominate the field. Also it has also acquired enough technology to increase width by going into the high technology business fields. Dell Company also has other opportunity to able customers pay by credit card. First, it has a good quality for producing the new products. And the important point that Dell Company tries to exploit all new technologies. It have own website to show its products, new branches and any new Events & Exhibition. On the other hand, Dell Company gets new technology of doing its products by sending trainers to other countries or by importing professional chefs.

In economic field, Dell Company has general economic and business conditions. Also Dell can develop new products based on new or evolving technology and the market's acceptance of those products.

Threats

As all companies in the world, Dell Company has different threats affects its position and so its profit. If the new rival is copier to Dell Company, it will doesn't affect sales and profits of Dell Company because it is famous name in Computer industry and have a high quality. Also one of the expanding retardant for Dell Company is Customers need. There is an internal and external affect on Dell Company. The internal points depend on Dell Company. If there is complaint or any problems in the Company and the external points depending on increasing prices by government and the taxation.

Industry environment

The industry environment for each company contain of five competitive forces. These Forces help to analyze the External environment of the companies.

Rival

The first Forces that affect any Company is the Competitors or the rivals, Generally competitive rivalry will be high if: there is little differentiation between the products sold between customers, competitors are approximately the same size of each other, if the competitors all have similar strategies, it is costly to leave the industry hence they fight to just stay in.

When we look about Computer industry, Dell Company has many competitors such as IBM, Sony Microsystems, Gateway and HP.

There is one or more rivals are dissatisfied with their current position, it will make good points for Dell Company. First the market share will be more than its rivals. Secondly it reduces the Competitors pressures. Also, the rivals that have powerful strategies will affect the market position of Dell Company.

Entry barriers

The new entrants is one of important forces that affecting all Companies and industries. So, the Competitive environment is unattractive when Entry barriers are low and entry is likely.

Substitute products

The alternative products in the market make a threat to other Companies that make the same product. The threat of substitute is high when: price of that substitute product falls, it is easy for consumers to turn from one substitute product to another. The customer of computer has many other substitutes in the market such as Toshiba. This product is strong because of good price and quality. So it will affect the sales of Dell Company.

Suppliers

As we know the Suppliers are who provide us with different products or services. And it's strong competitive force when they have good reputations and growing demand and when Item makes up large portion of product costs, is crucial to production process, and/or significantly affects product

quality. So the Suppliers have Bargaining power which means the ability to influence the setting of prices. So, the supplier will use their power to extract better terms (higher profit margins) at the expense of the market. Dell Company has many suppliers and has able to discuss the supplier and get good price with them. Michel Dell believed that it made much better sense for Dell Computer to partner with reputable suppliers of PC parts and components. Also he openly shared its daily production schedules sales forecasts, and new model introduction plans with vendors. In addition he also did 3 years plan with each of its key suppliers and worked with suppliers to minimize the number of different stock.

Customers

As we said previously, the bargaining power is the ability to influence the setting of prices. But here the buyer will use their power to extract better terms (higher profit margins) at the expense of the market. For Dell Company the Customers have a strong bargaining power to get what they want for better price. Because of having other substitutes of Computer Company; the customer will trend to it. Also, if there is large number of customer of Dell Company, the company will reduce its price to satisfy the customers' needs. Also Dell operated with sales service programs aimed at just two market segments__ High volume ((Corporate and governmental buyers)) and Low volume ((Business and Individual Buyers)).

Internal environment

Strengths

Corporate Management and management team

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Board of directors and the Executives team:

The Executive Committee reviews the rolling three-year strategy every year and sets detailed plans for the year ahead. Once these plans are agreed by the Board, they form the basis for the year's business objectives and the budget.

Success of the business and the Group is committed to building strong relationships with its key suppliers.

Dell continued to progress a number of initiatives with suppliers to enhance performance and ensure ethical compliance in the supply chain. These included continued focus on improving the performance of key suppliers and prioritizing key products which has resulted in

Improved on-time and in-full delivery of established products

Improved on-time and in-full delivery of new product development.

Internal Control and Risk Management:

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve the Group's objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

Corporate structure

Powerful strategy:-

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Dell provides a high level of strategy which makes Dell expanded in most of world cities and increasing the revenue and profit because of its strategy. The Dell strategy not only about expanded and to get profit but also to satisfy customer need to make them happy with their products.

Corporate/company Culture

Skills Trade.

Dell skill trade programmers aim to exchange knowledge and skills between different countries that make corporate in their knowledge. That improves their environmental performance.

Corporate resources

Marketing:

Customer Service.

Customer service is one of the most important aspects in Dell, they provide their employees a special training, to guide them how to deal with customers, and how to always attract them, and make them going out the shop while they are satisfy.

Reputation and awards.

Dell reputation, values and awards, give the customers and the whole world a bright picture about them, which make the customers trust them, and they will obtain new customers as well.

Moderate Price.

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Because they are producing on the high quality their price is moderate neither low, nor high to what they are providing to the customers.

Strong brand name and image:-

Today most of people in UAE know about Dell from the name and image that it's providing and special the reputation that customer have it from them because of the high quality and unique products they have. So Dell has a strong name and image.

Strong advertising:-

Advertising is the way to deliver product to customer. Dell has different way of advertising such as newspaper, magazine, billboard; join different events, and finally the advertising through internet form different websites. That makes Dell has a high level of advertising and strong ways.

Finance:

Strong financial condition:-

After the success of Dell strategy and the expanded; the financial condition has increased to be one of the main strong of Dell factors of internal environment.

Cost advantages:-

Dell provides a high quality in their products and in many different areas so it has a high cost advantages.

Operation:

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Innovative products.

The main skill that Dell has is the innovation of their products which make product of Dell unique and different from rivals. Also Dell has the strong innovation skills.

The products meet their mission, and values.

Dell try to produce their product in high quality and satisfy customer needs that which meets their mission and objectives.

Human Resource:

The Group focuses on attracting and retaining employees with great skills, knowledge and creative talent.

It has a long-established policy of promoting diversity throughout the business. Internal and external recruitment processes are monitored to ensure there is no unintended bias. Human resource policies reflect commitment to a fair and equal organization where everyone is encouraged to succeed regardless of gender, race, sexual orientation, age or disability.

One of the key performance targets is to strengthen learning and development programs for employees who directly serve customers. This supports one of the Group's key business objectives to embed the customer culture. A new development programs, is to exchange knowledge and skills from different countries.

R&D:

Dell Company focuses on developing the product and their skills by searching and study of the new technology that are in computer industry in the world.

MIS:

Dell. com

In this website, Dell provides a lot of information about their products, branches, new events and about Dell itself.

Weaknesses

Corporate resources

Operation:

High operating cost.

Because they produce their products under special values and standards, they have a high operating cost to meet that target.

Corporate Management and management team

Michel Dell was a terrible public speaker and wasn't a good at running meetings.

Recommendations

Review current vision

Dell is happy with its vision which is “ To be the leader in the computer market by providing high quality and low cost products to satisfy customers’ expectations”, and it is clear and successful. It wants to continue with it.

Review current mission

In addition, Dell successes with its mission which is “ Use new technologies in production and marketing and build its standards depend on market standard to give its customers best services and products”. It broadly describes company’s present capabilities, customer focus, activities, and business makeup.

Review current objectives

Dell satisfies with its objectives because they are clear and simplify its vision and mission that they want to be and to do and they are:

Create new ideas in sweet industry

Satisfy customers’ needs

High quality

Giving the employees training programs which can be inside or outside the country

Building its standards depend on market standards

Review current goals

Dell's goals are long term goals which are for more than 3 years. They support and suitable with its vision and mission and they are:

Lead the market

To extend its brand name and its image through the world

Alternative strategies

Corporate level

Target new markets

Target from different demographics, which will increase the purchasing.

Business level

Using new methods in advertising its new product collections before the competitors do.

Functional level

Expand its marketing strategy to increase the selling through online shopping by using internet.

Strategy Implementation

Dell Company implements its strategy in successful way that allows them to have competitive advantages over their rivals since it established.

Conclusion

Our study and analysis validate that Dell Company is the best managed computer company. We believe that this is due to their innovative operations and quality of corporate management.

Dell company did not apply the old rules of the other companies in the industry therefore, it come up with innovation and unique plans that help the company not just to survive in a such competitive environment, but to help the business to grow and expand the operation.

Appendix A

STRATEGIC AUDIT FORMAT

Strategic Audit Areas

Describe

1. Industry situation –

1. 1. History, Development, Issues

All industries in the market places have been go through steps that gave the company itself the strength in taking the opportunities that were available while avoiding the threats.

In order to be successful in the market you have to beware about the key success factors which are as follow:

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The ability of the company itself to exploit the resources and take advantage from them.

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