Apple Strategic Plan

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Executive Summary

Since inception of Dell in 1994 by Michael Dell, the company has experienced huge growth which has as a result seen the company become the largest world manufacturer of computers. The success of the company has been attributed to the direct sales model where the company sells the computers directly to the customers while at the same time offering the customers the chance to specifically customize their orders. In adition, the success can also be attributed to the toll fee technical support that is available 24 hours 7 days a week as well as the next-day service offered to corporate clients. Dell's headquarters are based in Texas and the company has more than 103,000 employees throughout the world. Dell sells servers, desktop computers, laptops, networking products, software, mobility products among other products and services intended for individual consumers, governments and corporate institutions.

The aim of this report is to evaluate Dell's performance from various perspectives and then develop a strategic plan that would help the organization address the issues established in the evaluation. Some of the techniques used in evaluating Dell's strategies include Internal Factor Evaluation, External Factor Evaluation and The SPACE matrix.

The evaluation establishes that Dell is in a good position even thought there exists the need for the company to develop and implement new strategies that will ensure that the company remains successful and improves its financial performance which is below par while compared to that of the competing firms notably Apple, HP and IBM. In conclusion, the report recommends that Dell puts much emphasis on the research and development and start developing new products since high profits can be earned from the sale of high products while at the same time increasing the organization's presence in developing countries that have huge market potential.

Background Information about Dell

With its headquarters located in Texas, Dell Inc. is among the biggest technological companies globally that produces and markets different types of products ranging from servers, desktop computers, laptops, networking products, software, mobility products among other products and services to individual consumers, governments and corporate . The company was established by Michael Dell in 1984 on the concept of selling personal computers directly to the customers since such an approach would help the company understand the customers' needs and match them with what they would offer the customers. At the time of establishment, Dell used national computer magazine to advertize the company's computers to potential customers. Since inception, Dell has now grown to be an international provider of technological products and services. The direct sales approach pursued by the company can be attributed to be the main source of the success that the company has enjoyed throughout the years since the approach eliminates the middle man as the process is initiates by the customer once he/she places an order.

As of the end of 2011, the company had an approximate of 103,000 employees which is an increase of over 30,000 during the last two years and can be attributed to the acquisition of Perot Systems. However, on a wider perspective, Dell has retrenched some of its workers as well as shut down some production plants due to increased competition.

The main objective of this report is to review Dell's performance in reference to the environment within which it operates in and develop a three year strategic plan that will help the company be successful in its operations. External Factor Evaluation (EFE), Internal Factor Evaluation (IFE), SPACE matrix, Internal External (Matrix) and SWOT analysis are some of the techniques that will be used in this report.

Dell Organization Structure

In the year 2010, Dell changed its organization structure in order to offer improved customer service. The new organization structure saw the company create four new strategic business units which had were to be run differently with each head of the unit reporting to the CEO Michael Dell. The four business units were made of large enterprise customers who include large global and domestic businesses, public customers who included education institutions, governments, health care and law enforcement agencies, small and medium businesses that aimed at delivering and IT services to the customers and finally the consumer unit that aimed at selling the company's products to the consumer directly through the web, phone and retail.

However one year after the change, Dell announced that it still intended to make some organizational change that would see the public and large enterprise strategic business units been combined into a single strategic business unit. The company stated that the change would facilitate the company integration IT services to its offering in addition to the computer hardware that was originally supplied. The announcement meant that the company was going to adopt a conglomerate business model.

As the far as the human resource is concerned, the company has two departments that manages the human resource aspects with one department known as human resource operations been in charge of benefits administration, compensation and employee retention where as the other department known as talent management is involved with employee training and development.

Dell's Actual Vision Statement and Proposed Vision

Dell's vision statement reads that ''Dell is committed to being a good neighbor in the communities we call home. We must continue to grow responsibly – protecting our natural resources and practicing sustainability in all its forms – and improve the communities where we live and work through our financial and volunteer efforts.'' A review of the vision statement indicates that Dell's vision statement is elaborate enough and requires no amendment since all issues that need to be addressed in a vision statement are included in the vision statement. The vision statement outlines the responsibility that the organization has towards the environment within which it operates in.

Dell's Mission Statement and Proposed Mission

Dell's mission statement reads that '' Dell's mission is to be the most successful computer company in the world at delivering the best customer experience in markets we serve. In doing so, Dell will meet customer expectations of highest quality, leading technology, competitive pricing, individual and company accountability, best in class service and support, flexible customization capability, superior corporate citizenship and financial stability''. The company's mission statement can also be argued to be well articulated and well developed as all major aspects that are required in a mission statement are included. The mission statement outlines the aims and objective of the company and how they will be achieved.

In case Dell insists that the mission statement has to be changed the proposed mission statement could be '' In order to meet all our stakeholders needs, Dell aims at been the most successful organization in the world by offering the highest possible quality of products and services which will be competitively prices and produced and delivered by application of the latest technologies''.

Past and Pursued Sales and Marketing Strategies

As already highlighted, Dells sales and marketing strategy entails selling the products and services directly to the customers where they are corporate or individual customers. Sales are mainly done through the company's official website, telephone, and also indirectly through well established retail stores such as Wal-Mart and Best Buy in the US markets. The different sales channels usually allows the organization to reach to a wider clientele as the various channels have extensive distribution network a point that can be proved by the fact that Dell's Notebook and Desktop computers contributed to about 56% of the organization's sales revenue in the 2011 fiscal year. As already established, each of the four strategic business units used different sales and marketing strategies in order to attract potential customers.

Dell's Research and Development Strategy

Since Dell aims at mass production and mass sales, the company research and development strategy is to enter the market after products have matured in their life cycle implying that the company does not have to spend a lot of money like rival company Apple that usually enters the market during the initiation stage. Where as such an approach can be disadvantageous as first movers might have served most of the market, the main advantage that Dell derives from such a strategy is that the company is able to avoid risks associated with product failure even though the profit margins are low while compared to profit margins earned by first movers. An ideal example of the company waiting to enter the market after it has reached the maturity stage is the company's introduction of Dell's smartphone and tablets that was done after Apple's iPhone and the iPad had proved successful.

While compared to its main competitors like Apple, IBM, and HP, Dell invests far much less in its research and development. In terms of percentage per revenue, Dell's spending on research and development is 1.1% where as HP is 3% and IBM is 6.1% a point that can also be used to justify the reason as to why Dell has 2,991 patents where as HP has 37,000 patents.

Dell's Strategic Challenges

A review of Dell indicates that the company faces a couple of strategic challenges that might be limiting the company's success in the various sectors that it serves. A closer review of the company's performance in the US markets indicates that the company experiences slow growth for the personal computer which is Dell's basic product as majority of the buyers will be buyers who already have computers and will only buy in order to upgrade something that Dell might not be able to offer as other 'first movers' might offer superior but expensive products than Dell. The recent reorganizing of Dell's organization structure that have seen the organization combine the public and large business units means that the company has probably experience complaints about the customer service and intends to serve the business units better by combining them together. Moreover, Dell can be argued to be unable to serve the entire market needs since the sales channels used might not be able to reach all potential customers. Finally, Dell has major presence only US, Japan and European markets which can be argued to be mature markets as far as the organization's products are concerned while on the other hand, the global market for Dell's products remains unexploited.

Dell's External Audit & External Factor Evaluation (EFE) Matrix

External Audit

Political Factors

Dell has to abide with rules and regulations put in place by governments in various markets that the company has presence in. In addition, international relations between China and US play a greater role as majority of Dell products are produced in China and then exported to US. In case where there was to be bad international relations between the two countries, Dell's supply chain would be adversely affected.

Economic factors

During the last few years, the global economy has been experiencing slow economic growth. Organizations such as Dell's have had to realign their strategies in order to sustain their business as customers have had to reduce their spending budget.

Social Cultural Factor

As globalization stretches to various parts of the world, organizations such as Dell are presented with glorious opportunities to sell their standardized products and services to various parts of the world without having to adopt the products or services to various market needs. In addition, the acceptance of technological innovations in almost all parts of the world means that Dell can sell its products in all countries in the world.

Technological factors

As already noted, technological advancement has played great roles in the globalization process. As globalization intensifies, the demand for technological products will definitely increase implying that Dell has to continue developing new products that are innovative in order to meet the increasing needs of the various markets in the world.

External Factor Evaluation Matrix

Opportunities

There exists numerous external opportunities that Dell can exploit in order to achieve more success. As already established, apart from the developed countries, there exists huge potential in other various countries that Dell can derive a lot of sales revenue from since the market needs are not meet.

The increased use of internet usage through out the world means that the demand for Dell's technological products will also be on the increase as more people will demand more products through which they can be able to access the internet with.

The fact that majority of Dells products are manufactured and assembled in China means that the company can be able to keep its production costs low implying that the company can be able to derive high profit margins while at the same time maintain low price leadership in the industry.

Finally, there is a huge potential for Dell to tap better into the smartphone and the tablets markets if the company spends a portion of its budget on research and development of these products.

Threats

The intense competition between Dell and its competitors such as IBM and HP can threatens Dell's financial performance since the competitors at times offer huge price discounts that might either force Dell to sell the products at low prices or stick with the originally set prices and experience low sales figures.

The global economic climate might pose a threat to Dell since slow economic growth or hard economic times might reduce consumer spending power which will in turn directly affect the volume of products sold.

Since technology keeps evolving, the fact that Dell develops products once they have proved to be successful with the first mover means that the company might be exposed to the risk of not selling some products as by customer needs might change before the company develops the products.

Finally the strong brand name such as IBM and HP that Dell competes with might threaten the company's operations as customers might at times prefer to buy IBM and HP due to the fact that they have strong brand name than Dell.

EFE Matrix External Factor Evaluation	**Weight**	**Rating**	**Weighted Score**
Opportunities			
1. Huge potential in Global Markets	0.20	3	**0.60**
2. Majority of competitors yet to establish presence in some global markets	0.15	3	**0.45**
3. Outsourcing in China	0.05	2	**0.1**
4. Opportunities in Tablets and Smartphones	0.20	4	**0.80**
5. Use of the company's website (E-commerce)	0.10	3	**0.30**
6. Increasing use of internet	0.05	3	**0.15**
Threats			
7. Increased competition from rivals	0.10	4	**0.40**
8. Global economic climate	0.05	3	**0.15**
9. Technological advancement	0.06	3	**0.18**
10. Weak brand name while compared to IBM & HP	0.04	2	**0.08**
Total	**1.00**		**3.21**

4= Superior Response | 3= Above Average | 2= Average | 1 = Poor

Figure 1: Dell EFE Matrix

Dell's weighted score of 3.21 indicates that the company is actually doing quite well in response to the opportunities and threats in the external environment in the Information Technology industry. It can thus be argued that Dell current strategies are actually effective in perspective of the opportunities available and threats anticipated.

Porter's Five Forces Analysis

Porter's five forces framework is a simple technique used to establish the sustainability or the security of a particular organization within the industry that the organization operates in. Porter argued that the nature of competition in an industry can be established by examining the five forces that are made up bargaining power of suppliers, bargaining power of sellers, rivalry between competing firms, threat of substitute products and threat of new entrants to the specific industry.

Threats of new entrants

In industries where new entrants find it easy to establish their presence, then the threat of new entrants can be said to be high since the new entrants might threaten the existence of the already established players in the specific industry. As far as the Information Technology sector in which Dell serves is concerned, the threat of new entrants can be argued to be very low since any investor needs to invest a lot of money which would require a long period of time before the venture can make any money.

Rivalry between existing competitors

The threat of rivalry between existing competitors can be argued to be very high since various competitors in the IT industry competes in different forms ranging from offering price discounts, product advancements and new product launches among others. Dell is always competing with other established PC makers like HP, IBM, Gateway and Apple.

Bargaining power of suppliers

In the Information Technology industry, the bargaining power of suppliers can be argued to be high due to the fact that there are very few suppliers of the major components such as processors that are required in production of the various Information Technology products. The high threat arises from the fact that the suppliers can dictate the terms and the conditions under which they are willing to develop the components required by the organizations serving the industry.

Bargaining power of buyers

Since most of the players in industry with the exception of Apple provide almost similar products, the bargaining power of buyers can be said to be very high since the customers' can easily switch to other brands and in the markets with basically no additional costs been incurred. Moreover, customers have the power to decide the specific requirements that they need their products to meet hence Dell have adopted a built to order approach that gives the customers the chance to customize their products.

Threat of substitute products

With the recent technological advancements, the threats of substitute products can be said to be very high since tablets and smartphones are now at times used as substitutes to the traditional desktop computes and laptops.

Internal Audit & Internal Factor Evaluation Matrix

Dell VRIO analysis

Figure 2: Dell's VRIO Model

Aspect	Value	Rarity	Imitability	Organization	Competitive Advantage
Pricing	Yes	No	Yes	Yes	Parity
Customization	Yes	Yes	No	Yes	Sustained
Marketing	Yes	No	Yes	Yes	Temporary
Direct Sales	Yes	No	Yes	Yes	Parity

Conduction Dell's VRIO analysis will help establish whether the organization's resources contribute to creation of competitive advantage or not.

Valuable

In order for a resource to help create a competitive advantage, the resource has to be valuable. Dell has managed to position its products as reasonably prices and high performing. The reasonable prices that Dell charges for its products have played a role in helping the organization become successful in the highly competitive business environment that Dell operates in.

Rarity

Some rare resources are likely to create a competitive advantage as it would be hard to find the resource required to create the competitive advantage with a lot of competitors. The fact that Dell is able to develop products according to customer specification makes the company rare since majority of the firms that Dell competes with do not offer ‘made to order’ services.

Imitability

Resources that are hard to imitate can be useful to create competitive advantage since they cannot be copied by the competitors. When it comes to Imitability, majority of Dell products can be easily imitated though the customization aspect might prove to be hard to imitate for some competitors since they do not have the required resources to offers such services.

Organization

In order for a valuable, rare and hard to imitate resource to be beneficial to an organization, a strong and suitable organization is required. Dell’s organization structure can be said to be strong and suitable since it has throughout the years managed to keep the company successful to its stakeholders. Moreover, the management is suitable since it had to realign strategies at times when it has deemed appropriate implying that Dell’s organization is competent and responsive to environmental changes.

Internal Factor Evaluation

Strengths

A review of Dell shows that the company has various internal strengths. Some of the internal strengths that the company has includes product reliability and performance, ability to offer customers the option to customize the products according to their own needs rather than offering then standardized products, competitive prices for all Dells’s products and been in close contact with the customers which means that the company can easily get customers views on the products they buy and make amendments when need arises.

Weakness

As far as internal weakness is concerned, Dell's main weakness includes, too much dependence on computers until recently when the company got involved in smartphone and tablets, no business diversification unlike other competitors like Apple who have diversifies into other industries like music and finally minimal investment in research and development which implies that the company can only earn low profit margin products as it is a 'follower' rather than a first mover in the IT industry.

Figure 3: Internal Factor Evaluation Matrix

IFE Matrix Internal Factor Evaluation	Weight	Rating	Weighted Score
Strengths			
1. Product reliability and performance	0.15	3	**0.45**
2. Customized products where customers can decide the specifications they want on their products	0.20	4	**0.80**
3. Direct sales model which helps the company collect constant feedback	0.15	3	**0.45**
4. Competitive pricing	0.15	3	**0.45**
Weaknesses			
5. High dependence on PC products	0.10	3	**0.30**
6. No business diversification	0.10	3	**0.30**
7. Minimal investments in Research and Development	0.15	4	**0.60**
Total	**1.00**		**3.35**

KEY 4 = Superior Response | 3 = above Average | 2 = Average | 1 = Poor

An Internal Factor Evaluation Matrix (IFE) is an internal audit technique that examines and outlines the main strengths and weakness of an organization. As can be seen from Dell's Internal Factor Evaluation Matrix, the company's weighted score is 3.35 which imply that the company is making good use of its strengths while at the same time improving its weakness.

Key Financial Ratio Analysis

From the figures given by Baker & Walsh (2011), Dell reported revenues of $ 61,494 million in the fiscal year 2011 which was an increase of $ 8,592 millions from the previous fiscal year as 2010 net revenues were $ 43, 697 millions. A look at the revenue by strategic business unit indicates that the demand for large enterprises increased with about 20% from the revenues earned the previous financial year. However , when one reviews the dells financial figures for the last five years with the industry average, Dell, is not really doing well since the company's sales figures have increased on an average of 2% per year where as a negative net income has been earned over the last five years. As already established, the dismal improvement of Dell's financial figures can be attributed to the fact that the company has been a 'follower' and not a 'first mover' industry a strategy that means that the company has to sell high volumes of products in order to make the same profits as other organizations in the industry. While Dell competitors were diversifying their product range to smartphones, software's, integrated database solutions and tablets, Dell was too slow and only joined the market after the competitors had established their presence in the various fields.

The fact that the company has high amounts of debts that adds up to $ 5.14 billions which is 14 times more than the debt that the company had in 2008 means that the company needs to develop new strategies that will help increase the revenues and at the long run reduce the company's debt. What is even shocking is the fact that the company's long term debt/Capital ratio is at 39.9% where as the industry average is at 10.97. The total debts that Dell has means that the company pays more than $ 200 millions in interests expenses which probably explains the reasons why the company does not spend a lot in the research and development.

A narrow view of the financial figures of the company might indicate the company as been in a healthy position where as a closer view indicates that the company is actually struggling to contain its expenses which justifies the need for new strategies that would increase the revenues which will result to higher profits that can be used to clear debts and invest in the company's research and development department.

Dell SWOT analysis

Strengths

Dell is the world's largest computer manufacturer whose position in the industry can be attributed to the direct model that the company uses. The direct model works well for Dell since customers are nowadays more informed and know exactly what they need. Apart from allowing customers to standardize their products in terms of performance, the direct model also makes sure that Dell is in direct contact with the customers implying that valuable feedback and suggestions can be obtained from the customers.

Another Dell's strength is that the organization sells most of its products and services to business customers implying that the company can be able to offer personalized services as the company does not have a lot of individual customers.

Weakness

The company has at times for example in 2004 recalled some of the products it sold to its customers due to the fact that the products posed risks to the customers. Since Dell is a maker and not a manufactures of the products that its markets, the company has to rely on the efficiency of its manufacturing partners to make sure that the company's products are delivered on time.

Opportunity

The company has the technical knowledge as well as required resources to diversify into other fields where large profits margins can be achieved. The company can also target lower end market by offering unbranded products at cheap prices to the market.

Threats

There exists strong competition from other established players who have to an extent managed to create customer loyalty with their customers. The fact that Dell sells its products to different markets in the world means that the company is exposed to the regular current fluctuations.

SWOT Strategies

SO Strategies	**ST Strategies**
• Make use of the competitive pricing to position Dell products as the best products in the market. • Maintain the customization aspects for customers when ordering the products • Establish presence in global markets with high potentials • Open Dell flagship stores in both existing and ne markets	• Initiate marketing initiatives that will aim at increasing Dell's brand awareness • Invest in research and development so that the company can be able to introduce its very own innovative products.
WO Strategies	**WT Strategies**
• Encourage all employees to give suggestions on improvements of existing or new products that are yet to be launched. • Participate in product launches events where huge discounts can be offered on new products during the day of launch.	• Establish strategic relationship with component suppliers which would give Dell an added advantage as the company might get the components at lower prices. • Invest in other sectors like the music industry in order to expand the revenue streams • Increase the product lines by introducing new products in the current sector that the company serves.

Figure 4: Dell's SWOT strategies

SPACE Matrix

A Strategic Position & ACtion Evaluation (SPACE) matrix is a management technique applied to investigate an organization and as a result establish the type of strategy that the organization should adopt. The matrix specializes on developing strategies in relation to the type of competition in the specified industry. The SPACE matrix normally has four main quadrants where each quadrant recommends the type of strategy that should be adopted. The four quadrants of the SPACE matrix are aggressive, conservative, defensive and competitive. In the SPACE matrix below:-

Y axis
Financial strengths + 3.33
Environmental stability – 3.42
Thus y Axis= +3.33 + - 3.42 = - 0. 09

X axis
Competitive Advantage - 1.3
Industry Strength + 2.65
Thus X Axis= +2.55 + -1.3 = +1.25

Where ratings = 1 – 6, 1 is the worst and 6 is the best while where rating is -1 to – 6, -1 is the best while -6 is the worst

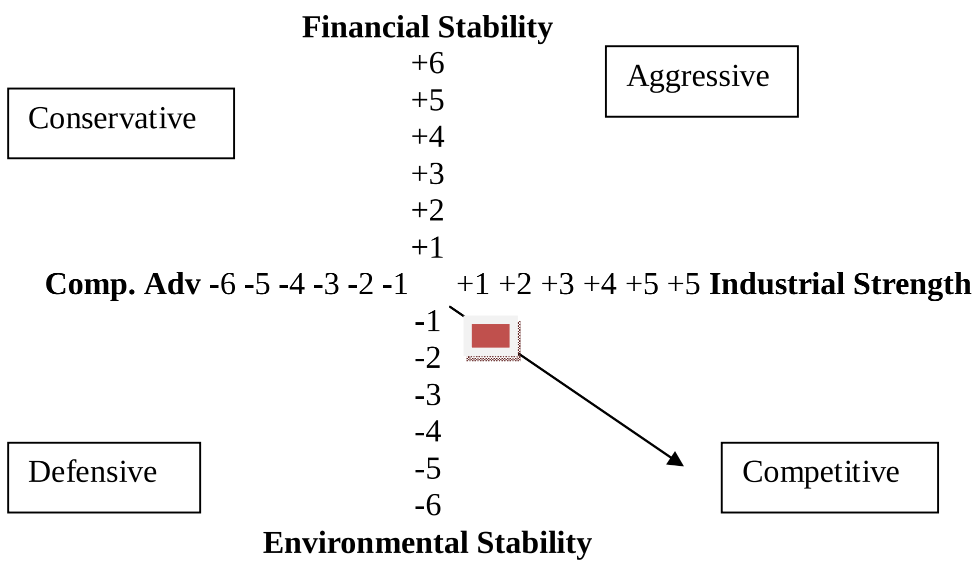

Figure 5: Dell SPACE matrix

As indicated on the SPACE matrix above, Dell needs to develop competitive strategies since the company performs well in the industry attractiveness and the competitive advantage but performs poorly on the financial strengths and environmental stability aspects. The establishment that Dell's qualifies for a competitive strategy means that the company needs to improve its financial balance sheet while at the same time improving its profit levels. Some of the strategies that Dell might pursue in order to improve its balance sheet may include obtaining more capital through increase of share capital or even acquiring extra long term loans which cannot be advised at the moment since the company already has huge loans that it is financing to the tune of $ 200 million per year. Another alternative would include Dell merge with an organisation that has huge amounts of cash and is seeking opportunities for investments. Moreover, Dell might also seek to form strategic alliances with other companies in the industry like Apple that would give the company access to various tangible and intangible assets without the company having to necessarily pay high investment costs. In additions, Dell needs to reduce its variable costs as much as possible while establishing presence into new global markets where business potential is very high.

Internal - External Matrix

The internal external matrix is a strategic method that is used to analyze the working conditions of a specific organization as well as the strategic position of the specified company. The Internal – External matrix which is also known as the IE matrix is usually dependent on the analysis of internal and external aspects that are joined in one suggestive model. As indicated in the IE matrix below, when the previously obtained weighed score of Internal Factor Evaluation (IFE) of 3.35 and the 3.21 weighed score of External Factor Evaluation are joined together the matrix indicates that Dell should adopt a strategy that should help the company grow and build.

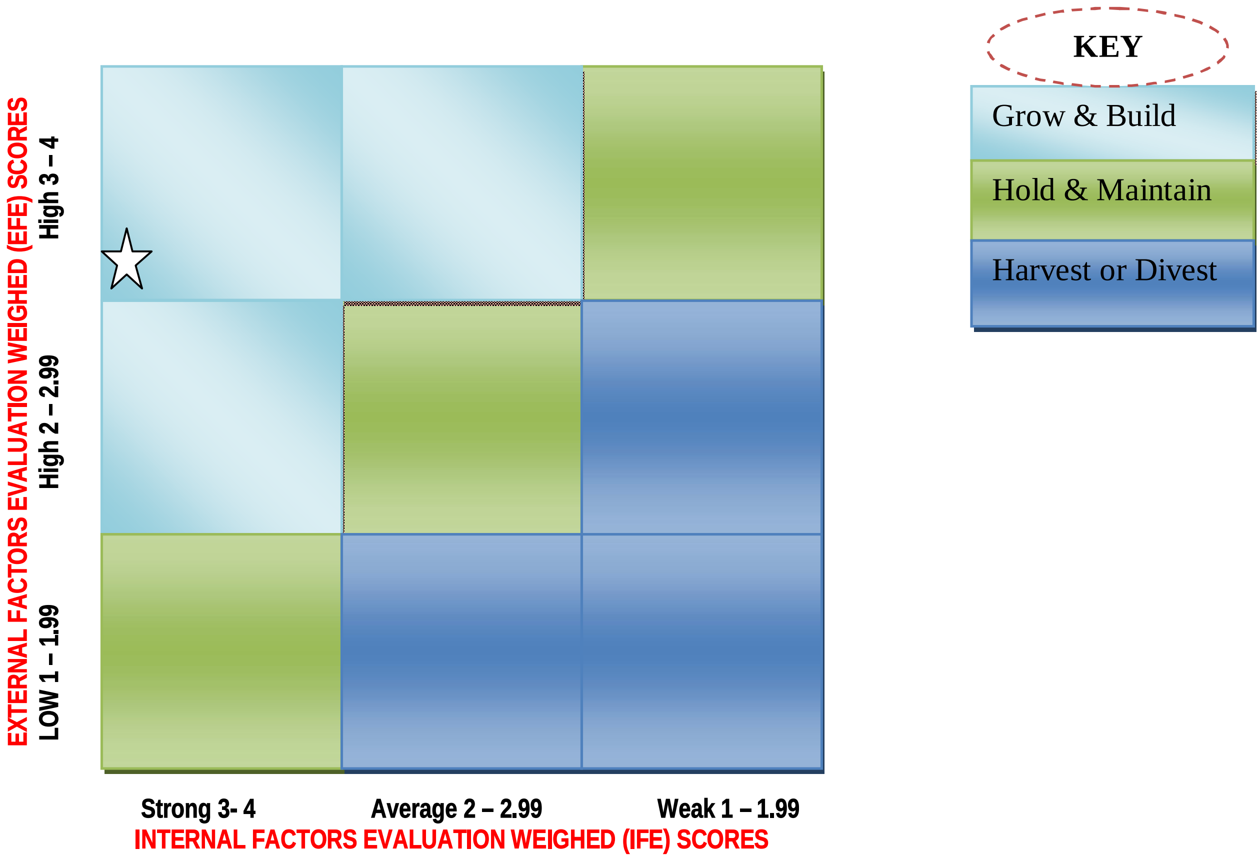

Figure 6: Dell IFE matrix

According to the IE matrix, Dell needs to pursue strategies that would help the company grow and build. This means that the company needs to adopt aggressive and intensive strategies that aim for market penetration, products advancements and market development. As far as operations are concerned, Dell should consider forward, backward and horizontal integration.

QSP Matrix

A Quantitative Strategic Planning Matrix (QSMP) can be described as a high level strategic management technique that is used to evaluate various strategies that can be implemented by an organization. The QSMP offers an analytical technique through which various strategies can be compared. The QSMP process is more or less initiative since when the management teams thinks about a strategy that they should pursue and they prefer it more than another strategy, then the strategy is moved up.

Strategic Choices **INTERNAL FACTORS**			**Partner with other companies to offer other services**		**Product Development to offer cheap standardized computers**
Strengths	Weight	Aggregate Score (AS)	Total Aggregate Score (TAS)	Aggregate Score (AS)	Total Aggregate Score (TAS)
Increasing market share	0.15	2	0.30	3	0.45
Selling directly to customers	0.15	3	0.45	4	0.60
Customization Feature	0.14	3	0.30	4	0.56
Establish relationship with component suppliers	0.05	3	0.15	3	0.15
Brand Awareness	0.10	1	0.10	2	0.20
Weakness					
Few product range	0.15	3	0.45	4	0.60
Weakens in Direct Sales approach	0.10	2	0.20	3	0.30
Concentrating in PC products only	0.16	3	0.48	2	0.32
SUBTOTAL Strengths + Weakness	**1**		**2.43**		**3.18**
Strategic Choices **INTERNAL FACTORS**			Partner with other companies		Product Development to offer cheap standardized computers
Opportunities	Weight	Aggregate Score (AS)	Total Aggregate Score (TAS)	Aggregate Score (AS)	Total Aggregate Score (TAS)
Increase in internet users	0.15	3	0.45	4	0.60
Sales via the company's website	0.15	4	0.60	3	0.45
Established competitors not having presence in some global market	0.10	4	0.40	3	0.30
Diversification into other sectors	0.20	3	0.60	2	0.40
Threats					
Ever changing consumer needs	0.15	2	0.30	1	0.15
High rate of technological advancements	0.15	3	0.45	2	0.30
Strong competitors (Apple, HP, IBM)	0.10	2	0.20	3	0.30
SUB TOTAL Opportunities + Threats	**1**		**3.0**		**2.5**
SUM TOTAL OF ATTRACTIVENESS			**5.43**		**5.68**

Figure 7: Dell QSP Matrix

From the matrix, it is obvious that the company should aim at producing a standardized computer that is cheaply priced in order for the company to capture the more market share both in new markets and in markets where the company has operations in. Since quality will not be compromised, Dell would be able to build brand awareness in new markets after customers have been satisfied by the low priced computers and their next time to but a computer will most probably be buying a higher performing computer from Dell that is highly priced.

Final Recommendations

The aim of this report was to develop a strategic plan for Dell after analyzing the company's performance for three years from the case study by Baker & Walsh (2011) as well obtaining other relevant information from Dell (2012). In addition, in order to make sure that the recommended strategies are the most appropriate ones, various strategic techniques as have been used in order to get a clear understanding of the strategic direction that Dell should take. From the strategic analysis findings, it was established that Dell is not in a very bad position though there is a need for new strategies to be developed if the company needs to be sustainable and profitable in the next three years. The objectives of the recommended strategies are:-

i) Increase the company's revenues by 15% every year for the next three years.

ii) Decrease the company debts to less than $ 3 by year three.

iii) Increase the company's market share in developing countries by establishing presence in countries where the company has no presence at the moment.

iv) Invest more in research and development so that Dell can start producing some products as 'first mover in the market

Strategy 1: Concentrate on innovation

As already established, while other competing organization such as Apple, IBM and HP are spending a lot of money on research and development of new innovative products, Dell's strategy is to wait and redevelop the products that the competitors have already developed and confirmed that will prove successful in the market. Where as such an approach makes sure that Dell is not subjected to any risks associated with new product launch, 'first mover' usually earn more profit margins that 'followers' a point that can possibly be used to explain why Dell's financial figures are less attractive while compared to financial figures of HP and IBM.

Placing more emphasis on research and development would have some huge benefits for Dell since the company can be able to enjoy 'first' mover benefits that would mean high profit margins and consequently high profits for the organization. Since the company is already established in the market, its brand name means that the company would be able to launch new products in the markets that it is already serving.

The main shortcoming of this strategy is that increased efforts on research and development might cause the company to deviate from its core competencies. To be specific, the strategy might make Dell deviate from mass production of mature products to the more troublesome and challenging production of new products that would even demand extensive product launch strategies. In addition, the strategy might mean that Dell would have to change the direct sales model since new products are better distributed through different channels in order to ensure that products are available to all customers who demand them.

Finally, the main challenge that Dell might experience while implementing this strategy is that the company might find it hard to raise the required amounts to fund research and development of products and take them to the markets since the company currently owns its creditors over $ 4 billions which means it might be hard to convince the creditors to lend the company more money to be used in research and development of new products whose success is not even guaranteed.

Strategy 2: Divesting

In the divesting strategy, Dell should establish the products or services that have not been profitable to the company or have very low profit margins and sell the products or services to competing firms who have the resources and capabilities required to make the products and services profitable.

The main advantage of this strategy is that it would help Dell concentrate its efforts in products and services that are profitable making the company become more efficient in its operations since product creativity would be enhance which in the longer run help build Dell's brand value.

The main disadvantage of this strategy is that the company might restrict its potential growth since divesting implies that some part of the business or services that the company was offering will be offered by another company which will not be Dell which in a wider perspective might even mean that Dell's competitive advantage might be limited to a certain extent.

Strategy 3: Integrate more service offering

In this strategy, Dell would expand its current service offering to include more services such as business consulting that the company does not offer at the moment. The new service offering should be categorized into its own business unit implying that a new revenue stream would be opened. Since Dell already has existing relationship with corporate customers who would be potential customers for the new services, this strategy might prove effective since it would be easy for the company to get new business from the already existing satisfied customers.

The main disadvantage of this strategy would be that Dell would be competing with well established competitors who might have high expertise that Dell might initially find hard to match. It is important that the company realizes that while it might be easy for Dell to expand its service offering, it might find its offering limited to the expertise which means that the new revenue stream would be limited to a certain extent. Moreover, the strategy is most likely going to make Dell deviate from its core competencies and become a 'junk of all trades'.

Strategy 4: Concentrate on core competencies

This strategy recommends that Dell 'goes back to basics' and concentrate on the company's core competencies. The strategy recommends that the company aims at improving on its core competencies which includes areas like customer service, marketing strategies, establishing relating with more suppliers and modifying the distribution channels in order to ensure that the company's products are available to all customers. The main aim of this strategy is to make sure that Dell's enhances the already existing competitive advantage by perfecting the core competencies.

The main advantages of this strategy are that the strategy would not demand a lot of resources in order for it to be implemented. In addition, once the strategy has been implemented, Dell would be able to create more satisfied customers which on the long run would mean more business as satisfied customers are very likely to buy again from the company.

On the other hand, the main shortcoming of this strategy is that by improving the existing core competencies, Dell might become stagnant since the strategy does not recommend introduction of new product lines or services which might imply that Dell might be ‘locked out’ from new products that might be profitable to the organization. In addition, since Dell is in the Information Technology sector, stagnation poses a huge risk that could in the long run have negative impacts on the financial performance of the company.

Strategy 5: Establish presence in developing countries

This strategy recommends that Dell establishes presence in new markets particularly in developing countries where the market penetration for various competitors is low. The advantage of this strategy is that the company would be able to position itself as the ultimate provider of Information Technology products and services in these markets ultimately resulting to increased profits. In addition, this strategy would perfectly fit Dell since majority of the maturity products that Dell sells in developed countries would be termed as new products in these markets.

The main shortcoming of this strategy is that a lot of resources and management would be required to effectively implement this strategy even though the company would be almost guaranteed to achieve high returns from the strategy.

Best strategies for Dell

After reviewing the different strategies discussed, the best and the most appropriate strategy that Dell should adopt is the first strategy that recommends that Dell’s adopts an innovative strategy. Even though the strategy demands substantial investment and probably organizational restructuring in order to group the research and development department as it own unique business unit, the benefits that can be derived from this strategy if well executed can completely transform Dell into one of the best performing company in the world. Investment in research and development means that Dell can be able to launch new products that would earn higher profit margins than products launched when they are in maturity stage. Effective implementation of research and development strategy would mean that Dell would increase its patents which might bring in some revenues in situations where the company has to license some of its patents to other technological companies. In addition, it is important to highlight that with the current rate of technological advancement, even if Dell does not implement the strategy right now, the company will eventually be forced to implement the strategy since customers in this sector are well informed and prefer to buy the latest products. In addition, it is advisable that Dell implements the fifth strategy that recommends establishment of sales function in developing countries. The rationale for recommending this strategy is that the strategy would provide the company with an expanded market to be served. In addition, developing markets would be appropriate for Dell's 'follower' strategy since majority of the products would be viewed as 'new' products in developing markets while developed markets would view them as mature products.

In conclusion, it is important to highlight that irrespective of the strategies that Dell implements, there must be a proper control mechanism in place that will be responsible for ensuring that the implementation is successful and that the effectiveness of the strategies is well monitored so that amendments can be made when need arise.

References

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