

Exceptional

Americas

Chemistry lessons

Ellen Kullman on how she led DuPont through the worst recession in 90 years

Start me up

Serial entrepreneur Steve Case now wants to help the next generation succeed

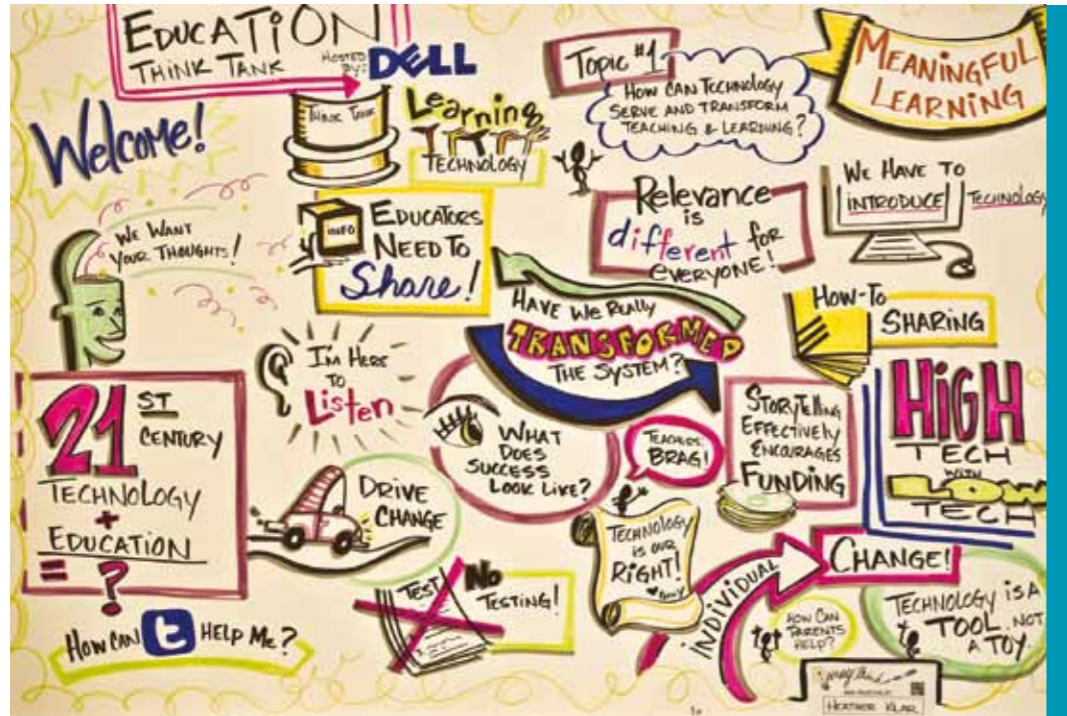
Hometown hero

Why Eddie Brown is using his achievements to help the disadvantaged

Perpetual motion

Michael Dell on why standing still just isn't an option

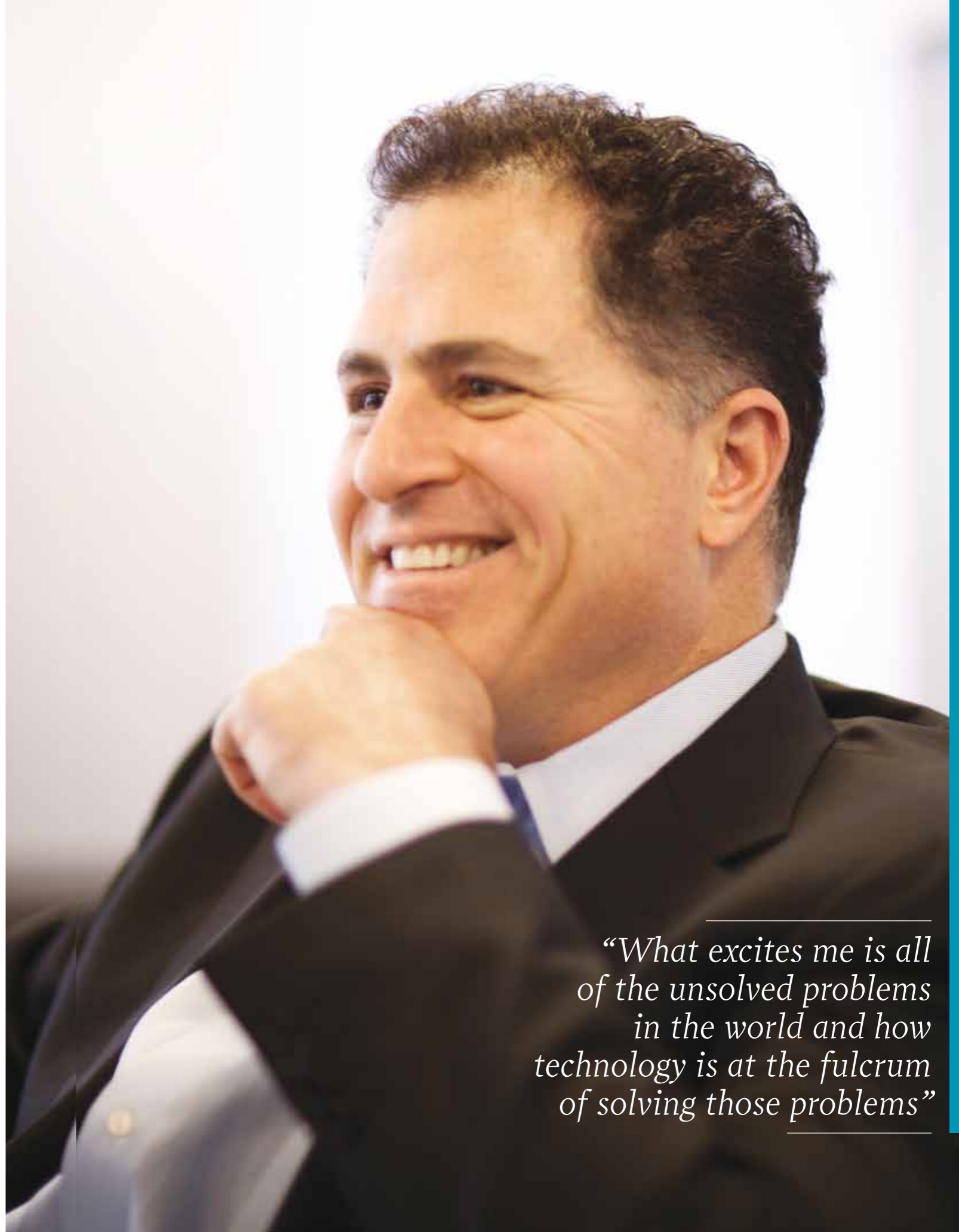
Michael Dell and his team hold regular brainstorming sessions at the Dell Education Think Tank, New York City



Firing on all circuits

Michael Dell, once the whiz kid of computing, is using his boundless energy not only to transform the company he founded, but also to help other entrepreneurs succeed

words Roshan McArthur_ photography Robert Gallagher



“What excites me is all of the unsolved problems in the world and how technology is at the fulcrum of solving those problems”

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ichael Dell has always been in a bit of a hurry. As a young entrepreneur, "I was always trying to go a little bit faster," laughs the computer magnate. At eight, for example, he decided to graduate from high school, only to be told that he was too young.

Undeterred, young Michael set about finding alternative ways of getting ahead. By the age of 12, he was assistant maître d' at a Chinese restaurant in his hometown of Houston, Texas, with a sideline selling stamps. At 16, he sold subscriptions to the *Houston Post* and was soon out-earning his high school economics teacher.

His early career sounds rather like a Hollywood screenplay, and Dell, now 46, once described it as being "like a big, big game." Asked if it's still like a game to him, he is quick to say no. "That could sound like it's not serious, but it is," he says. "I like competition. What excites me is all of the unsolved

"I'll care about Dell after I'm dead. That's a pretty long time!"



Opposite page: Dell's executive briefing room at its HQ in Round Rock, Texas. This page: (clockwise from left) Dell HQ; details of some of its products

Creating a spark

Technology, says Michael Dell, is about enabling human potential. These days, the Dell Inc. CEO is using his business acumen to encourage job growth and influence public policy. He recently joined the board of Startup America, an initiative created by the US Government to encourage the development of start-ups as a path to economic growth.

"You look at companies that have managed to double in size in a four-year period, and that's where all the job growth comes from in our economy," he explains. "We need more of those kinds of companies, which means we need more risk-takers, we need more capital, and we need more environments that are conducive to those kinds of jobs."

Dell Inc., he adds, is closely involved with small businesses and entrepreneurs; one initiative is the global Dell Women's Entrepreneur Network, which empowers women entrepreneurs to achieve their goals, using technology to support them.

"That's been a big focus of ours, promoting and helping to mentor those women entrepreneurs, who are a big source of growth in our economy," says Dell. "We see small-medium businesses as the growth engine for economies all over the world."

problems in the world and how technology is right at the fulcrum of solving those problems. That is really exciting: to see the impact that technology has on our world, to see how our technology can help our customers grow."

It's the stuff of legend: Dell started building computers in his college dorm room in 1984 with US\$1,000 in capital. He soon developed a direct-sales computer business and dropped out of college, making more than US\$6m in his first year.

Five years later, at the age of 24, he was named Ernst & Young's first US National Entrepreneur Of The Year® for his exemplary entrepreneurial spirit. Since then, Dell Inc. has grown into a company of nearly 110,000 employees, with annual revenue of more than US\$61b. And Michael Dell ranked 44th in *Forbes'* 2011 list of the world's billionaires.

Dell stepped down as CEO in 2004, but three years later came back. "The business was changing pretty rapidly, and we needed to make some swift and decisive changes," he recalls. "The board asked me to come back. I'm still a fairly young guy, and I wanted to do it. I'll care about the Dell company after I'm dead. That's a pretty long time!"

"I absolutely care about the people, what the purpose of the company is, and the contribution it makes to the world."

Like its founder, Dell Inc. is in perpetual motion, constantly adapting to customer needs. In returning to run the business, Dell says one of his goals was to reignite



► risk-taking. “The sense that we can grow the business and experiment, try new things, was really important in the company’s early success,” he explains. “That comes with an acceptance that not all the things we do are going to work. You have to take risks, you have to accept risks, and you have to make sure that learning occurs when things happen either positively or negatively.”

“It’s often the case that as a company grows, there’s a tendency not to want to take risks,” he adds. “But taking risks is different from being reckless.”

Another strategy was reintroducing the company’s customer focus, using modern tools such as social media

to build customer relations. For Dell, his customer base is everything. He credits this group with influencing and inspiring him more than any individual over the years.

And he looks to his key customers when he needs advice. “A lot of times, if we have a new idea we’re working on, we’ll

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US\$61b

Dell’s annual revenue – driven by the company’s 110,000 employees around the world



sit down with the CIO of a really good customer, explain it in detail and get their input,” he says.

Most significantly, however, the company is shifting focus from being a product-only business to an end-to-end, diversified technology solutions company that offers server computers, storage and networking equipment alike. Dell sees data as being key to this shift.

“As we understand more of the actual problems our customers are trying to solve, we are able to build a much stronger and more significant business,” he says.

“For example, Dell is number one in health care IT. We are providing health information systems and hospital systems, electronic medical records, evidence-based medical systems to thousands of hospitals and creating better outcomes for patients.

“Whereas before it was about the box,” he adds, “the box by itself doesn’t really do very much without all of these other systems and solutions. So that’s really how business has shifted.”

Sparking ideas

As company founder, says Dell, he has a certain liberty to make sweeping changes, especially to policies he originally put into place. “I do think that the founder has this kind of special permission that allows the company to fundamentally put itself on a different course,” he explains, “but nothing is guaranteed.”

There’s no such thing as the perfect plan, he adds. “And to some extent planning is overrated, particularly in a business that changes very rapidly. You make your plans and then you kind of set them aside, learning by doing, learning by experimenting, learning by making mistakes, and then rapidly adjusting based on all the data that’s coming in.”

There have been plenty of mistakes, he admits, but luckily nothing “really enormous.” “We have a culture at Dell that is very realistic,” he says, “so if there’s a mistake, people talk about it.

“That was probably one of the best pieces of advice I ever got. If you find a problem, fix it right away, instead of waiting a week, a month, a year. Problems don’t get better.” ■

Viewpoint



M&A in the technology sector

Joe Steger, Global Technology Industry Transaction Advisory Services Leader, Ernst & Young

The aggregate value of global technology mergers and acquisitions transactions increased significantly in the third quarter of 2011. This is because, driven by smart mobility, cloud computing and the social networking phenomenon, a big wave of innovation is taking place in the technology sector. As a result, many tech companies need to reposition themselves to compete in these emerging areas. Those that do not have the target technology themselves are looking for attractive businesses that do.

These acquisitions can involve start-ups, or more mature companies

Strategic alliances are growing in popularity

that have developed a niche or market presence in one or more of these high-growth areas.

Hardware companies, in particular, have been looking at offering products or services that complement, or take them beyond, their traditional strengths. With more companies seeking ways to improve the functionality of their products, as well as to increase margins, we are seeing a continued shift into offering services, software or other products being sold by competitors. Many companies are making both small and large acquisitions to fill these technology gaps, so that they can

compete in an increasingly innovative sector by providing a full suite of products and services.

Strategic alliances, as opposed to acquisitions, are also gradually growing in popularity. If another business has particular areas that are attractive, an alliance may be an efficient, and less costly, way to take advantage of those areas without having to acquire the whole business. Going it alone can mean not being able to move fast enough to take advantage of market opportunities.

The building of patent portfolios is another driver of recent deals as companies seek intellectual property, especially related to mobile technology, as a way of strengthening their position when they go to market.

At the end of September 2011, the top 25 global technology companies had a total of US\$632b in cash, plus short- and long-term investments, and that number continues to grow. This cash gives the technology sector a lot of financial flexibility to take advantage of strategic M&A opportunities when they arise. For US-based companies, much of this cash is held offshore and cannot be repatriated without a high tax burden. This makes cross-border acquisitions much more attractive.

Careful planning, appropriate valuation and thorough evaluation of potential M&A opportunities will help you identify the transaction that best suits your company and its growth strategy. Focusing on a successful integration will then enable you to gain the best value from the deal.

More information

For advice on how your technology company can make the most of M&A opportunities, please contact Joe Steger at joseph.steger@ey.com or Ryan Burke, Americas Transaction Advisory Services Partner, at ryan.burke@ey.com