



MICHAEL DELL

DELL INC.

When he was twelve years old, Michael Dell netted \$2,000 in his first business venture selling stamps.

At sixteen, he earned \$18,000 in his first year selling newspaper subscriptions to *The Houston Post*.

At nineteen, he was making up to \$80,000 a month upgrading personal computers from his college dorm room.

And at twenty-seven, he became the youngest CEO ever to lead a Fortune 500 company.

Those early successes in the life of Michael Dell helped to make him one of the most celebrated entrepreneurs of the twenty-first century. But if his parents had their way, their son might have been a doctor. They had hoped he would pursue medicine as a student at the University of Texas. Instead, he dropped out of college and with \$1,000, he started a small business customizing personal computers with more memory and disk drives.

The big idea that allowed Dell to become the world's largest maker of

personal computers was a simple one superbly executed. Dell realized he could significantly lower the price of a computer and provide far higher levels of service by selling directly to customers of all sizes.

That was the simple idea on which Dell built his revolutionary business model. He then transformed supply-chain logistics, creating a highly efficient way to build computers to customer specs within hours of getting an order. And he did it by linking the supply chain of parts makers with his own manufacturing operation, driving down costs and virtually eliminating excess inventory. Together, the original idea and the business model that supported it made Dell number one of the top IT companies in the world.

After a twenty-year stint as chief executive, Michael Dell decided in 2004 to give the CEO job to Kevin B. Rollins, a former consultant at Bain and Company who had served as Dell's top lieutenant for eight years. Sales had just surpassed the \$40 billion mark, and Michael Dell was all of thirty-nine years old.

Within a year, however, Dell's revenue growth slowed. Soon, Hewlett-Packard had recaptured the title of the world's largest personal computer maker. Michael Dell reengaged as CEO in 2007, noting that "it feels like 1984 and I am starting over again. Only this time I have a little more capital."

Dell has since led a major transformation of the company from a personal computer maker to a broad-based information technology company selling services, servers, storage, and data center solutions.

The Dell success story has been well told. From your dorm room in 1984, you created a phenomenally successful company in the personal computer business—and you did it with a remarkably disruptive business model focused on logistics and execution. What was it like to shift that model and move into what you call “the core of information technology, into the data center”?

Like most companies of our size, we've made significant changes to our strategy—especially over the past couple years as we've evolved to become a broader IT solutions partner to our millions of customers worldwide.

Today, we are in the business of providing end-to-end technology solutions designed to meet the needs of just about any IT user on earth. That

includes mobility devices like PCs and smartphones, data center infrastructure from servers to storage to networking gear, as well as the IT services and applications that enable cloud computing.

We also work in an industry where rapid change is the only constant. What may be deemed “disruptive” one day can be considered mainstream the next. But change for the sake of change isn’t what matters—it’s making sure that the foundation of your business is grounded in your customers’ needs. That’s been an important guiding factor for Dell since we first opened our doors.

As a matter of fact, the first big shift in our business strategy was inspired by a customer visit to our office in 1985. Dell didn’t start out as a PC company. We were in the storage business, formatting hard drive upgrade kits for early IBM PCs. Back then, PCs were sold with very little memory and no hard disk, so customers came to us for these kits that enabled them to boost their computing performance and storage capacity.

One day we got a call from one of our big corporate customers. They wanted to buy 150 of these hard drive upgrade kits, which we were selling at the time for roughly \$500 each. It was a huge order for us, and I remember a moment of panic across our small team when the customer asked if they could come tour our factory. It wasn’t much of a factory and looked more like a dorm room than a high-tech office environment.

The tour was going well. Then the customer noticed some computers off to the side that we were using to format these hard drive upgrade kits. IBM PCs were very expensive at that time, so we’d made our own for the sole purpose of formatting the drives. He pointed over at our PCs and asked if we sold those. We had never offered our PCs for sale, but in that moment, it sure seemed like a good idea to me! Within three months our entire business had shifted, and we began designing and selling build-to-order PCs. That pivotal, strategic shift came out of listening to a customer, and it’s a lesson that I have never forgotten.

Listening carefully to the very people who purchase and use our IT solutions is one of our core values at Dell. That discipline has guided us in the right direction time after time and has formed the basis for much of the evolution you’ve seen in Dell’s business model in the past couple years.

Was there a lot of internal debate over the changes you've been undergoing in recent years?

I've found that there is always healthy debate over a shift in strategy, and I think that lack of debate within a strong leadership team should be a red flag for just about any business. The very nature of our industry fuels healthy discussion at Dell. The molecular ingredients—semiconductors, software, processors, network fabrics, devices—these are all constantly evolving and transitioning, making possible in the next generation of IT what was impossible the generation before.

As a result, our customers' IT requirements are constantly changing, and what I like to call “combinatorial inventions” come together to create new and exciting opportunities for how we use technology.

The companies that remain competitive and win in our industry are those that understand ways to bridge the gap to help technology users do more—innovate, connect, solve problems, whatever it is they want to do and love to do—with IT.

So flash back a few years ago. Our industry was at an inflection point. We were starting to see the potential and promise of a time along the continuum of IT defined by the rise of virtualization, a shift in mobility and the early days of cloud computing.

So, to answer the question, the debate was never about if we should change our strategy, but how we would do so.

We developed a solid, customer-focused strategy and leveraged the strengths of our leaders and team to execute it.

I think that's an important lesson for anyone starting or growing a business. Surround yourself with really smart people and encourage idea sharing, collaboration, and healthy debate. And of course, know your customers and your industry like the back of your hand. Innovative, game-changing ideas will likely follow.

Has the transition been more difficult because Dell was so large and expansive a company?

Yes and no. Obviously, it's easier to make major strategy adjustments when you are a smaller organization. Today we have a global team of more than 100,000 professionals, and a large percentage directly interact with our customers every day—to the tune of several billion interactions per year. It's imperative that we each embrace and understand the business strategy and

can convey the benefits to our customers. Sometimes that can be a challenge, but we also know it's a huge advantage for us when managed the right way.

We've been able to aggressively grow our skills and capabilities, both organically and inorganically, through strategic acquisitions of key intellectual property and the talent and expertise of the people behind those companies.

While we are certainly a large corporation today, I still consider us very much a start-up at heart. We approach new problems and opportunities in a very entrepreneurial way. Our leaders are constantly encouraging their teams to embrace breakthrough thinking and thoughtful risk taking. These are some of the same qualities that launched our business more than twenty-five years ago and continue to help guide us today.

In leading now, how have you had to alter your style and approach?

Let's face it, the world has gotten a lot smaller. Geography is no longer an obstacle, whether you're looking for a job, sharing ideas with a colleague, or connecting as friends.

Additionally, a new generation of workers has entered the scene: a generation that expects 24/7, anytime, anywhere access to their information and applications. I would say that those of us who work in technology are among the most demanding IT users I know, so every day at Dell we are constantly living and breathing the changes we're seeing all around us.

These dynamics have certainly required some adjustments, not just for me and our team but for anyone managing people or building a successful business.

The concept is not new, but the means to truly collaborate, exchange ideas, and activate the collective potential of every bright mind has exponentially moved forward. And I believe it will forever change the way we work, live, and interact with each other.

Companies that are starting out in this age of unencumbered collaboration and connectivity have tremendous advantages. But this also requires a new flavor of leadership, one that is more connected, more engaged, and more responsive to real-time needs of customers, team members, and stakeholders.

When I was a teenager, I used what we then called an electronic bulletin board system to connect with other early technology adopters. We shared code, posted messages, exchanged news, and connected through this bulletin board. The ability to connect with people I'd never met through the

computer in my room at home changed the way I viewed technology and the power of collaboration. It also became a catalyst for why I started Dell a few years later.

Bulletin board aside, today I'm a very active user of social media—both internally and externally—to keep in touch with our customers and our global team. I can think of no better way to connect and listen to what influencers and customers are saying 24/7 about our brand.

You have something in common with two other great entrepreneurs of all time: Steve Jobs and Howard Schultz. You gave up the position of chief executive officer and then, three years later, were asked by the board to return. What was that experience like? What was it like to come back as the returning founder?

The reality is that I never really left Dell. I was chairman of the board and very involved in the company's business during that time. I had the same office and the same hours. So the experience of resuming the role of CEO was a natural choice.

But as I mentioned earlier, it was also a unique time in our industry. Not only was technology changing at lightning speed, but customers' IT needs and expectations were rapidly changing, too. We were at a turning point as an industry and as a company. I knew we had to evolve our strategy to continue to deliver on our promise to customers.

Being the founder of a company brings with it an interesting dynamic. Founders are often given special permission to make the kinds of sweeping changes a company needs to grow. So for Dell, it was the right time for me to reengage as CEO and guide our leadership team through some tough but necessary decisions about our business strategy.

We are making great progress toward our goals. And while some people will attribute our performance to one or just a couple of individuals, the reality is that we have an incredibly strong team that directs the path and evolution of Dell.

On a personal note, it's been very rewarding and exciting to lead through this particular era in our history. I'm privileged to work in what I believe to be the most exciting industry in the world. Technology is enabling human potential and solving problems once thought unsolvable. Who wouldn't want to be an integral part of that? Every day I wake up with a curiosity and passion about what will come next.

I remember as a child being fascinated with my father's adding machine. You could type in an equation, it made some really cool noises, and out came your answer with minimal effort or time. The machine did the tactical work while I dreamed up more complex equations to input.

On a much greater scale, that's what's happening today. Computing power combined with the limitless capabilities of the human brain to create, innovate, and imagine is unlocking the mysteries of the world.

Think about all the big opportunities and challenges that exist around energy, health care, education, government, and science. More often than not, you'll find a computational problem at the heart of it. Today's IT, just like my dad's adding machine those many years ago, is all about solving those computational problems. As technology evolves, you'll see more and more answers found to the global questions surrounding us.

It's exciting to have a seat at the table and to lead a company that is delivering the solutions and devices facilitating those discoveries.

In a recent interview with Schultz, he recalled the day the two of you were in Hawaii on a bike ride in late December 2007. Howard confided in you, saying he thought he would have to go back into the CEO job at Starbucks. He remembered going to your house where you spoke to him about your "Transformation Agenda." Can you describe what that was and how it guided your view of what next had to be done at Dell?

Howard is a great friend and a great leader. I've been very fortunate over the years to build lasting relationships with other CEO entrepreneurs like Howard. Being able to bounce ideas off each other in those types of very thoughtful conversations is something I think we all appreciate and enjoy.

What I shared with Howard that day was a framework for how we were looking at Dell's strengths, where we wanted to take the business, and the kind of evolution that would be required to get there. The strategic change we're undergoing today to expand the breadth and depth of our IT offerings is an outcome of that planning and thinking.

What's the most difficult transition you've had to make as an entrepreneur/leader? Was it this one or something else?

Without a doubt, the most challenging times were in the first couple years of the company's existence. Every day posed a "transition" of some

kind. Like all start-ups, we were in a constant state of change and, on more than one occasion, I wasn't entirely sure our business would be alive the next day.

The lessons we learned over the years have certainly prepared us for the journey we're on right now. What has made this most recent strategy shift unique is that it has required us to look very carefully outside our company for the new intellectual property, skills, and capabilities we know we need to accomplish our goals. This has meant making changes in leadership, in our talent strategy, and getting serious about acquisitions.

This is fundamentally different from how we grew and managed our business for the first twenty-seven years. But we knew we had to adapt to the rapidly evolving needs of our customers and our industry, so we did.

As part of our strategy shift, we've completed a series of acquisitions, and the results have been pretty astounding. For example, early in 2011 we added a highly successful, cutting-edge storage company to the Dell family. This was a very strategic move for us, given the data explosion under way and the growing importance of information management and security to our millions of customers.

Not only did this new team bring best-in-class products and services to the table, they gave us instant credibility and brought tremendous talent and expertise to Dell in an area that is paramount to our solutions strategy. In turn, we gave them the resources they needed to grow and innovate. In a matter of months, we were able to double revenues for that solution alone.

It's a slam dunk by any standard. However, where I think we have really gotten it right is the way we've integrated these new teams into the Dell "mother ship," as the founders of our acquired companies sometimes jokingly call it.

It's easy to acquire companies, but all the value is created in successful integration. Remember, the founders of these companies are very successful entrepreneurs in their own right. We understand that and make it a priority for Dell to be a good place for them to continue to innovate, challenge and grow their teams, take risks and succeed—both personally and professionally. By joining Dell, we give them a much bigger stage to play on.

I have to think our own entrepreneurial roots really influence the way in which we engage our acquired companies.

What advice would you give entrepreneurs?

Experiment, and learn from those experiences. Don't wait for the perfect plan. Look for opportunities where you can truly bring a better offering forward to the customers and market you serve.

Following someone else's lead is usually not the answer. Be unique for your customers and seize the opportunity to create value for them in a way that your competitors either don't want to or cannot.

The greatest business successes of our time have always been about giving customers something they truly loved. This requires evolution, transformation, and sometimes even radical change to stay relevant and ahead of your customers' changing needs. That's entrepreneurialism at its best.