

Michael Dell: After buyout, 'we're all done with whiners'

December 17 2013, by Kirk Ladendorf

Michael Dell is buoyant these days. After a marathon campaign to buy the company he founded and take it private, Dell won approval from shareholders in September and completed the \$25 billion deal in October.

Dell Inc., which had grown to one of the biggest computer makers in the world during 25 years as a public [company](#), is now privately held. Michael Dell, the 48-year-old company founder and CEO, owns about three-quarters of the company and his investment ally, Silver Lake Partners, owns the rest.

The result, Michael Dell says, is a company that has plenty of resources to expand its \$57 billion business and the freedom to move quickly without second guessing from stock analysts and investors.

"We're excited; we're energized," he said. "We're kind of at the start of a great new journey and we have our destiny in our control. We have incredible people. We have great assets. We have a strong brand and we have tremendous opportunity and we couldn't be more thrilled."

Dell talked about his outlook for the company in an exclusive interview with the Austin American-Statesman at Dell Inc.'s Round Rock, Texas, headquarters.

QUESTION: How do you think your job changes with Dell as a private company?

ANSWER: A lot more fun.

Q: Tell us why.

A: When you are a public company, you have this 89-day shot clock. You have a lot of hands on the steering wheel (saying): "Let's go this way. No, let's go this way. We think you should do that. Oh, you shouldn't have bought that. Don't do this." So there are legions of whiners, and we're all done with whiners. (There is) a lot of second-guessing and we don't have that anymore.

Q: Your schedule is probably changed?

A: Our focus can change a bit to be more thinking about a year, two years, five years, 10 years and that provides great opportunities. We have a number of great businesses we can invest in. We'll spend \$1.3 billion in R&D (next year). We've got tens of thousands of people around the world developing new products and technologies. We'll file a record number of patents this year, many more than any year in the history of the company. We have 6,000 patents issued and applied for. And it gives us a real opportunity to think about our business in a longer-term perspective.

Q: Can you give us any sense of what some of the possibilities (for changes at Dell Inc.) might be over the next year?

A: For 30 years, we have kind of been about understanding the customer and helping them apply IT (information technology) in a way that helps move their business forward. Of course, that has changed a lot, from 30 years ago, to 20 years ago, to 10 years ago. Now of course there's all sorts of things going on in the industry, whether it's cloud (computing), big data, social, mobile, all those topical things that are occurring, and we're very focused on those kinds of areas and we're seeing a number of

interesting growth factors.

One is clearly the small and medium-sized business (customers) being able to take advantage of IT that previously only large companies could get at. And Dell's always been kind of right at the center of that. And so making IT more affordable for the tens of millions of small and medium-sized businesses out there, that's a big part of what we do. Helping customers move to the cloud, whether it's a private cloud, public cloud, combinations therein, that's a big opportunity that is going on.

Q: In May, it seemed as though Dell signaled a shift in its strategy for cloud computing. Can you explain that?

A: What we're really doing is helping our customers adopt the technology that is relevant and important to them. So if a customer wants to go to the cloud, we want to help them do it. And it turns out that you have various challenges in doing that. You have to integrate older applications with newer applications and sometimes they're on (the premises), they're in the cloud, you have to secure things, you have to manage, you have to budget-provision. So there's a lot of things that have to happen to have this work well, so we're building solutions to help customers do that.

Give you an example. There's a company that's growing very fast in the energy sector and they're expanding around the world and don't have time to build data servers - they don't even have time to buy servers. So they came to Dell and said, "Hey, bring us a cloud solution." So we went to one of our cloud service partners, got them a solution - of course they are one of our partners, so it's all running on Dell - so it's running on this public cloud provider's network, we're integrating the solution for the customer, and now they are up and running across the world. And this happened in a very short period of time. Enabled this company to grow, grow faster, not have to worry about their infrastructure. It's done as a

service and we're actually selling to the service provider, selling to the customer, and we're providing the service provider's service to the customer also.

Q: The plan looks like Dell is doubling down on client computing, not pulling back from PCs and tablets, but pushing ahead aggressively. What is the rationale there?

A: You asked earlier about the cloud. So if you have a cloud, what do you access your cloud from? The obituary of the PC has been written tens of times and there's still a significant market. It's definitely evolving. Clearly you have growth in tablets; our business in tablets, from first quarter, second quarter, just growing tremendously. This quarter again, massive growth in tablets. The other thing we see is this move to virtual client. Everyone knows about virtual server, but there's a virtual client, sometimes called cloud client, and so your PC is in the cloud basically, and you access it with any kind of mobile device or thin client. And then, if you go into businesses today, you still see enormous amounts of productivity - work being done on all varieties of desktops, workstations, notebooks, etc.

So we think that that market is still there, it's evolving, market will consolidate, we've been gaining share, it's also a fantastic way for us to build a relationship with a customer. When a company with 50, 100, 1,000, 10,000 people is buying client products from us, we then have the opportunity to provide them infrastructure, cloud services, security, software, systems management, financing, help them implement a new system, and it's still a great business for us.

Q: Going back to the private company experience, obviously you're not compelled to release financial figures at this point, but will you even consider publicly saying where your business is at or not?

A: The debt holders get information and that's available to them and that hasn't been a problem. Revenue to date for the company have been about \$780 billion, so there's your information. What more do you need to know?

Q: Somebody will want to know at the end of next year how you are doing.

A: It'll be a lot more than \$780 billion.

Q: At least some experts/analysts who look at the industry say the cloud is this enormous efficiency play that potentially threatens established hardware vendors because they see so many people renting IT in the public cloud rather than buying their own, which in their mind means commoditization at the server level, but also at the PC level, almost all hardware. Do you see it that way?

A: I got a little different perspective on this. We make ... let's just talk about servers because that's sort of the most obvious thing people think about when you think about a cloud. So we make a server. A server can go lots of places. It can go to the cloud, it can go to an individual company, and it can go to wherever the server is.

The idea behind the cloud is: OK, we're going to create some way for you to use this resource more efficiently, and that's a better way for you to buy this need that you're trying to fulfill than buying a server and so kind of insert your company. That's a cloud company; their idea is we're going to take this server, we're going to put some software and some magic pixie dust on it, and we're going to somehow provide that more effectively to a customer than if they did it themselves. In some cases, that's absolutely what happens. But not in all cases, right?

Of course there are a lot of interesting issues that come up. How do I get

my stuff there? How do I secure it? How do I manage it? Some people love it, some people don't love it, and there is lots of variety. And whenever you have a new thing like this, there will be a lot of different and creative approaches to making use of it. It's still pretty early days of figuring that out.

If more and more customers want to go to the cloud, our job as Dell is to help you go there. It's not to stand in the way and say, "You don't want to do that." You can almost think about this as a ... step back and take a philosophical approach. Let's say something new shows up. Whatever it is. Virtualization. Cloud. Pick some new unknown thing that hasn't shown up yet. So something in the future shows up. Well, if it's good for customers, our job as Dell is to help customers figure out how to take advantage of it and figure out how to use it. Now, obviously we'd like to make good business in the process, but we've shown an ability to figure those kinds of things out.

So we're doing that for the cloud like the example I used before. We've got a rapidly growing business helping customers who want to go to the cloud embrace that. But we see lots of different models. We see private [clouds](#), public clouds, hybrid clouds, so it's not quite as simple as all this or all that. We provide a lot of technology to a lot of the public cloud providers, a lot of software companies are building their own private clouds, many customers want to build their own clouds themselves, so there isn't necessarily one way to do this.

Q: Different analysts have theorized about this transformation of the company, and some are saying Dell's got three to five years to turn something around and if they win, they'll probably be public again. Others say it might be longer. Do you have a timetable for how long this takes?

A: I think there's an interesting precursor question. Let's remember that

in the last 5 years, we built a whole new part of Dell in software services, data center, security, systems management, that grew from 10 billion to 21 billion, so, hey, that's pretty good. And so we'd like to double that again. But we certainly don't have to go public to do that. In fact, as a private company, we can do that faster. But we already did that, so I guess I think the premise of the question may be wrong.

Q: People say at some point your debt holders and financial partners may say, "OK, where is the exit?" Is that a fair assumption or not?

A: The company has strong cash flow, and so our cash flow and balance sheet are in a very good position, so in terms of servicing our debt, that's very straightforward. We can do whatever we want.

Q: So just keep on doing it and push it maybe even faster?

A: Yeah, I think we go faster. It's easier, more fun, and great to be a private company.

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