



Michael Dell video conference at Abilene Christian University
MODERATOR-Michael Winegeart, Assistant Professor of International Business

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WINEGEART: Michael, thank you for this opportunity. You honor us with your presence today, thank you.

MICHAEL DELL: Sure, glad to be with you today.

WINEGEART: What we're going to do is we all have your biography and we know your story, we're just going to rapid fire some questions at you and try to maximize our time together, if that's okay.

MICHAEL DELL: Okay, great.

WINEGEART: For the average college student, the undergraduate 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: Well, I guess I would say a couple 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.

I think in the world that we're in today you have to think not about the economy in the region that you're in or the state that you're in or even the country that you're in but the global economy. I think building skills that allow you to work on teams, teams that are global in nature will be very, very important. More and more companies are operating in a world where if you work in a company like Dell or many other companies you're going to find yourself with a work group that is distributed all over the world, will have people in Europe, people in South America, people in North America, people in Asia all working together almost as if they were in the same room even though they're typically thousands of miles apart. So get ready for even more global participation in a changing world.

And also, you've probably heard this before, continuous learning. The things you're learning today are great, they're a foundation, but you're going to have to relearn things all the time and if you find yourself in a breakneck pace company or part of an organization like that you're going to be creating things which haven't even been thought yet so you're going to have to be ready to learn all the time and really expand your skill set and competence.

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 or so, so you'd probably find seven or eight distinctive periods of evolution in the management of the company.

But a couple things I've learned along the way, one is that if you try to control things it's actually very self limiting and the easiest way to think about this is that if all the decisions inside an organization had to roll up the center of the company or to one person it becomes a mass bottleneck to progress, so instead it's very important to establish philosophies, strategies, guidelines and have clear lines of accountability and responsibility inside the organization.

So today our company operates very much in that fashion. I'm the chairman of the Company, Kevin Rollins is the CEO and we share responsibility of running the company together, but if you take our business in Europe, for example, there's a team that runs that business, a gentleman by the name of Paul Bell and he runs the business, he doesn't call us every day and every week and say what do I do now, he knows what to do but he's part of our team here in Austin, he knows the philosophy that's important to us, he knows what customers mean to us, he knows the objectives of the company and we've talk about the plans and strategies that we have for the business and he's off to go make it happen. And 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. So it's very important to have a strong team and I've sort of learned the value of that.

I've also learned that while the financial results and the business results are great and they're important and they're certainly necessary for success, the people in the organization are as important if not more important and we've really focused on growing our organization, 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.

So we've really put a lot of energy into ensuring that we could grow and develop our talents to prepare for the challenges ahead, putting the necessary energy into making sure we're prepared for all the opportunities that we've had.

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 it has 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 and that's quite exciting. If we sit back and look at the size of the overall marketplace that we're in, it's about an \$800 billion market and we have about 6 percent of that market so we think we have enormous opportunity to grow and keep expanding. I'm still learning as an individual and in our business every day as we're growing and expanding opportunities, so it's lots of fun.

QUESTION: Mr. Dell, I like to thank you again also for coming and speaking with us today out of your busy schedule. My question is this: As a young entrepreneur I'm sure you had quite a time penetrating an IBM



marketplace. What are your recommendations for getting good prices from suppliers and as a young entrepreneur also how many suppliers do you think we should have in a technology industry?

MICHAEL DELL: How many suppliers should we have in a technology industry? Well, you know, there are lots of sectors of technology and industry I think in different stages of development and maturity. If you want to be a part of 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 a very large market, though very small at the time, but a large, fast-growing market that was very inefficient and could be changed with a new method of selling and new methods of distribution and a whole new business system.

I'm sure that those opportunities will continue to exist, perhaps not in the area that they were in, although we certainly worry about all sorts of new forms of competition, new techniques of selling and that sort of thing, but as you look at the intersection of biology and electrical engineering, there will certainly be enormous industries and new opportunities that are created there.

So you've got to look for breakthroughs, look for inefficiencies in the system to create something great.

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 the things that we remember and it can be actually quite dangerous in a business that changes so fast that those preconceived notions are not as valuable in a business where the variables change so rapidly, which is why one of the skills that we admire in our company are people that can deal with changing circumstances, because so often we're going with a set of new variables which had never existed before.

QUESTION: Good morning, Mr. Dell. I'd like to ask you, kind of changing gears a little bit, I understand that you've offered the city of Austin a billion dollars to build a new medical school. I kind of want to know your vision with that and I'd like to know your opinion and your views on giving back to your community that you live it and do business in.

MICHAEL DELL: Did you say I offered the city of Austin a billion dollars to build a new medical school? (Laughter.)

QUESTION: Yeah, that's what I heard.

MICHAEL DELL: Well, that's mighty generous of me. (Laughter.)

The last time I checked though, medical schools only cost about \$100 million so you could build about 10 of them for a billion dollars. But, hey, maybe we can get one in Abilene, too. (Laughter, applause.)



You know, I think when you have the opportunity to be successful I think one of the responsibilities that comes with that is to figure out, well, how can you actually do something useful with all this and that's what we've been trying to figure out. My wife and I set up a foundation about five years ago and we've been focusing a lot on children. We have done quite a few things in our city helping to build a new children's hospital. There's been some discussion about a medical school, haven't heard about the billion dollars so that's news to me.

QUESTION: Well, I apologize for that.

MICHAEL DELL: Well, you know, you could have more current information than I have but I've never heard of that.

What I think comes with success is the responsibility to do something that is worthwhile and meaningful. We've actually set a goal to try to make a larger impact on the world through philanthropy than we have through business and I think through business we actually make a pretty significant impact. If you think about the decline in the costs of computing, the accessibility of computers to lots of small businesses and consumers that wouldn't have had them before, lowering the cost of servers and storage and just the competitiveness that has occurred in the computer industry and the increased productivity affect that that's had on the economy, well, that's pretty substantial and we've been a part of that.

But on the philanthropic side I think 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 focusing on children and some of these unmet needs not only here in Texas but throughout the United States and throughout the world that exist. But I think it's a responsibility that comes with success.

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 therefore what is your vision for your company in the next 10 years? Where do you see Dell moving? What are some dreams that you have for the computing industry? Talk about some of the things that you look to see happen if you had more control, if you could have your way and everything that you do corporately.

MICHAEL DELL: Well, I think the customer has the control in the industry, not the company because the customers are the people that actually buy things. Our business is really about understanding what those needs are and responding to that. And actually over the last 10 years or so our business has become much broader, growing from the PC to mobility products to servers and storage and services, financing and all the other things that go along with computing. So we've become a much broader provider of the kinds of products and services that we use in the IT world for all kinds organizations of all sizes.

I think that there's going to be no slowing down of the enormous improvements in the fundamental technology itself with Moore's Law driven improvement in semiconductors, that's going to continue. I heard yesterday Intel announced they are coming out with dual-core microprocessors that are essentially two microprocessor chips that fit in one socket. They also announced Dell is going to be the exclusive first OEM partner for those dual-core microprocessors and they'll find their way into our desktop products later this year.



So the amount of power that will exist out there to do things like whether it's desktop videoconferencing like we're doing here or be it in a conference room style or protein gene mapping or movie creation, digital content manipulation, that the power is not going to slow down at all, so that's just fantastic.

There are huge improvements in bandwidth, we're seeing some of the telecommunications providers start to bring fiber out to the home as kind of the next generation of broadband with the access speeds and bring massive amounts of data and content out to users.

There's still a trend in the commercial world and the institutions to move away from proprietary servers onto Linux and Windows-based servers, away from systems like UNIX and mainframes and that's going to continue to grow.

And as the price of these machines comes down, there are tons of the emerging markets around the world and tons of markets that have not had the money to afford high-priced computing that will expand the market dramatically. China is a very fast-growing market, India is a very fast-growing market for our products. China is already our fourth-largest market in the world and growing quite substantially.

So I think the market, you know, we are kind of in the business of productivity from a business standpoint and there's going to be a good market for productivity over the next five to 10 years.

QUESTION: Thank you.

QUESTION: Hello, Mr. Dell. My question has to do with the recent edition of *Fortune Magazine*. It has the top 100 companies to work for and I noticed that Dell wasn't on that list. Does that bother you in any way and generally how does the media affect how you run your company?

MICHAEL DELL: Sure. Well, *Fortune* has its list of the best places to work and it also has a list of all the most admired companies. We sort of look at both lists and we say, well, gee, we'd really like to be on both lists, we'd like to be the most admired company but we'd also like to be one of the best places to work.

If you look at the intersection of those lists you'll find that they're not very big, there's almost no intersection between the most admired and the best place to work. And quite frankly I think that to some extent the lists are popularity contest and we have, in fact, been on the best place to work list in the past and I think as far as our employee satisfaction and employee loyalty, it ranked quite highly. But if I had to choose one or the other, the challenge and the criticism I would direct to those companies that are only the best places to work is they're not necessarily very successful companies and we're not running our business necessarily to just make the employees very happy; that's a great thing to do, we love to do that but we also want to make our customers very happy and we want to make our shareholders very happy and so we try to balance all three of those.

And it's quite interesting that if you look at those two lists you'd find almost no companies that are on both lists. So we'd actually like to be on both and we have been on both in the past and that remains our hope.



QUESTION: Mr. Dell, some of your opening advice for us was don't be afraid to make mistakes along the way. I was just curious as to what's something you would qualify as possibly the biggest business mistake you've made along the way and just kind of how did you turn that into a learning experience, what did you take from it?

MICHAEL DELL: The biggest business mistake I made probably was going into the retail channel around the early 1990s. We took our products into essentially computer superstores and this was kind of a hybrid in between the traditional computer store and a direct model, at least so we thought. Now, the true sort of computer superstore went away. And it was incredibly confusing for our organization because we had been this direct company, it looked like a way to get incremental revenue, it turned out to be unprofitable. The good thing is it never really grew a significant portion of our revenues but it was a massive distraction for the company.

We sort of sized up what we'd done and decided it was a bad idea, we cancelled it, closed all that down and refocused the organization and went on from that.

I think the reason I'm here today is because we haven't made any mistakes that were just massively fatal because we like to correct things, correct problems as soon as we find them.

One of the challenges that companies get into is they get kind of this group thing going to say, oh yeah, well, this is a good idea, this is a good idea; they're unwilling to admit when they've made a mistake. Well, we tend to question things more in our business. And while you might look at Dell and say, well, this is a really successful company, if you went in some of our meetings you might think that there are more challenges and more problems. And that's okay, we would rather focus on those because those are the opportunities to improve, to get better, to keep stepping up our gains in all areas as opposed to just kind of believing, hey, we're doing really well, it says here in this magazine that we're great so we're going to keep doing that and we're going to collapse.

QUESTION: Thank you.

MICHAEL DELL: That's the way we think about it.

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, it's a great question. We now have about 20 percent of the inkjet printer market in the United States so if you bought an inkjet printer in the United States in the last 12 months there's a one in five chance that you have a Dell printer. So, yes, we're very much in that market. That's from a standing start of zero about 18 months ago, so 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, a major focus, growing very rapidly and I think in three to five years it will be interesting.



QUESTION: Thank you.

MICHAEL DELL: Last year it was about a little over a billion dollar in imaging revenues.

QUESTION: Good morning, Mr. Dell. Being at the helm of a Fortune 500 company, how do you handle the stresses of work/life balance and do you struggle with that and if you don't, how do you handle it?

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 and to me family is very important. So if you look at my schedule, one of the things I realized a long time ago is to limit how much productive work you can actually do in a given week and after a certain number of hours your productivity just lays down. There's also the happiness factor; if you want to do something for a long, long time and be really, really good at it you'd better have a strategy that is sustainable and works within the construct of the rest of the things going on in your life.

So 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, go out on the town, I've got to find those ways to bring balance to my life. So I think those are very much the kinds of things that we promote and encourage inside our business.

If you're not providing an environment that allows people to have some reasonable balance, then you're not going to be very successful.

The other thing I would say about balance is that you can't be in perfect balance at every moment because 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 can tell you. It's really far away and it takes a long time to get there and I don't go there a lot of times so I like to visit about five countries in five days and I can guarantee you that it's not in balance. But I don't do it all the time so I accept that but it's part of my job. So sometimes you're in great balance, sometimes you're not but on average I think you can have great balance.

QUESTION: Thank you.

QUESTION: Mr. Dell, in your book, "Direct from Dell" I noticed that you had talked a little bit about how you absolutely love your job and a lot of people go through their whole life hating their job. What is your advice to us as college students to find jobs that we love where we really have that fit and we go home everyday really enjoying what we do? I understand there are busy days but overall.

MICHAEL DELL: No, I think you have to find something you're passion about that you really enjoy doing, so follow your interests, follow your loves as opposed to say, well, hey, this is what my parents told me I should do, this is what someone told me I should do. Find those things that you really enjoy doing and you're likely to be a lot happier doing those and you're likely to be a lot better at it. I think ultimately that's much more important.



QUESTION: Thank you.

QUESTION: Mr. Dell, you mentioned earlier how important it is to keep your customers happy. I was wondering if you'd comment on the outsourcing of customer service, what are the pros and cons and what kind of response have you been getting for customers?

MICHAEL DELL: Well, we have call centers all over the world. You might have seen 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 have call centers in Austin, Texas; Roseburg, Oregon; in Twin Falls, Idaho; Nashville, Tennessee, we've got them all over the world.

In our case it's probably less outsourcing that it is 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, bringing a new factory to North Carolina to provide products for our customers in the United States.

So 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 kind of products the kind of cost point that is being demand by today's consumer.

We've also got all kinds of premium services available, so if you as the consumer say, hey, I want to have a premium level service, I want somebody to answer the phone in two seconds with expert level service and I want to call as many times as I want to call, well, we've got a service to provide that.

So what we try to do is really stratify the different service requirements and provide the service that is consistent with customers' desire and willingness to pay for it.

And of course, one of the other things that's going on that's important is a lot of customers are going online instead of on the phone for support, but we still have lots of folks at work, about 180 million phone calls last year in the United States for all kinds of activities, sales and support.

QUESTION: Thank you.

QUESTION: Mr. Dell, I wanted to ask you what you think, especially for the undergraduates in the room, is the importance of continuing your education. Obviously you become wildly successful in your field, but do you think it's important to continue through your education and getting your degree?

MICHAEL DELL: Well, I can tell you how Kevin Rollins and I continue our education. I mean obviously we're trying to learn all the time with all sorts of new opportunities we find ourselves in, but we make a point about every quarter to go spend a day with another company that we can learn from. So it might be 3M in Minnesota with Jim McNerney or Bob Naradelli at Home Depot or Jeff Immelt at GE or Chuck Knight at Emerson or Meg Whitman at eBay or Weldon at Johnson & Johnson; these are companies that we think we can



learn from and so we make it a point to go out and spend time with them. That for us is kind of continuing education.

So I'm not sure if I answered your question but inside Dell we have all sorts of structured courses that we encourage our folks to participate in it and it gives them opportunities to learn about really how to think about the business and take different scenarios and cases that we're struggling with right now and take those problems on and become problem solvers, become critical thinkers in the business as they sort of prove their skills. So we very much believe in that and practice it inside our business.

QUESTION: Thank you.

QUESTION: Good morning, Mr. Dell. I just want to ask two questions. The first one is in your view what makes your own technology different from others? And the second one is what is the most important element that has made the growth of your own company?

MICHAEL DELL: The first question, what makes our technology different from others. Well, if you want the sort of technical definition you can go to the patent and trademark office and find the 1,900 patents that we've filed and you could read all of them and that would give you some indication.

The technology business I think is very much one of batting averages where we try to have very high batting averages and, in fact, we do. If you look at product awards, 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, in the way the products are delivered and of course in the end result in how the business model manifests itself in either a profit or loss, remembering that 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.

The second part of your question was about the key success factor for us?

QUESTION: The second question was what is the key, the important key, the most important key that has made the growth of your own company?

MICHAEL DELL: I think the most important factor has been our business model, the way in which we provide our products and services to our customers has been radically different from competitors, competitors have been unable to largely duplicate it and we've been able to expand that across a broadening array of products and services and geographies and that delivers superior value to customers, allowed us to grow and returned healthy profits to our shareholders at the same time.

QUESTION: Thank you very much.



QUESTION: Mr. Dell, let's say a few college students who have low incomes, have researched the market and come up with a strategic business plan and want to serve this market but have no capital to go on. How would you go about getting the capital that you need to start your company?

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

QUESTION: Can you say that again?

MICHAEL DELL: Or requires very little capital. I'd go back and come up with a plan that doesn't require much capital. (Laughter.)

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

QUESTION: Well, \$1,000 in maybe 1984 would be, say, about 10,000 today, so 10,000 is still a lot, especially to an ACU college student. (Laughter.) I mean, do you suggest going to like investors or get a job, is that pretty much all your advice? (Laughter.)

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

I think one of the problems of many startups is they're kind of overcapitalized, as strange as that may sound. If you go look at a lot of these startups they were started in the period where there was this kind of bubble economy, the vast majority of those failed, the vast majority of them were way over-funded and they spent a lot of money on things that didn't really help the business. In all seriousness, I would go and try to create a business that did not have massive or significant capital requirements and start small and go from there.

QUESTION: Thank you.

MICHAEL DELL: You can always try the investor route but that's a pretty tough way to go without any experience or history.

QUESTION: Mr. Dell, just quite simply I'm asking what's your inspiration to keep going on? You've made the top 10 lists, you have accolades and rewards, so is it computers, the thrill of the sale? A lot of this is hard to see like your worries from a financial point of view, so success for a lot of people sometimes is just getting out of bed in the morning and just making it through the day with maybe even half a smile. So what inspires you to like sit on all the boards and the councils and write your book, like in all the corporate mistrust today and thinking about Enron and everything that is going on, like what makes you want to keep coming back and continue to stay in business?



MICHAEL DELL: Well, it kind of 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 grow, to see our people grow and evolve and see all the opportunities that we have and to see the impact that it has in the community, on society.

A couple months ago we had a series of volunteer activities throughout our company and we had one out of every three employees in the company worldwide participate in some volunteer activity, about 20,000 people across the world participated in some volunteer activity, so that's incredibly exciting for me.

I see how our team came together to support the tsunami victims. Well, they didn't have to do that but they did. And when I see how we came together for a canned food drive -- we have 60,000 employees and about 30,000 in United States, that's a lot, but we are by no means the largest employer in United States, there are employers that are 50 or 30 times larger than we are just in the U.S. But we collected more canned goods than any company in America and that's pretty exciting for us to see that we can do that and help out a lot of people.

So as a 20-year-old company, yeah, we come a long way but I don't think it's so much about that as I think about where we can go in the next 20 years, so there's a lot of excitement ahead.

QUESTION: Thank you.

QUESTION: Mr. Dell, I was wondering are there any books that you would suggest to read or is there a book that you've read recently that you would think was beneficial to you or would be beneficial to us?

MICHAEL DELL: Well, there's a guy named Larry Bossidy who wrote several books, a couple of books, one called *Confronting Reality*, which is his latest book and another one called *Execution* and he wrote those books with a gentleman by the name of Ram Charan. And those are great management books. I think they're very consistent with the philosophy that we use here at Dell and very great, practical management books.

WINEGEART: Michael, we want to be sensitive to your time so we want to thank you for this dialog today. Let's give Michael another round of applause. (Applause.)

MICHAEL DELL: Thank you.

WINEGEART: We have a little token of our appreciation. Michelle, are you still in the room?

MICHAEL DELL: I think the tokens have arrived, because I've got my Wildcats track and field shirt here. (Laughter, applause.) Nice. And I see my friend Mr. Carrozza told you I enjoy racquetball, too.

WINEGEART: Yeah, you know, Paul Carrozza guarantees that if you wear that the next time you run it will shave off ten minutes from your time.

MICHAEL DELL: Well, he's definitely faster at running but I can still beat him at racquetball. (Laughter.)



WINEGEART: Again, we're thankful for this opportunity and wish you all the best. Thank you.

MICHAEL DELL: Thank you very much. It was fun to be with you today; take care. (Applause.)

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