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Critical Changes to the Business Model of Dell, Inc.

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Michael Dell, Founder of Dell, Inc., describes three critical inflection points in the business model of his global enterprise. During the early stages of the company, expanding outside the United States became a top priority, even though the company had very little capital and people. An unprecedented on-site service program for PC's became a tremendously successful and unprecedented undertaking for a manufacturer, and eventually led to redefining the industry. And Dell also elected to go into the server business, making the enterprise well-rounded and multifaceted. These decisions were made through fair amounts of discussion, data analysis, and observations of industry trends.

Transcript

Well, if you go all the way back to 1986, it was some fairly big decisions the company had to make at that stage. And we set out three priorities for the company. The first one was, we said: we have to expand outside the United States. This was a pretty unusual objective for a company with no capital and with no people and no anything. The second objective we had was: we had to sell to the biggest companies in the world. And the third was: we had to be a leader in service and support. So we created this on-site service program for servicing PCs, which had never been done before. And so literally, the company was two years old when we came up with these. I think there was another key one in the mid-90s when we said: we have to go in the server business. Who makes that kind of decision? What was the process inside Dell that percolated that up as something that was a major strategic initiative for the company? You know, we have a group process to do these things.

A fair amount of debate and discussion. And we're data junkies, so we like to get a lot of data before we make a big decision like that. But it was completely obvious that that was where the profit was shifting in the industry. Our competitors were using that to subsidize competing with us in the client market. We didn't anticipate, at that time, what's happening now, which is, you're seeing value get stripped out of the client and into the server, which makes it even more important to be in the cloud, so to speak. Those are certainly key ones.