

Resource based and market based view of strategy



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Resource based view (RBV) of strategy concentrates in recognising and utilising the organizations resources. It is an important, essential and an inside out management concept that is useful in developing a successful strategy. The company evaluates the environment on the basis of available resources at its expense.

Market based view (MBV) of strategy designs the company policies and strategy based on the trends and the nature of the industry's environment. It helps in selecting the market combination for the product, in which the company utilises its strategy. The strategy helps in designing the structure and strategy of the company based on the market analysis of the industry.

Dell's Strategy

Dell had moved on from its prior resource based view of strategy to market based view of strategy, due to the hurdles faced after recession and from its market competitors like HP. Dell started outsourcing for its product manufacturing like Taiwan's Foxconn Group and sales to stores like PC World, Wal-Mart and many more.

The company started to restructure its strategy just as it lost the position as the worldwide market share leader in computer industry to HP. According to research firm IDC, HP had a worldwide PC market share of 19.3% for the quarter ending June 30 compared to Dell's 16.1%. In 2005, Dell dominated the playing field with 18.2% market share compared to HP's 15.7%. (Can Dell's Turnaround Strategy Keep HP at Bay, 2007).

Dell's success had been its customer approach, "You tell us what you want and we will build it for you". That approach has worked well with corporate [information technology] people and professional users. But that is a cut-throat market since these people have a good knowledge of prices. Dell always had a hard time with the non-expert buyers. (Can Dell's Turnaround Strategy Keep HP at Bay, 2007).

Dell started to refashion the company's strategy to largely compete with its rival HP. With the change in the company's strategy challenges were faced, with its two pillars of business model - "supply chain efficiency and built to order product sales to its customer" (Can Dell's Turnaround Strategy Keep HP at Bay, 2007).

Strategic Options

Product Development -

Pursue Mid-Range Server Growth - By 2001, Dell was the market leader in entry level servers, but had no presence in the mid-range server market.

Pursuing this growth option could result in increased market share and higher profits due to the higher selling prices and markups of these units, but could be risky if technology suddenly changes. Increased post sale costs are also a concern, as server sales don't just stop upon delivery; they require continued service regarding reliability, serviceability, availability, and manageability.

Pursue Associated Services Growth - within the US, 2000 service revenues accounted for over 37% of \$2 billion in total revenues. This business unit was becoming an increasingly important part of Dell's portfolio with longevity, able to stand the test of time and market uncertainty, no matter what turn technology took.

Market Stagnation

While the market is recovering from recession, Dell should focus on its current market share. Once, the market is up and moving, Dell can start employing its strategies for achieving traction. Though, this option could prove risky and increase the gap between its competitors in the process.

RECOMMENDATIONS & IMPLEMENTATION

Since, the market growth has stopped significantly compared to late 20th and early 21st century. The only improvements are required in the form of

limited PC software/hardware upgrades until the state of the economy is revived.

Thus, Dell needs to start investing in other areas like mass storage, servers and services in new markets. Dells ability to offer its products at minimal rates, would allow it to gain a competitive advantage against its rivals. Also, the customer service provided by Dell would aid the company in keeping hold of its customers.

An expansion of the services group should also be pursued based on customer needs, which will vary around the globe. While, Dell continued to partner with third-party services firms, it should also bulk up on its own services capabilities so it can provide customers with more competitive broad services offerings. Dell needs to realize that it would have to expand its services capability significantly in order to be taken seriously in the industry (Breen, Bill, 2004, living in Dell Time. Fast Company).

Dell should also consider its entry in new markets with its current products which have been left untapped such as China in Asia, Brazil and Argentina in South America. Being the first to enter these markets would allow Dell market dominance. The company should study the trends and nature of the new markets in minute detail to gain complete advantage and increase its market share segment around the globe.

Hence, Dell should need to consider a wide range of options, including the ones mentioned above and, plan and design its strategy in accordance to its resources.

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Answer 4)

Dell is the world's leading computer systems company. They design, build and customize products and services to satisfy a wide range of customer requirements. From the server, storage and Premier Services needs of the largest global corporations, to those of consumers at home. They do business directly with customers, one at a time, and believe. They do it better than anyone on the planet.

We attribute Dell's success within the computer industry to its unique, low-cost business model, direct sales approach and collaborative research and development. By focusing on leveraging its core competency in supply-chain management and low-cost manufacturing within mature technology segments, such as PCs, Dell has a proven strategy to disrupt traditional technology business models that rely on proprietary technology or multistage sales and distribution. A key part of Dell's success stems from leveraging widely available industry technology within a low-cost manufacturing framework as a way of displacing the competition.

All this was made possible because of the Vision of one man, Michael Dell. Michael Saul Dell (born February 23, 1965) is an American business magnate and the founder and chief executive officer of Dell Inc. He is one of the richest people in the world, ranked 44 with a net worth of US\$14.6 billion in 2011.

Michael Dell is 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 results came from “

tuning loose talented people who can be relied upon to do what they are supposed to do." He was a visionary leader!!

Visionary leadership goes beyond charisma. Visionary leadership is the ability to create and articulate a realistic, credible, attractive vision of the future for an organization or organizational unit that grows out of and improves upon the present. This vision is so energizing that it " in effect jump-starts the future by calling forth the skills, talents, and resources to make it happen."

A vision differs from other forms of direction setting in several ways:

A vision has clear and compelling imagery that offers an innovative way to improve

Vision taps people's emotions and energy (Leadership & Team Management)

Michael Dell had them both. The key properties of a vision seem to be inspirational possibilities that are value-centered, realizable, with superior imagery and articulation. A vision is likely to fail if it doesn't offer a view of the future that is clearly and demonstrably better for the organization and its members (Inspirational Approaches to Leadership, 2008).

Desirable visions fit the times and circumstances and reflect the uniqueness of the organization. People in the organization must also believe that the vision is attainable. Michael Dell has created a vision of a business that allows Dell Computer to sell and deliver a finished PC directly to a customer in fewer than eight days.

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The uniqueness of Michael Dell's management style lies in its combination of reaching for the heights of perfection while burrowing down into every last data point. No rival has been able to imitate it.

He believes that the status quo is never good enough and that once a problem is discovered, it must be dealt with quickly. He refuses to dwell on success, and instead focuses upon how improvements can be made. Excuses are not accepted. Being a hero at Dell means saving money and every employee is expected to focus on cost control.

Michael Dell appears to embrace the following Fayol principles:

Authority and Responsibility: Michael Dell exhibited his right to give orders and his power to exhort subordinates for obedience when he fired his top European managers because they didn't cut costs deeply enough.

Unity of Direction: There is a singleness of purpose (continuous improvement and cost control) that makes possible a single plan of action to guide managers and workers in their use of organizational resources.

Initiative: Initiative is required by employees, who are expected to identify ways to continuously improve upon the company's past accomplishments.

Discipline: only highly disciplined employees are capable of overcoming the temptation to make excuses and consistently strive towards the achievement of corporate goals.

Dell announced an aggressive global target of \$62B in revenue by 2006, which meant the firm would need to make talent acquisition and development a global priority. At the same time,

Dell wanted to continue to focus on cost effectiveness and operational efficiency.

The company's cornerstone values and philosophy are expressed as five elements, which together comprise "The Soul of Dell":

- Customers
- The Dell Team
- Direct Relationships
- Global Citizenship
- Winning

The company was at a point where it was asking its managers and leaders to lead differently than they ever have before. While reaching the aggressive numbers was essential, it was not enough. Instead, leaders were being called on to get to the numbers while engaging their people by offering inspiration and extraordinary leadership, integrating the Soul of Dell into their leadership styles (Kathleen Woodhouse, Michael Reidy; 2004).

Below is the diagrammatic view of strategic decision making and leadership skill development at Dell.

Image courtesy of : <http://www.interactionassociates.com/sites/default/files/Dellcase.pdf>

Outcomes:

- Prepared for greater leadership roles

- Expanded support network

- Greater insight into self and others

- Development Plan

For any organization to be successful, leadership and management style should get altered with the life cycle of the organization. The style should match the organization's phase. Figure below shows different leadership and delegation of authority styles with organization's life cycle.

Image courtesy of : <http://www.interactionassociates.com/sites/default/files/Dellcase.pdf>

Dell's strategies were also very well matched with organizations internal and external environments.

Five Forces Analysis

The framework formed using Michael Porter's Five Forces model helps the managers to analyse the competitive forces within an industry, which assists in identifying threats and opportunities to an organization within the industry to which it belongs. Rivalry among the established firms, substitute products, potential competitors, bargaining power of buyers and, bargaining power of suppliers are the Michael Porter's Five Forces. Another force, which is

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referred very rarely, called the complementors. Following three of the five forces, which primarily affect the personal computer industry and Dell in particular, are discussed, proving the personal computer industry's unfavourable features.

The Rivalry among established firms is the most dominant forces within the personal computer industry. Based on Dell's Strategic group, the industry can be studied as a consolidated industry sector, due to the industry's nature of limited competition established by the leaders like Dell, Hewlett Packard and Gateway. As a reason of oligopoly nature of the industry, the stakes for rivalry are high, as a result of a particular company's actions or moves directly aimed at affecting its competitors. A primary example can be made of HP's action selling home computers for \$500, as a result of which other manufactures like Dell were forced to offer similar low-end systems. This affected the profit of rival manufactures, as the customers started flocking to get their hands on the new low-end systems, rather than the mid-range computers priced at \$1000 which were sold prior to that time. Additionally, the demand has been declining, as the customers were satisfied or the real urge to upgrade their computers. As a result of which, the intensity of rivals rose, compelling the manufactures to combat to maintain their share of the market and customers. Due to these factors and high exit barriers for large manufacturers the rivalry between the established organizations within the personal computer industry is very high.

The second force is the bargaining power of the buyers, which is also high in this industry. The common masses may not have the ability to bargain at large with the computer manufactures. However, large buyers like

corporations and, educational institutions have significant power, due to the simple reason of buying products in massive quantities, enabling them to influence the price of the products set by the manufacturers. Whether large or individual customers the cost for switching from one manufacturer to another are minimal. Since most of the systems are based upon “ Wintel” standard design specifications. Lastly, the ease of configuring a system yourself by purchasing the necessary components directly from the hardware suppliers or from retail outlets allow the customers to back away from the manufacturers, threatening the industry as a whole.

The last force is the power of the suppliers of the industry, that is the industry providing the computer components, is also high. The primary reason to account for this force to exist is, because of the limited substitutes to majority of the components, like microprocessors and operating systems. Moreover, the costs for switching between the suppliers are significant. It would also cause problems due to hardware and software incompatibilities. For instance, was a company to move from Intel to AMD processors, they would have to go to another supplier for their motherboards, which could ultimately cause other incompatibilities, forcing them to find yet other suppliers for other components. Another example is if a company decided to move from Windows to a variant of Linux. While the operating system itself is less expensive, it is much more difficult to find applications for Linux, there are many hardware components which do not have the drivers necessary to run upon Linux, and the learning curve is quite steep for customers, which would force a manufacturer to invest in a larger customer support staff.

This analysis provided a great deal of insightful and intriguing information into Dell's success, both within the personal computer industry, as well as their other ventures into the consumer electronics and computer peripheral industries.

Although extremely successful in its own right, this analysis proves that without their competition, Dell would most likely not have been so successful. Much of their success came from the fact that their rivals, namely HP/Compaq and Gateway pushed Dell to improve their customer service to differentiate themselves from the competition. Furthermore, due to significant price wars within the industry, Dell had to improve their manufacturing process, quickly adopting a just-in-type system, in order to keep their manufacturing costs low, allowing them to pursue a low-cost leadership strategy alongside their differentiation strategy.

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