

Interview with

Loizos Heracleous

about :Dell and its 79 per cent fall in profits



Loizos Heracleous is Professor of Strategy and Organization at Warwick Business School and Associate Fellow at the Said Business School, University of Oxford. His research has been honoured with several awards (such as the Academy of Management's Best Paper Award which he received 3 times); and has been published in leading journals such as the Harvard Business Review, Academy of Management Journal and Academy of Management Review. Loizos has worked with blue chip corporations to develop their senior executives in the field of strategy and related areas.

Welcome,

First of all, I would like to thank you for your time which you decided to devote to our Magazine and our Readers. Before our interview, I have made a research, during which I have found list of your achievements and I must admit that they are very impressive, and that is why I have considered suitable to begin our Interview with some questions regarding your profile.

Why did you decide on such a path of career? Why exactly strategies of the management and dual strategy?

I find strategic management exciting because it is a dynamic, applied discipline which you can see in operation around you every day. It involves real problems that organisations are facing, competition, winners and losers, creation or destruction of value. Also, strategy provides an overall framework for other decisions and disciplines and in that sense is doubly important.

What induced you to such choice?

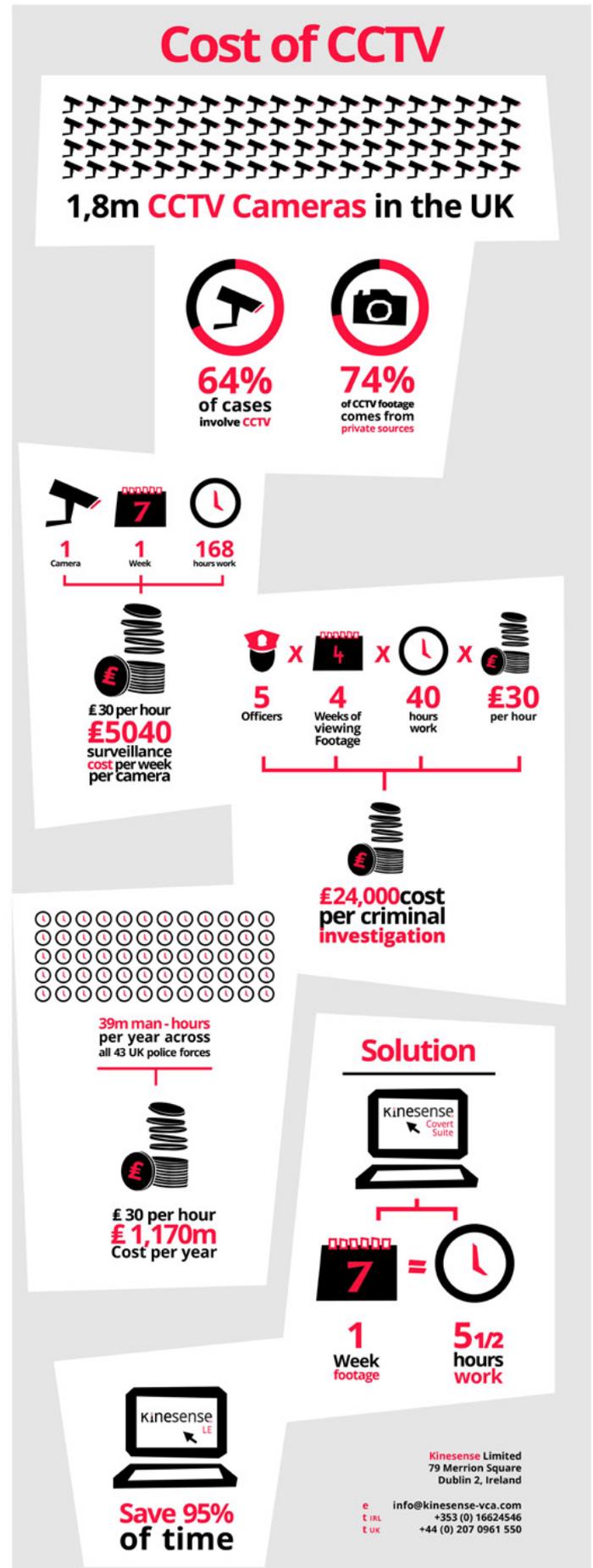
I wanted to study something that could make a difference to organisations and markets, and that would afford me the chance to at some point be involved in some way.

How many years are you already in this industry? Impressive achievements, you are a young man, after all.

I completed my PhD in 1997 and have been researching and working with the leaders of selected corporations since then.

What do you think, what personality traits which you have, are facilitating for you functioning in such an industry, and which skills should one possess in order to follow your path of career?

Anyone who wants to be involved in strategy research, teaching or consulting has to be able to combine big picture thinking with understanding



the details on the ground. Further, persistence, conviction in your ideas combined with openness and humility to admit when you are wrong, and sometimes a thick skin are needed when interacting with people whose everyday work is a battle.

You won of many awards and distinctions. Which is particular the most important for you and why?

The awards that are based on my peers' views are the most important to me, i.e. those from the US Academy of Management, the ECCH Case Award since that is based on my peers choosing to use the Apple Inc case I co-authored in 102 organizations in over 27 countries since 2009, and lastly the DSc (higher doctorate) I have just been awarded since this is based on my peers' evaluation of the impact of my research on the strategy and organization field.

And this takes us back to our main topic which is Dell Company and it's 79 per cent fall in profits. Dell is known as worldwide company and I thought that such a fall of profit, it isn't regarding such a big enterprise like Dell. What are the reasons of what has happened?

Dell has very slim profit margins (3.3% net margins), so a small decline in sales has a disproportionately large impact on profits. The impact would not have been as high for a company with higher margins, e.g. Apple's net margin is 23.4% Also, the expanding sales of tablet computers hit Dell's main line of business, PCs, which are in the mature stage of the life cycle in most parts of the world. The takeover battle at Dell is also not helping, probably absorbing valuable management time. If Dell had a stronger presence in software and other growing lines of business, the profit impact of a small reduction in sales would not have been as high. Dell blames Windows 8 partly for its fall in sales, but the issues are bigger than that.

What influence on Dell Company can have such a decrease in the profit?

Dell will try to reduce its cost base further, and at the same time invest further in product lines that are growing and have higher profit margins, such as software and services.

Since you are an expert, can you suggest any solutions, suggestions for Dell Company?

Dell has been competing on low cost; it has to be careful to maintain and even enhance its lean cost structure, and invest in product lines that can strengthen its value proposition and that also provide synergies with its hardware offerings (enterprise software, turnkey services for large technology projects for corporations). It also must pay more attention to the large emerging markets (China, India, Brazil), where its traditional direct selling model may not be the most appropriate. Alternative selling channels must be employed as efficiently as possible given its low cost positioning.

What should such well-known company like Dell, do to avoid that in future?

Sound strategy and continuous attention on seamless implementation are key here. Corporations have to be highly aligned; their strategy must be appropriate to the competitive conditions they face, and they must invest in develop the right core competencies, and the right organizational configuration (culture, structure, people, and processes) to deliver these competencies. They must also relentlessly identify misalignments that compromise their positioning and business model.

To sum it up, could you give our readers a few advices or tips? Do you have some recipe for the success for people who are interested in the strategic management and would like to follow you?

You need a combination of in-depth practical understanding with sound conceptual thinking; none is enough without the other. You can get practical understanding if you work in corporations, or if you are a consultant in one of the leading strategy consulting firms. You can get sound conceptual understanding by attending a good MBA programme, or reading quality strategy publications such as the Harvard Business Review or the MIT Sloan Management Review. Something that's worthwhile doesn't usually come easily or quickly, so you need to invest time and effort to achieve your goals. Much like having a personal strategy and implementation plan.

Thank you very much for interview. It was a pleasure to speak with you.