

DIRECT FROM DELL

Strategies That Revolutionized an Industry

MICHAEL DELL with CATHERINE FREDMAN

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MAIN IDEA

Dell Computer has grown from a start-up company in 1984 (with \$1,000 in capital) to become the second largest manufacturer and marketer of computers in the world (with more than \$18 billion in annual turnover) through its ability to approach things differently from everyone else in the same industry.

Dell lives and dies on the strength of its competitive edge, which is built around how effectively it can execute eight specific competitive strategies. While Dell demonstrates these strategies work well in the computer industry, they are equally applicable in all fields and in all industries alike -- so long as you have the curiosity to think creatively and the commitment to act on what you observe.

As new models for doing business in the information age emerge and become better established, these competitive strategies are even more important, because they are flexible and powerful enough to be adapted to the requirements of the new business models. They provide a foundation, from which future growth can be launched.

Strategy #1 -- Develop a fast-paced, close-knit company culture with the attitude of a challenger Page 2

Companies with a fast-paced, flexible culture have a significant competitive advantage. To build that:

1. Have a common goal everyone understands.
2. Be hiring ahead of your objectives.
3. Get everyone involved in seeking talent.
4. Drive company growth through employee growth.
5. Have managers that are immersed and personally involved.

Strategy #2 -- Build a company where employees have a strong sense of ownership Page 3

To build a company where everyone acts like an owner:

1. Make learning new skills a necessity.
2. Encourage innovative thinking, using non-obvious solutions.
3. Allow smart experimentation and failure.
4. Stay constantly on the lookout for ways to improve.
5. Learn about problems as quickly as possible.
6. Communicate what's happening, and planned.
7. Completely ban hierarchies.
8. Set a single goal everyone can rally around.

Strategy #3 -- Understand what customers experience whenever they use your product or service Page 4

If you listen carefully, customers will tell you how to deliver more value by solving their problems, by:

1. Learning of experiences outside your industry.
2. Developing products from customer perspectives.
3. Knowing your customers intimately.
4. Becoming your customer's advocate.
5. Hitting high-tech and high-touch balance.
6. Catering to a market of just one customer.

Strategy #4 -- Find new ways to add value and exceed expectations -- from the customer's perspective Page 5

Being close to your customer is not enough. You have to use that information intelligently to form a partnership with them. That requires a multi-dimensional approach, with the intention of:

1. Looking at the big picture issues.
2. Creating savings for your bottom line -- and your customer's.
3. Becoming a valued advisor for your customer.
4. Separating the facts from the hype.
5. Turning customers into teachers.

Strategy #5 -- Forge strong alliances with your suppliers in order to strengthen your competitive edge Page 5

As well as being close to customers, you need to build strong alliances and strategic partnerships with suppliers. Keys to forming strong alliances:

1. Define where you add value.
2. Keep it simple.
3. Stay very close to your suppliers.
4. Invest in mutual success with suppliers.
5. Set explicit and precise objectives.

Strategy #6 -- Bring suppliers and technology partners into your inner circle, and let them have meaningful input Page 6

Treating both suppliers and partners as if they were a part of Dell allows you to leverage collective strengths to achieve a competitive advantage for everyone. To do that:

1. Reverse the supply / demand equation.
2. Trade information for inventory.
3. Increase velocity beyond just-in-time to real-time.
4. Collaborate on R&D projects.

Strategy #7 -- Differentiate your product to create a sustainable competitive advantage Page 7

Great businesses orient themselves around a point of differentiation -- a sustainable competitive advantage they deliver that none of their competitors match. To achieve that:

1. Focus on customer needs, not the competition.
2. Use a competitor's strengths against them.
3. Look for opportunities -- and exploit them quickly.
4. Execute well.
5. Stay ahead of the competition, not behind them.

Strategy #8 -- Thrive on the changes the expanding connected economy is going to generate for your business Page 8

The Internet represents a significant change in the way business is done -- and a major opportunity.

To ensure success:

1. Plan for change as an opportunity to grow.
2. Break down traditional boundaries.
3. Readjust priorities around new prevailing factors.
4. Use the Internet to achieve high growth.
5. Look for ways to achieve virtual integration.
6. Use the communications capabilities to expand links.

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