



The Soul of Dell: The Value of Corporate Philosophy Statements

TEACHING NOTE

Purpose of the Case Study

1. To provide students with an appreciation of corporate philosophy statements;
2. To allow students to gain understanding of the importance of a company's culture and its value to customers, employees, suppliers, and investors;
3. To encourage students to analyze the internal communications in a corporation and their influence in the overall operation of the company;
4. To provide students with an appreciation for the value of direct relationships and communication between top management and employees;
5. To encourage students to think about how a company's culture is born and emphasized and the role of top management in its development.

Identifying the Business Problem

Since Dell Computer Corporation started in 1985, the company culture inspired employees with the drive to be number one and to make a personal fortune had been based solely in economic terms. The culture at Dell had always been driven by a continuous program to drive down costs and increase the "customer experience." Facts were more important than personal emotions and feelings. This culture helped Dell to become the World's largest PC manufacturer.

This case was prepared by Research Assistants Eugenio Escamilla and Celina Celada under the direction of James S. O'Rourke, Concurrent Professor of Management, as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

Copyright ©2003. Eugene D. Fanning Center for Business Communication. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form by any means – electronic, mechanical, photocopying, recording, or otherwise – without permission.

Everything seemed to be going just right. Management was reporting high earnings to investors, employees earned a high salary, and the company was continuously growing. But in the year 2000, Dell's growth paused when its margins in the hardware business began to decline due to a slowing demand for PC's and a price war with competitors. About 50% of Dell's employees were laid off, investors were disappointed, and employees began to wonder why they worked in the high-tech industry and why they worked at Dell at all.

Kevin Rollins, COO and President of Dell Computer Corporation, perceived this feeling of emptiness in the company's culture and started to develop a new company philosophy statement which he called *The Soul of Dell*. This statement of corporate philosophy at Dell was rolled out to employees in March of 2002, and it includes five key tenets describing what top management would like Dell Computer Corporation to become.

Identifying the Critical Issues

These critical issues are of great importance in the creation of *The Soul of Dell*:

- What should the key tenets of a corporate philosophy statement be;
- What should inspire these tenets;
- How *The Soul of Dell* should be disseminated among employees;
- How *The Soul of Dell* will affect all stakeholders.

Listing the Possible Solutions to the Business Problem

As Kevin Rollins said in a press release, the differentiator between a good and a great company is its culture. We can learn from this and base this argument by simply observing at other companies' example, such as Johnson and Johnson. J&J has always taken pride in their Credo and they announce it as much as they can to their customers, suppliers, stockholders, employees, etc. Dell did not have a statement that could help them to unify a common set of beliefs throughout this rapid growing empire.

Dell should have looked for input from their customers, suppliers, stockholders but most importantly from their employees before stating what the key tenets for *The Soul of Dell* will be. They should have also looked into how other companies with strong cultures (like HP and J&J for example) diffuse the company's culture throughout their organization, and what programs they have in order to maintain it throughout the years. Dell needs to understand that having a written statement about their culture will not magically change their business practices or how employees interact with one another and with people from outside the organization.

This case reflects the critical need for organizations, regardless of size and industry they operate in, to have a well-founded company philosophy statement to inspire, motivate, and build

loyalty of employees to the firm. The philosophy statement would be useless if there is not a profound intention from top management to diffuse it throughout the organization but most importantly that they live by this philosophy and set an example for the rest of the employees.

Explaining how to Communicate the Solution

This case demonstrates how the method of transmitting information from top management to employees solely by posting announcements on the company's intranet and distributing pamphlets with information is not enough. A company's culture cannot be simply imposed on the employees, it needs to be lived and learned from example. Managers are role models in this new company philosophy and should try to transmit the new culture to their teams through team meetings and discussion but mainly by their example. It takes time for a company to acquire a strong culture and identity.

Teaching the Case

One Week Prior

- Distribute the case at least one lesson before you intend to discuss it in class. Tell the students that you intend to focus on several matters during the discussion, including:
- What is a Corporate Philosophy Statement?
- What can a Corporate Philosophy Statement do to improve a company's operations?
- How should a company culture be implemented and transmitted to all employees?
- Can a company impose its own culture?
- What is the importance of internal communication and common values between employees in a company?
- The importance of continuing and improving communication, both internally and to the public, to the long-term success of any business enterprise.

First 30 Minutes of Class

Spend the first 5 to 10 minutes of the class briefly reviewing the facts included in the case and restate the key tenets of *The Soul of Dell*. Then, for the next 20 minutes, have the students discuss and identify the following:

- The critical issues that marked the need for a new company philosophy statement at Dell Computers Corporation.
- The stakeholders involved in this case and how it is to their best interest for Dell to have a strong philosophy statement.
- The key tenets included in *The Soul of Dell* and how each of them can be implemented and diffused throughout the company.
- Compare and contrast *The Soul of Dell* to other companies' philosophy statements. Discuss the difference in cultures in these different companies and how much their written philosophy statement represents them.

Summarize Their Response

Ask students how they would communicate and implement *The Soul of Dell* if they were in the shoes of Michael Dell and/or Kevin Rollins. What would they have done and how? Some of the issues to consider are:

- *The growth of the company:* Dell is has been one of the fastest growing companies in history.
- *Audience:* Who will be the people that will receive this message? Will it only be for employees or will it be disseminated outside of the company?
- *Communication Objectives:* What is it that you really want to achieve by promoting and infusing in your employees *The Soul of Dell*? How will these affect internal and external communication?

Last 15 Minutes of Class

During the last 15 minutes, you should open up the discussion for students to talk freely about their impressions of the components of *The Soul of Dell*. The discussion could begin on what students think are the positive and negative sides. The professor should look into the questions for discussion mentioned in the end of this teaching note and bring some of this in a timely manner to cover all the important aspects of the case. The professor should end with a summary of the most important aspects raised by the students throughout the class.

Timetable of Events for Dell

- 1983:** Michael Dell starts upgrading PCs in his dorm in University of Texas at Austin.
- 1985:** Sales hit \$6 million. Michael starts selling PC's with his own brand over the phone directly to customers.
- 1988:** Dell Direct Model allows sales to hit \$159 million.
- 1997:** Dell goes online and makes \$1 million in Internet sales daily.
- 2000:** Dell is #1 PC seller (13% world wide market share). Margins begin to decrease due to slow of demand and price war with competitors.

Timetable of Events for *The Soul of Dell*

- | | |
|-----------------------|---|
| May 2001 | Michael Dell and Kevin Rollins start to discuss the need to create a written statement of Dell's values and beliefs. |
| September 2001 | Michael and Kevin start regional forums to devise the key principles of <i>The Soul of Dell</i> . The terrorist attacks influence in speeding up the process. |
| Nov/Dec 2001 | They continue with the regional forums and <i>The Soul of Dell</i> starts to take shape. |
| January 2002 | A revised version of <i>The Soul of Dell</i> is sent to the regional managers to get some feedback. |
| January 2002 | The final revision is made during the Global Executive Management Committee held at Austin, Texas. |

Questions for Discussion

1. Is it possible for a company's culture or values to be imposed by top management, or should statement about such things be based on actual behavior?
2. How important is it for a company to have a written statement of its culture?
3. Does a company really need one to be successful?
4. Was *The Soul of Dell* diffused correctly throughout the company?

5. How can *The Soul of Dell* assist in defining and developing the company's identity and culture?
6. What key points are missing in this new company philosophy?
7. Should top management have considered employees, suppliers and customers' opinions in developing *The Soul of Dell*?
8. Can Dell achieve what it aspires to be?
9. How should *The Soul of Dell* be maintained in the company?