



## Abilene Christian University Videoconference Michael Dell Remarks from Round Rock, TX

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February 8, 2005

**MIKE WINEGEART, Assistant Professor, ACU:** Michael, thank you for being with ACU this afternoon. The students and faculty here know about your background and about Dell, so we're going to jump right in with questions.

**MICHAEL DELL:** Sounds good. I'm glad to be here with all of you.

**MIKE WINEGEART:** For the average college student who is not the entrepreneur that you were, what advice would you give them as they try to compete in this marketplace?

**MICHAEL DELL:** I would say a few things. First, don't be afraid to make mistakes. That's how you learn, so I believe a lot in trial and error and course corrections.

In the world that we're in today you have to think globally. It's important that you build skills and work on teams that are global in nature. More and more companies are operating in a world where they have employees and customers all over the world – like Dell. It's a business world where people in Europe, people in South America, people in North America, and people in Asia are all working together almost as if they were in the same room even though they're thousands of miles apart. So get ready for even more global participation in a changing world.

And, you've probably heard this before, continuous learning is also important. The things you're learning today are great; they're a foundation. But, you'll probably have to relearn things all the time and if you find yourself in a breakneck-pace company that's creating new ideas, you're going to need to learn all the time and really expand your skill set and competence.

**MIKE WINEGEART:** Great, thank you for that.

Let's talk about your management style. How has it changed over the years?

**MICHAEL DELL:** Well, our company has gone through a lot of evolution from a small startup in a dormitory to now about 60,000 people in 150 countries, so you'd probably find seven or eight distinctive periods of evolution in the management of the company.

There are a few things I've learned along the way. First, if you try to control things, that's self-limiting. The easiest way to think about this is that if all the decisions inside an organization had to roll up to the center of the company or to one person, it's a massive bottleneck to progress. Instead it's very



important to establish philosophies, strategies and guidelines as well as have clear lines of accountability and responsibility inside the organization.

Dell is a perfect example. I'm the chairman of the company, Kevin Rollins is the CEO, and we share responsibility for running the company together. But, if you take our business in Europe, for example, there's a team that runs that business headed up by Paul Bell. Now he doesn't call us every day about what to do next – he's part of our team here in Austin; he understands the strategy and he knows what to do to make things happen. We meet with him in person at least once a quarter but on a day-to-day basis he makes the decisions. It would be similar in Europe or in South America or even the United States where we operate and within our product groups as well.

I've also learned that while the financial results and the business results are certainly necessary for success, the people in the organization are as important if not more important. We've really focused on growing our organization and developing our talent to prepare for the future. As we've grown from a much smaller company to a larger one, people have really been the key factor for us in enabling that, or, in some cases causing us to stumble.

**MIKE WINEGEART:** After running Dell for 20 years, what inspires you today?

**MICHAEL DELL:** Well, it's pretty easy to get inspired in our industry when you look at the impact that we have on so many different sectors of life, whether it's social aspects or education, the marketplace or just pure productivity that goes on in businesses. We're in about an \$800 billion market and Dell has about 6 percent. There's enormous opportunity to grow and keep expanding. I'm still learning as an individual as our business grows, so it's lots of fun.

**MIKE WINEGEART:** Great. Now I know we have students who want to ask you their questions. First question please...

**QUESTION:** As a young entrepreneur I'm sure you had quite a time penetrating what was once an IBM marketplace. What are your recommendations for getting good prices from suppliers; and how many suppliers do you think we should have in a technology industry?

**MICHAEL DELL:** There are so many sectors of technology that are in different stages of development and maturity. If you want to be a part of that or create a masterfully successful company, that's usually not done by replicating something which already exists. To create a real breakthrough, you have to do something which has never been done before or you have to do it in a way which is dramatically better than something that's previously been done.

What I happened to do was find what was to become a very large market, though very small at the time. It was very inefficient and we found that it could be changed with a new method of selling and distributing computer systems.



I'm sure that those opportunities will continue to exist, perhaps not in the area that Dell got into back then, although we're certainly concerned with new forms of competition and new techniques of selling.

One of the advantages that young people have is they come at businesses with no preconceptions. One of the dangers of an establishment like Dell, and I've been here for 20 years, is that we have all a history of how we've done things in the past – that's good to learn from but also dangerous in a business that changes so fast. That's why we look for people that can deal with changing circumstances because that's what we're faced with.

**QUESTION:** What is your personal philosophy on giving back to communities?

**MICHAEL DELL:** With our company's success comes the responsibility to do something that is worthwhile and meaningful. We've actually set a goal to make a larger impact on the world through philanthropy than we have through business, even though what we've done with business is pretty significant. If you think about the decline in the costs of computing, the accessibility of computers to small businesses and consumers that wouldn't have had them before, we've helped increase productivity and done a lot for the economy.

But on the philanthropic side there's an equal opportunity, perhaps a greater opportunity, to have a big impact. We're at the beginning of that journey but through our family foundation I think we're off to a pretty good start. We focus on children's needs throughout the U.S. and around the world.

**QUESTION:** Good morning, Mr. Dell. My question is twofold. First, where do you see the personal computing industry moving in the next five to 10 years and what is your vision for your company in the next 10 years?

**MICHAEL DELL:** Well, I think the customer has the control in the industry, not the company. Our business is really about understanding what those needs are and responding to that. During the last 10 years, our business has become much broader, growing from PCs to mobility products to servers, storage, services and really all the products that go with computing. So we've become a much broader provider of the kinds of products and services that we use in the IT world.

I think that there's going to be no slowing down in the enormous improvements in the fundamental technology, such as Moore's Law and the improvement in semiconductors. Yesterday, Intel announced dual-core microprocessors that are essentially two microprocessor chips that fit in one socket. They also announced that Dell will be the first and exclusive OEM partner. These new microprocessors will find their way into our desktop products later this year.

The amount of power that will exist out there to do things like desktop videoconferencing like we're doing here today, or mapping protein genes or creating digital movies is just fantastic and we're not going to see a slow-down anytime soon.



There are also huge improvements in bandwidth. We're seeing some of the telecommunications providers start to bring fiber out to the home as the next generation of broadband. And on the business side, there's still a trend in the commercial world to move away from proprietary servers onto Linux and Windows-based servers, away from systems like UNIX and mainframes.

And as the prices of computing systems continue to decrease, there are emerging markets around the world that will be able to afford technology that they once couldn't. China and India are both fast-growing markets for us. Overall, there's a great deal of market potential over the next five to 10 years.

**QUESTION:** Hello, Mr. Dell. My question has to do with the recent edition of *Fortune Magazine*. I noticed that Dell was not on the list of the best companies to work for. Does that bother you?

**MICHAEL DELL:** Sure. *Fortune* has its list of the best places to work and it also has a list of the most admired companies, on which we're currently No. 6. We obviously would like to be on both lists.

However, if you look at the intersection of those lists, you'll find that they're not very big. There's almost no commonality between being a best place to work and being an admired company. The challenge and the criticism I would direct to those companies that are only "a best place to work" is they're not necessarily very successful companies. We're not running our business just make the employees happy – while that's certainly important, we also need to balance that with keeping our customers and shareholders satisfied.

**QUESTION:** Mr. Dell, some of your opening advice for us was don't be afraid to make mistakes along the way. Can you tell us about one of your mistakes and how you learned from it?

**MICHAEL DELL:** The biggest business mistake I made was going into the retail channel in the early 1990s. We took our products into computer superstores, because we saw this as a hybrid of the traditional computer store and our direct model, at least so we thought. However, this move was incredibly confusing for our organization because we had been this direct company. Although retail appeared to be a way to get incremental revenue, it turned out to be unprofitable. We evaluated the decision, agreed that it was a bad idea, and closed down those operations. We learned from that and moved on.

I think the reason that Dell is where we are today is because we haven't made any mistakes that were just massively fatal, because we correct problems and fix them as fast as we find them.

Often companies are unwilling to admit when they've made a mistake. We tend to question things more in our business. Now you might look at Dell as a very successful company. However, if you were in our meetings, you might think that there are more challenges and more problems. That's because we always focus on improving, getting better and stepping up our gains in all areas.



**QUESTION:** Hi, Mr. Dell. Do you see Dell moving into the printer or digital camera industry anytime soon or do you think that Dell is strictly a computer business?

**MICHAEL DELL:** Well, that's a great question. We now have about 20 percent of the inkjet printer market in the United States – that means that if you bought one of these in the last 12 months, there's a one in five chance that you have a Dell printer. That's from a standing start of zero about 18 months ago. We've grown very rapidly, sold a little over 5 million printers in the last year, and just entered the color laser printer market. We have almost 10 percent share of that market in just a few months time.

We don't have any plans to get into the digital camera market but printing is absolutely a major priority for us.

**QUESTION:** Good morning, Mr. Dell. Being at the helm of a Fortune 500 company, how do you handle the stresses of work/life balance?

**MICHAEL DELL:** What stresses? I don't understand what you're talking about. (Laughter.)

I think we make a priority to bring balance into our lives. To me, family is very important. So if you look at my schedule, one of the things I realized a long time ago is that there is a limit to how much productive work you can actually do in a given week. There's also the happiness factor; if you want to do something for a long time and be really good at it, you'd better have a strategy that is sustainable and works within what's going on in the rest of your life.

For me that means that I've got to have time with my family; I've got to have time to exercise; I've got to have time to sleep; I've got to be able to take my kids to school in the morning. These are examples of the things we promote and encourage inside our business.

The other thing I would say about balance is that you can't be in perfect balance at every moment. There are times when you have to just sprint and do things on behalf of the business because it's required. For example, when I go to Asia my life is not in balance. I usually visit five countries in five days. But I don't do it all the time and I accept that it's part of my job. So, on average, I believe it's very possible to have good balance.

**QUESTION:** Mr. Dell, in your book, "Direct from Dell," I noticed that you had talked about how you absolutely love your job, and that a lot of people go through their whole life hating their job. What advice can you give us to find a job we love?

**MICHAEL DELL:** I do believe that you must find something you're passionate about and follow your interests – not what others tell you to do. Find those things that you really enjoy doing and you're likely to be a lot happier, and you're likely to be a lot better at it. Ultimately, that's what is important.



**QUESTION:** Mr. Dell, you mentioned earlier how important it is to keep your customers happy. Can you comment on the outsourcing of customer service and on what the response has been from your customers?

**MICHAEL DELL:** We have call centers all over the world. Recently we opened a new call center in Oklahoma City with about 3,000 people. We've opened a new call center in Edmonton, Canada; we're opening a new call center in El Salvador; we have one in Panama. Of course we also have call centers in Austin, Roseburg, Oregon; Twin Falls, Idaho; and Nashville, Tennessee.

In our case, it's less outsourcing and more global sourcing. We have factories and call centers generally where our people are, where our customers are. So right now we're building our largest factory in the world in North Carolina to provide products for our customers in the United States.

We do have call centers outside the United States, but that's pretty consistent with what our competitors are doing and really consistent with the products and value demand by today's consumer.

We also offer premium services so if consumers want a Dell employee to answer the phone in two seconds and provide advanced-level service, we can give them that.

Last year in the U.S., our phone support teams answered 180 million calls for both sales and support activities.

**QUESTION:** How important do you feel it is to continue your education? Obviously you become wildly successful in your field without a degree – but what advice do you have for us?

**MICHAEL DELL:** Well, I can tell you how Kevin Rollins and I continue our education. In addition to learning from our fellow team members every day, we also spend a day each quarter with a company that we admire for having a strong, sound business. It might be 3M, Home Depot, GE, Emerson, or Johnson & Johnson. These are companies that we think we can learn from.

I may not have answered your question, but what's important is that we do encourage our employees to learn, both through structured courses and practical, hands-on training. The more we encourage them to learn about new techniques and principles, the greater impact they can have in their roles and on the company as a whole.

**QUESTION:** Good morning, Mr. Dell. I have two questions. What makes your own technology different from others? And, what is the most important element that has contributed to your growth?

**MICHAEL DELL:** What makes our technology different from others? Well, if you want the technical definition, you can go to the patent and trademark office and read about the 1,900 patents that we've filed.



However, the technology business is very much one of batting averages – and we have a high average. We win more product awards than anyone in our industry across our product line. But the differentiation in products is not massively significant from one to another. There are bigger differences in the business model and service levels, and in the profit we're able to generate. As an example – in the last three years our company has earned about \$8 billion and our competitors have lost about \$12.5 billion. So that's one big difference.

To answer the second part of your question, I believe the most important factor has been our business model. The way we provide our products and services to our customers is radically different from competitors. We've been able to expand that across a broadening array of products and services and geographies – while continuing to deliver superior value to customers. This has allowed us to grow and return healthy profits to our shareholders at the same time.

**QUESTION:** Mr. Dell, let's say a few college students with little income have developed a strategic business plan with great potential. How would they go about getting the capital needed to start their company?

**MICHAEL DELL:** I'd go back and come up with the plan that doesn't require much capital. (Laughter.)

I was a low-income college student and started Dell with just \$1,000

**QUESTION:** Well, \$1,000 in 1984 is more like \$10,000 today which is still a lot, especially to an ACU college student. (Laughter.)

**MICHAEL DELL:** Well, it depends on what kind of idea it is and what kind of industry it is. You certainly could try the route of financial investors or venture capital. I'm not sure that would be successful, to tell you the truth.

I think one of the problems many startups have is that they're overcapitalized, as strange as that may sound. These companies were started back in the “bubble days” – the vast majority of those failed; the vast majority of them were over-funded; and they spent money on things that didn't really help the business. In all seriousness, I would try to create a business that did not have massive or significant capital requirements. Start small and go from there.

**QUESTION:** Mr. Dell, quite simply, what inspires you to go on from here, after all this success? What makes you still want to stay in this business?

**MICHAEL DELL:** Well, it comes down to one word and that's *fun*. I'm having fun doing what I'm doing. It's a great thrill to be a part of a company like this, to watch it and our people grow and evolve. To witness all the opportunities we have to impact communities and society as a whole.



A few months ago, we had a series of volunteer activities throughout our company. One in three employees worldwide participated in some kind of volunteer activity. That's exciting.

I see how our team came together to support the tsunami victims, and how we came together for a canned food drive. We have 60,000 employees; 30,000 in United States. That's a lot, but we're certainly not the largest employer here. But, we collected more canned goods than any company in America. That's exciting.

So as a 20-year-old company, we've come a long way. But what I really think about where we can go in the next 20 years.

**MIKE WINEGEART:** We have time for one more question.

**QUESTION:** Mr. Dell, what books would you suggest we read?

**MICHAEL DELL:** Well, there's an author named Larry Bossidy who wrote one book called *Confronting Reality*, and another called *Execution*. He wrote these with a gentleman by the name of Ram Charan. These are great management books and offer very consistent philosophies with how we operate at Dell.

**MIKE WINEGEART:** Michael, I believe that's all the time we have with you. Let's give Michael another round of applause. (Applause.)

**MICHAEL DELL:** Thank you. It was fun to be with you today. (Applause.)

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