

Case Analysis:

Dell Corporation

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Executive Summary:

Dell computer was founded by Michael Dell at age of twenty one in his dorm at the University of Texas, Austin. Dell's strategy is to build computer so that it can be order by the consumers. It's build to order strategy has made Dell the most successful company in the information technology field. Dell sells its machines and other equipments directly to customers so it has eliminated the middleman. Dell has high margin because of direct sale strategy and customers get excellent state of the art machines at low cost compare to Dell's competitors. Michael Dell's visionary leadership has made Dell the second most successful PC maker in the industry. (IBM is the leader).

Dell's ability to adapt to changing circumstances is its great strength. One week after the September 11th 2001 attack, Dell reported selling 24,000 servers and desktops. Dell established mobile technology park in Washington D.C. and New York by converting three eighteen wheel trucks and operated its factories round the clock to fulfill the unexpected customers demand. The trustworthy relationship between Dell's management and work force made it possible to change the disastrous moment in the I.T industry to a great opportunity for the organization.

Dell has very user friendly web site and half of Dell's sale, half of tech support and three quarter of order status takes place online. The supply chain and data integration with suppliers has made Dell one of the most efficient computer manufacturers. The continuous advancement in technology and innovative approach to manufacturing and assembly keeps Dell the low price leader in the PC industry.

Dell's has highest Return on Assets (11.10%), highest inventory turnover (65.7) and highest Return on Invested Capital (24.40%) in the PC market.

SWOT, External, Competitive and Internal Matrix

Analysis of Dell Corporation;

In this part of this research paper we would analyze the Dell Corp by utilizing the strategic management matrix tools. For example, we would explore the SWOT Analysis, External Factor Matrix Analysis, Competitive Profile Matrix Analysis and finally the Internal Factor Matrix Analysis to analyze the strategic position of Dell Corporation in the industry.

Our objective here is to utilize the strategic management tools mentioned in the course books and in the research material reviewed during the class secession to come up with valuable conclusion that would add value to Dell Corporation.

However before we proceed to strategic analysis, we would critically view the core issues of Dell Corp. This step would help us to better understand the development and implementation of strategies in this organization.

The Core Issues at Dell Corp:

1. The Price War is going on between PC Makers.
2. Revenues Down in 2002 compare to 2001 (31.9 to 31.1 billion)
3. Worldwide sales of PC's Down 11% in 2001, Dell's Sales Up
4. Leadership at Dell Corporation
5. Service Contracts
6. Maintaining the Market Share

SWOT Analysis

Strengths	Weaknesses
Production Adaptability	Rapid I.T. Advancement
Financial Ratio	Price Wars
Product Reliability	Strong Brands in The Market (IBM)
Customer Relationship	
Build To Order	
Competitive Prices	
Leading technologies	
Opportunities	Threats
Global Markets	I.T. Advancement
Internet Usage	Price Wars
Outsourcing	Strong Brands in The Market (IBM)
Ecommerce	Changing Consumer Needs
EMS	HP / Compaq Merger
Maintaining Low Price Leadership	Emerging Markets
Global Presence	Indian I.T Industry

From the SWOT Analysis it is clear that firms very strong in the market and major weaknesses are keeping up with the I.T. advancement, and ensuring to catch with industry leader IBM.

Dell's global presence creates opportunities for expansion in the overseas markets. Its awareness about the environment makes it a responsible investor. Its user friendly web site makes it easy for those who are not computer expert to go online and do the shopping in a very safe environment.

After SWOT Analysis we would explore the External Factor Evaluation Matrix to look how Dell is standing in the market compare to its competitors in I.T industry.

External Factor Evaluation Matrix

NO'S	OPPORTUNITIES	WEIGHTS	RATINGS	WEIGHTED SCORE
1	Global Markets	.10	3	.3
2	Internet Usage	.10	3	.3
3	Outsourcing	.10	4	.4
4	Ecommerce	.20	4	.8
5	EMS	.10	4	.4
6	Maintaining Low Price Leadership	.05	3	.15

7	Global Presence	.05	2	.1
	THREATS			
1	I.T. Advancement	.05	4	.2
2	Price Wars	.05	4	.2
3	Strong Brands in The Market (IBM)	.10	3	.3
4	Changing Consumer Needs	.05	4	.2
5	HP / Compaq Merger	.05	3	.15
Total		1.00		3.5

The 3.50 WEIGHTED SCORE in Dell's EFE Matrix represents that Dell is responding in an excellent way to its opportunities and threats in the I.T. industry. In other words we can conclude that Dell's strategies efficiently and effectively take advantage of its opportunities and take serious steps to minimize the potential threats.

The WEIGHTS are industry based and RATINGS represent the effectiveness of firm's strategy. Or we can conclude how effectively Dell's strategy is responding to the factors.

Interpretation of Ratings: 4 = Superior Response; 3 = Above Average Response; 2 = Average Response and 1 = Poor Response.

The Competitive Profile Matrix

Critical Success Factors

DELL

IBM

HP/COMPAQ

	C.S.FACTORS	WGHT	RTG	SCR	RTG	SCORE	RTG	SCR
1	Ecommerce	.15	4	.60	4	.60	4	.60
2	Leadership	.15	4	.60	4	.60	4	.60
3	Global Expansion	.10	3	.30	4	.40	3	.30
4	Competitive Prices	.05	3	.15	4	.20	4	.20
5	Service/Repair	.10	3	.30	4	.40	3	.30
6	Direct to Customers	.05	4	.20	3	.15	4	.20
7	Adaptability	.10	3	.30	4	.40	3	.30
8	Understanding Customers	.10	4	.40	4	.40	3	.30
9	EMS	.05	4	.20	3	.15	3	.15
10	World's Leading Web Site	.05	4	.20	4	.20	3	.15
11	Quality Control	.10	4	.40	4	.40	3	.30
	TOTAL	1.00		3.65		3.90		3.40

The Critical Success Factors in Competitive Profile Matrix includes both internal and external issues. In CPM ratings represents Strengths and Weaknesses. 4 = Major Strength; 3 = Minor Strength; 2 = Minor Weaknesses and 1 = Major Weakness.

Dell's 3.65 score represent that it is competing fiercely with its competitors in the domestic and global markets.

Internal Factor Evaluation Matrix

NO'S	INTERNAL STRENGTHS	WEIGHTS	RATINGS	WEIGHTED SCORE
1	Production Adaptability	.10	4	.40
2	Financial Ratio	.10	4	.40
3	Product Reliability	.10	4	.40
4	C. Relationship	.10	4	.40
5	Build To Order	.10	3	.30
6	Comp Prices	.10	3	.30
7	Leading tech	.10	3	.30
8	Supply Chain	.10	4	.40
	INTERNAL WEAKNESSES	WEIGHTS	RATINGS	WEIGHTED SCORE
1	Little Product Diversification	.05	3	.15
2	No Business Diversification	.10	3	.30
3	One Man Show	.05	2	.10
TOTAL		1.00		3.45

IFE Matrix is the Internal Audit of an organization. This Strategic Management Tool evaluates and summarizes the major strength and weaknesses of the Dell.

Dell's WEIGHTED SCORE of 3.50 represent that it is excellent in its overall internal strategies when it come to explore strengths and weaknesses.

The WEIGHTS are industry based and RATINGS represent the effectiveness of firm's strategy. Or we can conclude how effectively Dell's strategy is responding to the factors.

Interpretation of Ratings: 4 = Superior Response; 3 = Above Average Response; 2 = Average Response and 1 = Poor Response.

Financial Analysis, As of September 10th, 2001

	DELL	Compaq	HP	IBM	Industry	Market
KEY NUMBERS						
Annual Sales (million \$)	31,888	42,383	48,782	88,396		
Market Value (million \$)	58,772.30	17,532.90	34,770.00	167,535.60		
PROFITABILITY						
R O Assets	11.10%	(1.3%)	4.10%	10.00%	6.90%	1.60%
R O Equity	26.70%	N/A	9.80%	37.70%	13.70%	8.30%
VALUATION						
Price/Sales Ratio	1.80	0.43	0.74	1.86	1.38	2.42
Price/Earning Ratio	40.3	N/A	25.93	20.61	54.08	60.49
OPERATIONS						
Inventory Turnover	65.7	14.5	6.4	10.8	63.7	8.9
Asset Turnover	2.6	1.6	1.4	1.1	2	0.5

Source: www.hoovers.com

While Dell has very impressive data sheet, a serious threat can come from recent mergers and market leader IBM.

CONCLUSION:

By looking at the Dell's EFE Matrix, CP Matrix and IFE Matrix we would conclude that Dell should develop strategies to improve its position against market leader like IBM and ensure to diversify its business into electronics and imaging.

Leadership is very important in Dell's strength. What would happen if for any unforeseen reason Michael Dell is not able to lead the company? What is the second person in the team who can prove that Dell would continue to operate as successfully as it is in the presence of Michael Dell?

While Dell has implemented Environment Management Systems, it should start collecting the old PC's and other electronic devices and equipment from it's customers and recycle it or dispose it in a way that it comply with the local, state and national recycling standards.

Dell should ensure that its overseas operations are fully complying with the USA labor laws. Its foreign operations should have the membership of Fair Labor Association, (FLA), and Global Alliance for Workforce and Communities (GAWC).