Your Name

Course Title

Professor's Name

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Dell Corporation

Introduction

Dell Corporation is one of the leading computer companies in the world operating on the global scale since 1990s. Dell relies on innovative technologies and new solutions which help the company to reach global consumers and market high quality products in different categories. International expansion helps Dell to obtain strong market position and sustain strong growth. A current strategy of Dell includes the determination of the basic long-term goals concerns the conceptualization of coherent and attainable strategic objectives.

Key Components of the Business Environment of Dell

High-technology market is marked by increasing capital markets activity over the past 5 years. It is estimated that average annual returns are anticipated to exceed 13 percent over the next 10 years, with investment alternatives performing at single digit growth rates (approximately 7 percent to 9 percent). This approach is based on Dell superior understanding of the problem solved by the product, the benefits it offers and issues it addresses. Dell is a leader in IT industry with S$ 57.095 billion revenue a year. Customers and technology are the primary driving factors in this arena (Dell Corporation Home Page 2008). Customers want products that satisfy their needs or improve their productivity. In order to respond to external environment, Dell looks for ways to deliver these benefits at a lower cost, smaller size, and higher speed. Operating within an industry with this kind of rapid change presents several challenges for personal computer and notebooks, namely production costs, intellectual property owners, and monopolies. For Dell innovations are the key of success. The main factor which influences the industry is competition. Dell’s main competitors are Apple and IBM. In Europe and Asia, there are a wide number of smaller competitors who has an impact on strategy and market position of Dell. In contrast to its competitors, Dell proposes unique and high quality services and exceptional products (Dell Corporation Home Page 2008).

In general, Dell bases its strategy on traditional marketing theory and internet marketing. The main advantage of the company is that it can achieve lower cost and differentiation simultaneously (Dell Corporation Home Page 2008). Company’s managers admit, however, that many different kinds of potentially profitable competitive strategies are possible. Although only a company can successfully pursue the cost leadership strategy (because it is so dependent on achieving dominant market share), others can pursue an almost unlimited number of differentiation and focus strategies (depending on the range of possible desirable features and the number of identifiable market niches. In Europe, competition is fierce influenced by a number of internal and external factors. Michael Porter contends that a corporation is most concerned with the intensity of competition within its industry (Porter 34). "The collective strength of these forces," he contends, "determines the ultimate profit potential in the industry, where profit potential is measured in terms of long-run return on invested capital" (Porter, 1985, p. 58). For Dell, the ability of a firm to use its resources and capabilities to develop a competitive advantage through distinctive competencies does not mean it will be able to sustain it. Two basic characteristics determine the sustainability of a firm's distinctive competencies: durability and imitability. Market changes and fierce competition suggest that Dell should take into account increased competition and innovations planning its goals and strategies.

The Process of Strategic Planning

Strategic Planning

In general, strategy is identifies as the framework which guides those choices that determine the nature and direction of an organization. Strategy development is the heart of strategic planning. It is the process that answers the "what" questions that an organization must answer in order to carry out its mission. Strategy development, however, seems to be the most difficult part of the strategic planning process to accomplish in the technological sector. Often, strategy development is aimed at combating efforts or anticipated movements of competitors (Cole, 34). With the exception of economic development, a slightly different approach has to be pursued in this sector. Large corporations operate in turbulent environments that impose numerous, rapidly changing demands and require substantial adaptive capacity. In order to manage the future course of the organization and to establish the most viable strategy for achieving organizational goals, leaders must understand the dynamics of strategy in organizations. The terms "strategic planning, strategic thinking," and "strategic management" are often used almost interchangeably in order to emphasize the compassing nature of the basic concept (Cole, 39). The strategic planning concept is not to be confused with typical urban planning in the usual sense. Rather, strategic planning consists of the processes of policy analysis and decision making on the part of key leadership on a number of the most significant strategies or actions affecting the total community. These include development, service delivery, government funding techniques, and so on, for both the short and long term. The processes may encompass defining the goals and mission of the entity; identifying current and future problems and obstacles; inventorying current and future strengths, resources, and weaknesses; noting particular targets of opportunity; laying out intermediate objectives; and designing strategies or the most effective courses of action for attaining these objectives and goals. This cycle of processes may occur annually or less frequently (Drejer, 38).

In much of the management literature (Cole, 34; Drejer, 99), strategy is presented from a process perspective, focusing on systematic analysis, comprehensive planning, strategy formulation, and purposeful choice and action by strategic managers and planners. The content approach has emphasized understanding the specific pattern of both inside and outside forces that produce strategy and set direction for the organization. Regardless of orientation (process or content), theories of strategy and strategic management generally have been concerned with IT business organizations (Drejer, 87). The organization should focus on strategies that are consistent with its stated mission, yet provide acceptable levels of risk. Strategic development should capitalize on the most important external opportunities and internal strengths, while avoiding the most serious external threats and weaknesses. At the same time, strategies that address organizational strengths and weaknesses and stretch the organization to new heights should also be considered. Generally, more strategies will be developed than an organization has the resources to implement. Prioritizing the strategies is critical to developing a realistic implementation plan. In evaluating investment alternatives the large corporations can employ a number of quantitative techniques to analyze the investment, such as internal rate of return or net discounted present value. Strategic planning involves identification of mission, vision and values of the corporation, its short-term and long-term plans and aims (Drejer, 73). Situational analysis may involve competition, target market, technology, supplier markets, labor market and economic regulations. Also, strategic planning is based on goals, objectives and targets established by the company.

Strategic Planning in Dell

In Dell corporation, it is strategic planning is based on corporate goals and objectives. “Dell Inc. (NASDAQ: DELL) listens to customers and delivers innovative technology and services they trust and value” (dell Home Page 2008). Its current strategy can be identified as reappraised in the light of internal operating results, economic trends, federal government actions, and technological developments (Gardiner, 83). When opportunities or threats are disclosed, management proceeds to ask questions designed to indicate when and how strategy should be changed. If a new mission is called for, the planners proceed to formulate a revised approach. This, in turn, calls for revision of the service delivery approach and of the program of action. If the mission is considered sound, the service delivery approach is questioned. If the service delivery approach seems acceptable, the process continues until the appropriate area for revision is identified and a new strategy is formulated (Drejer, 25).

The recording of current strategy is an important foundation for subsequent steps. In an organization that is managing according to a well-defined strategy, it will be easy for the manager to record plans. Typically today, the strategy of major organizations is a matter of record. Some organizations operate informally with a loosely defined strategy, however. In these cases, the task of recording current strategy becomes more difficult. Nevertheless, it is usually possible to infer from trends and executive behavior what strategy is implicit in the organization's operations (Gardiner, 54). If efforts to record current strategy fail, one can fall back on the environmental scan for the first step. In recording current strategy, it is important to clarify top management's criteria as to the kind of organization it wants to operate. These criteria will be expressed in terms of values held by the top group. Dell creates its strategy in accordance with external and internal changes, market fluctuations and competition (Grant, 39).

In Dell, management first looks at the organization's environment. In order to estimate the consequences of continuing the current strategy, it needs to study external trends and developments and make assumptions about the economic outlook, the shape of future technology, and federal government actions. In short, it needs to establish premises about the environment on which analysis of organizational operations can be based. The main problem is that top executives are seldom provided with a true choice about the strategic direction of their organization. More often they are presented with a single proposed course of action on which they are expected to stamp their approval (Grant, 34). This step in the strategic planning process is designed to provide decision makers with a choice--an opportunity to select from significantly different strategic directions and to focus on the tradeoffs that may be required and the benefits to be derived. By following such a course of action, the chance of producing innovative, imaginative, and workable strategies greatly increases, and top management can more confidently select a strategy to expand, contract, continue "as is," or proceed in some radically different direction. Strategic alternatives may be generated at all levels in the organization's hierarchy (Gardiner, 82).

At the organizational level, alternatives are concerned with the form of government, its basic style and policies, and its central service delivery purpose and strategy. At the department level, alternatives deal with the direction the organization should follow for each major service being delivered. At the division level, alternatives are concerned with the direction the organization should take in regard to discrete systems, processes, methods, and approaches (Gardiner, 82). All reasonable alternatives are subject to comparative evaluations of both non-financial and financial factors in order to ensure selection of the most satisfactory strategy. Elements of the organizational environment, feasibility, cost, and the desirability of the strategy with respect to organizational purposes and values make up the evaluation criteria. In the course of the evaluation, unsuspected obstacles may be discovered, or the possibility of a future controllable event may require that a "next best" strategy be considered as a contingency. That strategic planning is distinctively different from long-range planning becomes most clear in the strategy development process. Long-range planning tends to be merely an extension of what an organization is doing already. Such long-range planning often is myopic and unduly constraining. When an organization focuses too intensely on the area of service that it currently provides, it often overlooks possible innovative approaches to alternative service delivery (Grant, 66).

Approaches Strategy Evaluation and Selection

In dell Corporation, strategy evaluation is based on gap analysis. A significant part of gap analysis is the comparison of the strategies with the outcome of the values audit and the mission statement, in order to ascertain that the things the organization is proposing to do are consistent with its culture. Dell’s plans that do not take into account and build on the organization's culture are not likely to succeed (Grant, 1998). This portion of gap analysis requires the same degree of openness, candor, and confrontation that should have typified the original values audit. As an organization assesses its internal capability to carry out the strategies it has developed, it should consider financial capability, organizational structure, policy process, and human resources. In addition, it should consider systems, technology, and community resources. Sources of internal assessment assistance may include loaned executives, task forces of intradepartment or interdepartment staff, or university faculty or students from the business school. In addition, assistance is sometimes available from various outreach programs or state departments of community affairs (Mintzberg *et al* 87).

Strategic planning is not effective until it is tied into the operational planning process. The most effective way of doing this is to tie the strategic plan to the annual operating and capital improvements budgeting process. The efforts of executives to improve the management process have resulted in an influx of technological advances. Familiar tools include job enrichment, project management, time management, and management-by-objectives. Each of these concepts has contributed to the science of management by bringing more precision and discipline to the process (Mintzberg *et al* 187). Management-by-objectives, however, is the most effective process for tying strategic planning to tactical planning. Management-by-objectives has been a highly successful management tool for many organizations. It is based on techniques originally established in the IT sector. The organization establishes its overall objectives, determines what steps must be taken to reach these objectives, and identifies specific measures it will use to assess performance. The idea is that management and employees all agree on results to be achieved at each level in a specified period of time. When individuals are personally involved in the objective-setting process, this generates a desire or willingness to achieve (Gardiner, 2005).

Alternatives evaluation helps Dell to analyze and select the best possible strategy and planning approach. In this step, management looks at the bearing of the various vital factors on the choice of a strategy. The alternatives must be compared in terms of. Relative effectiveness in solving the strategic problem Degree to which each matches the organization's competence and resources Relative competitive advantage Extent to which they satisfy management's preferences and sense of social responsibility Relative ability to minimize the creation of new problems. In strategy problems, more than in other types of problems, executives would like to be able to optimize with respect to several relevant factors. Therefore, tradeoffs are necessary, for optimization with respect to one factor will be at the expense of another (Gardiner, 2005). This is a characteristic of strategy problems which, along with the premium placed on discovering the core elements, makes them the most difficult challenges facing management. Probably the best one can hope to do at this time is to choose that alternative which offers the best blend of advantages. One of the most overlooked components of successful strategy development is the key role of middle managers in the process. This often disenfranchised group can spell success or failure to many modern management approaches. The successful organization is one with a positive emphasis on actions to effect change, strong commitment of key managers, and a high value placed on employee excellence (Grant, 1998).

MBO as a management tool allows one to assess progress in terms of what one is trying to make progress toward. Reviewing and evaluating work in progress is an important function in performance measurement and evaluation. An MBO approach lets managers work with a future set of results and continually evaluate work in progress toward its attainment. Variances over and under expected results are a practical test for measuring performance. For example, when managers receive feedback that reveals discrepancies between actual and intended results, they can take the necessary steps to correct the problem (Grant, 1998). Variances provide a basis for remedial action for managers. When variances are reported, the following sequence takes place. First, managers are able to check their performance at a particular period in time against a long-range plan. Second, managers are made aware of emerging conditions or sudden changes which may affect their specified goals (Mintzberg *et al* 41).

Strategy Implementation

In general, strategic implementation is facilitated when tasks and job activities are directed toward accomplishing the strategic plan (Drejer, 123). When an organization like Dell focuses its efforts on carrying out its strategy and achieving objectives, the chances for accomplishing the strategic plan are increased. To achieve the results intended by the plan, an organization must set its strategic objectives as a priority for achievement. This formulates the basis for what management-by-objectives is all about (Mintzberg *et al* 63). Through the strategy formulation process, overall organizational objectives are translated into functional, departmental, and job-specific objectives. The outcome is an understanding of what each organizational unit and person must accomplish and what is expected of them. Then, the performance of each person and organizational unit is evaluated based on whether the objectives are achieved (Drejer, 2002).

The example of Dell Corporation shows that not all the strategies can be implemented effectively. “The company blamed this on a momentary lapse, one that it can could quickly fix. “We got too aggressive and we passed the [price] elasticity mark,” says Kevin Rollins, Dell’s chief executive. “We drove it too hard.” (Morrison 2005). The communication process is important in establishing priorities and alternatives and identifying roles that subordinates play in attaining overall objectives. Through this process, a system is set up for performance evaluation. The managerial philosophy underlying MBO is one which encourages the entire organization to be action-oriented toward fulfillment of a basic organizational mission. The terms "tactics" and "strategy" are frequently used by managers to describe approaches to solving problems. Strategies are plans of higher management to achieve some objective while tactics represent plans of lower management that contribute to achieving an objective. Strategy involves direction setting while tactics consist of the maneuvers necessary to implement the strategic plan. Tactical strategic interrelations represent the connections among short-term tactics used to implement directional or long-range strategy. The process of MBO facilitates a systems view of the organization as a whole; the operations of each operational unit (the tactics); and the interrelated contributions among departments, units, and managers (tactical-strategic connectors).

Because management is responsible for the total operation and allocation of resources, it is fair to say that organizational performance is determined by the total efforts of individual managers. The variances of individual managers allow each manager to assess work progress at any given time. By analyzing the variances of each individual manager, one can get a measurement of total performance. A department experiencing a performance variance will affect the operational performance of an entire organization. By assessing the total performance variance within each operational department, management is provided with an evaluation status for each function as well as their interrelations. This is a measure of total organizational performance (Drejer, 2002).

Although MBO has been cited in numerous cases to have resulted in increased efficiency in government services, there also exist cases where an MBO plan has resulted in less than favorable results. MBO has failed in some governments because of mistakes in initial implementation. These reasons include: implementing the plan too quickly, having objectives not supported by well-developed plans, or creating excess paperwork with forms and procedures. Problems also include failure to obtain cooperation from staff by leaving out subordinates in setting objectives, omitting staff managers from the implementation process, or failing to reward performance for all management or performance problems (Drejer, 2002). Other problems stem from emphasizing system procedure rather than the system's results and viewing MBO as a cure-all. The objective, however, was developed based on a rating system not yet implemented. Consequently, a simple rating method had to be developed to measure paint-marking deteriorations. In this case, the city has incorporated as part of its objective to improve productivity preliminary steps to improve government processes. The point is that the MBO effort originally viewed as a five-year process becomes one with no definitive end-point. Expectations continue to rise and operating documents are continually required to develop new information systems (Drejer, 88).

Once the strategic plan is completed, it should be implemented within the organization and/or community in a visible and noteworthy manner. Whether a hot air balloon race or circus-type atmosphere should accompany its launching is debatable; but citizens, managers, and employees within and without the organization should be made aware that it exists and, indeed, that it will be the guiding document by which important decisions are made for the future (Drejer, 38). When the strategic plan has been completed and it is time to introduce it to the organization, a plan for the "launch" should be developed. Essentially, the plan should be marketed to the rest of the organization, to the community, and to other organizations. A model strategic kickoff approach for a fairly large full service sector organization might consist of three parts: information, marketing, and training (Grant, 1998).

Strategy implementation will largely depend on the degree to which the industrial sector is involved cooperatively in both the planning and implementation stages. This conclusion follows from the assumption that state and local governments will be called upon to be more self-reliant and more dependent on their own resources to solve local problems. In actuality, such leaders may have the largest long-term stakes in the jurisdiction, unlike political leaders who are sometimes voted in and out of office every two to four years. IT sector leaders often have the major fiscal resources and untapped leadership and managerial skills that are key to improving the economic base (Grant, 1998). Effective strategy implementation implies decision making which leads to constructive action and accomplishment. The actors in this process often must include, of necessity, important "nonpolitical" leadership elements in addition to elected political and administrative leaders. Such persons often have long-term tangible interests in the future of the state or local government and the power to commit resources to decision implementation. These persons might represent major businesses, institutions, labor groups with a heavy stake in the community's future.

At Dell, the final implementation of the strategic plan involves the initiation of the several action plans designed at the functional level, their integration at the top of the organization, and a kickoff of the strategic plan. This may involve new services, initiation of management development or technical training, new revenue sources, or alternative service delivery approaches. In effect, implementation is the step at which the strategic plan is handed from the planning team to the functional managers and, as appropriate, to the community. All parts of the organization should feel that there is activity on all levels that will bring about the successful completion of the organization's mission (Cole, 74). At Dell, the most important test of implementation is the degree to which organizational members, especially managers, integrate the strategic plan into their everyday management decisions. A strategic plan is being implemented when the initial response of a manager confronted by a decision is to consider whether an answer is found in the organization's strategic plan. Although guidelines for every decision will not be provided by the planning process, consideration of the plan as a first step is the best evidence of the plan's implementation (Dell Home Page 2008).

In sum, strategic planning and effective implementation depends upon goals and aims of the company, its vision and mission, and ability for foresee and foreshadow market changes. In some organizations like Dell Corporation, each type of plan (long-range, short-range, etc.) is distinct, prepared and reviewed on different time cycles and demanding considerable effort to make sure that everything is coordinated. In other organizations, these distinctions may be less clear, with planning documents containing strategic, tactical, and operational objectives together.

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