A Comparative Analysis of Strategies and Business Models of Dell Inc. and Hewlett Packard (HP)

Noof Yahya Khalifa¹, Hayam Mohie Alsaid², and Dr. Shaju George³

¹²³(MBA Student, University of Bahrain, Kingdom of Bahrain)
(Anonymous, 2013)

Abstract: The purpose of this study is to compare the strategies of two companies from the same industry. The strategies of Dell Inc. and Hewlett Packard have been compared from the Information industry. Dell and HP both specialize in IT field, as Dell is the market leader and HP is the market challenger. The topics in this study briefly background of both Dell and HP, and the comparison between both their strategies as well their Business model. This study shows the influence the strategy has on the success or failure of companies and how companies craft sustainable strategies that help them to retain their position in the market. The strategies of both Dell and HP are quite similar and HP is not far behind from Dell, but any small mistake by Dell, might make them the market challenger and HP the market leader.

I. INTRODUCTION

Strategy is essential for the success of organizations. It's impossible to imagine a serious organization without strategy. It gives the organization the ability to look up from the short term to view the long term and the future. It gives the organization the ability to face any problem and to address the causes of it (Freedman, 2013). Organization communicates its strategy to everyone through strategy statement, which consist of three components: objective, scope and competitive advantage. Strategy statement ensures that employees have a clear understanding of the company's strategy and their roles. (Anonymous, 2013)

A strategy can be deliberate, realizing the specific intention of senior management or emergent, developing unconsciously the intention of senior management. All viable strategies have emergent and deliberate qualities. It must combine some degree of flexible learning with some degree of rational control. (Mintzberg, The Rise and Fall of Strategic Planning, 1994) Strategy attempts to describe the ends, means and ways: determining the objectives, the resources available and ways of achieving those objectives. It is also an effective tool to solve conflicts and opposing interests between parties (Freedman, 2013).

Every firm competing in industry has a competitive strategy, whether explicit or implicit. The strategy could be developed explicitly through planning or implicitly through the activities of the various functional departments of the firm. Competitive strategy is relating the company to its environment. The key aspect of the firm's environment is the industry in which it competes (Porter, 1980). A company that seeks to be successful in the future must select one of the three generic strategies: differentiation, cost leadership and focus. Otherwise, the company will be stuck in the middle and won't able to achieve a competitive advantage. It may use multiple strategies through business units (Porter, What is Strategy?, 1996). In business, the formulation of the overall strategy is the responsibility of chief executives or board of directors, then each department has to set their own functional strategy which is emphasis is on short and medium term plan and it is in alignment with the overall strategy (Freedman, 2013). Formulation of strategy involves analyzing the environment, making a series of strategic decisions about how the organization will compete and setting a series of goals or objectives for the organization to pursue. Implementation of the strategy involves how the organization's resources are structured and leadership planning (Mintzberg & Quinn, 1996).

II. DEFINITION OF STRATEGY

Strategy is important because the resources available to achieve goals are usually limited. Strategy generally involves setting goals, determining actions, and efficiently using the limited resources to achieve these goals. Strategy has been defined in a variety perspective, but almost with common theme which is set the guidance for achieving future goals. Strategy determines the direction and scope of an organization over the long term. It aims to achieve advantage for the organization by satisfying the needs of the markets and meeting stakeholder
expectations, through the arrangement of resources within a challenging environment (Johnson, Scholes, & Whittington, 2009).

In addition, Strategy is used in several ways, the most four common uses are: plan; a means of getting from here to there, a pattern of actions over time, position; reflects decisions to offer particular products or services in particular markets and perspective and vision and direction (Mintzberg, The Rise and Fall of Strategic Planning, 1994).

Management failure to distinguish between operational effectiveness and strategy is very critical. Management tools that are used do achieve operational effectiveness of a company, but fail to provide sustainable profitability. Competitive strategy is "a combination of the ends (goals) for which the firm is striving and the means (policies) by which it is seeking to get there". In short, strategy is about being different and adding value to customer different from those added by competitors (Porter, What is Strategy?, 1996).

Corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers, and communities (Andrews, 1980).

Generally, strategy is a framework that guide and determine the nature and the direction of an organization. For a given business, management use strategy to serve one of the nine possible driving forces: Products offered, Market needs, Technology, Production capability, Method of sale, Method of distribution, Natural resources, Size/growth, Return/profit (Tregoe & Zimmerman, 1980).

**Definition of Business Model:**

A *business model* is an "abstract representation of an organization, be it conceptual, textual, and/or graphical, of all core interrelated architectural, co-operational, and financial arrangements designed and developed by an organization presently and in the future, as well as all core products and/or services the organization offers, or will offer, based on these arrangements that are needed to achieve its strategic goals and objectives. (Al-Debei, 2008)

In a simpler way we can say that a business model is the plan implemented by a company to generate revenue and make a profit from operations. The model includes the components and functions of the business, as well as the revenues it generates and the expenses it incurs. (Eren, 2011)

Business models describe how a company is structured and its methods for maximizing revenues and profits. The business model is independent of competitors and the current state of the market, which is where strategy comes in. The business strategy describes how the company will engage competitors, identify and segment customers, and respond to the actual market environment. Two companies employing the exact same business model may see very different financial results based on their different business strategies. (Noren, 2013)

An important point to mention in this part, that business model is not the same thing as a business strategy, and a business strategy should not be confused with a business model. Strategies are very explicit to how businesses interact with competitors in the marketplace and win customers, while business models address the fundamental structure of the business. Naturally both are tightly intertwined, and a successful company must seek the ideal business model and market strategy in order to be successful. (Noren, 2012)

Properly applied, a business model can serve as a context for strategic business planning. A strategic business plan provides the roadmap for changing from the current business model to a future/envisioned business model. If planned and executed well, the strategy of the new business model results in the creation, delivery, and capture of more value—meaning a better financial performance and a greater return on invested capital. (Maki, 2010)

**Business strategy perspective**

In the 1960s, planning approach was the tool that helps managers to make decisions and set the direction of their organization. From the 1970s onwards, researchers tend to analyze organizational payoffs to following different strategic directions. Since the 1980s, researchers have begun to rely on the process, first recognizing the need of strategic change then achieving it. Practice approach implies new direction in strategic thinking. It shifts the concern from the core competence to the practical competence of the manager as it concerned with managerial activity (strategic planning failure, 2016).

Industry structure has a strong influence in determining the competitive rules of the game as well as the strategies available to the firm. Once the firm determines the forces affecting its competition in an industry, it is in a position to identify its strength and weaknesses. An effective competitive strategy takes offensive or defensive action in order to create a defensible position against the five competitive forces (Porter, 1980).
Strategic Alignment and Business Model

In addition to Porter's five forces, three generic strategic approaches developed: overall cost leadership, differentiation and focus strategy. The overall cost leadership strategy needs a great deal of managerial attention to cost control. It requires aggressive construction of efficient-scale facilities, tight cost and overhead control and cost minimization. Differentiation strategy involves making the product or service the firm providing different and unique from this offer by its competitors. The market differentiation strategy aims to maximize the sales by analyzing, planning, implementing and controlling a sales force activities. It aims to add value to post-production service and customer service. Innovation strategy focuses on product quality, performance and design. In focus strategy, the firm concentrates on a particular group of customers, geographic market or product line segment. (Porter, 1980)

The changing world and the unpredictability of the strategic process let to develop five types of strategies: plan, which is specified by a direction and course of action, a ploy that is a maneuver intended to outwit a competitor, the pattern consisting of past behavior, position and perspective determined primarily by a master strategist (Mintzberg & Quinn, 1988).

The five types of management strategy have been developed into 10 schools of thoughts which are grouped into three categories. The first group consists of design school in which a Clear and unique strategies are formulated, Planning school, which emphasizes that a rigorous set of steps are taken, from the analytic situation to the execution of the strategy and Positioning School which looks at how the organization can improve its strategic positioning within that industry. The second group, consisting of six schools of thoughts, is more concerned with how strategic management is actually done. The Entrepreneurial School is deliberate in broad lines, but flexible and emergent in the details. The Cognitive School Strategies emerge as concepts, maps, and frames of reality. The Learning School Management pays close attention over time to what does work and what does not. The Power school strategy is developed as a process of negotiation between power holders. The Cultural School tries to involve various groups and departments within the company and the Environmental School that is responsive to the challenges imposed by the external environment. The final group consists of the Configuration School, which emphasizes that the Strategy and organizational shape are closely integrated and should be reconciled (Mintzberg, Ahlstrand, & Lampel, 1998).

Generally, Strategy should not be judged by internal company factors but by the way customers see it relative to the competition. Crafting and implementing a strategy involves creating a position in the mind of the collective consumer. Several techniques enabled the practical use of positioning theory (Ries & Trout, 1979).

Business Model Perspective

Interest in business models is relatively recent, with much of the research appearing in the past decade, a time period associated with the "new economy." Early work focused on capturing revenue streams for web-based firms. Subsequent efforts identified model types based on product offerings, value-creating processes, and firm architecture, among other variables. As it became evident that the number of potential models was limitless, researchers began focusing on model tax. The business model construct builds upon central ideas in business
strategy and its associated theoretical traditions. Most directly, it builds upon the value chain concept (Porter, 1985) and the extended notions of value systems and strategic positioning (Porter, 1996).

Because the business model creates competitive advantage, it also draws on resource-based theory by Barney. In terms of the firm’s fit within the larger value creation network, the model relates to strategic network theory by Jarillo and cooperative strategies by Dyer and Singh. Further, the model involves choices (e.g., vertical integration, competitive strategy) about firm boundaries and relates to transaction cost economics (Williamson, 1981).

Most perspectives on models include the firm’s offerings and activities undertaken to produce them. Here, management must consider the firm’s value proposition, choose the activities it will undertake within the firm, and determine how the firm fits into the value creation network. Based on theory of economic development, value is created from unique combinations of resources that produce innovations, while transaction cost economics identifies transaction efficiency and boundary decisions as a value source. Positioning within the larger value network can be a critical factor in value creation. As part of its positioning, the firm must establish appropriate relationships with suppliers, partners, and customers (Schumpeter’s, 2002).

There are many ways to classify business models based on their purpose and function. For example, one way classifies models into four generic types based on different sources of value creation: Efficiency-Based, Perceived Value-Based, Loyalty-Based, and based on Network Efficiency. In the process of designing one’s business model, choosing from these types can be the starting point that lays the foundation until the model is complete to its action plan (Chatterjee, 2013).

Another way to classify business models is that business models can be classified as either scale models or role models based on their purpose. The purpose of a scale model is to provide a scaled-down copy of something to be analyzed while a role model provides an ideal version of something to be copied from. A business model can either reflect what the main operations of a business are or provide the basis upon which the operations should be carried out. Moreover, a business model is meant to fulfill the role of three things, “to provide means to describe and classify businesses; to operate as sites for scientific investigation; and to act as recipes for creative managers”. Thus, the classification of business models into types is heavily dependent on the function of the model and the purposes which it endeavors to achieve (Fuller, 2010).

III. OBJECTIVES OF THE STUDY

1. To identify the strategies and business model adopted by Dell Computer company.
2. To identify the strategies and business model adopted by HP (Hewlett Packard) Computer Company.
3. To analyze the competitive environment for the two companies.
4. To compare the strategies and the business model of the two companies.
5. To identify the competitive advantage for the two companies.

IV. METHODOLOGY

Research covers information and secondary data gained from books, articles and journals. Two companies were involved in this research HP and Dell. The website of these companies and their published annual reports were the source of the data and information included. Furthermore, the management strategies and business models for both companies have been analyzed and discussed in alignment with financial performance and results.

HP Background:

HP first started in a garage in nearby Palo Alto by Bill Hewlett and Dave Packard with an initial capital investment of US$538, the garage was later designated as a historical landmark. Bill and Dave became friends when they were both engineering students at Stanford. Their first successful invention was a precision audio oscillator, using a small incandescent light bulb as a temperature dependent resistor. The model was selling for $54.40 where competitors were selling less stable oscillators for over $200 (HP, 2016).

HP continued to develop new products and earn global respect for a variety of products. In 1957 HP held its IPO with share selling for $16 and became a public company. The main objectives for going public were to help with estate planning for its founders and to enable employees to share in the company (HP, 2016).

In the 1960s, HP partnered with Sony and the Yokogawa Electric companies in Japan to develop several high-quality products. While in the 1970s, HP introduced the world’s first: handheld scientific electronic calculator, handheld programmable, symbolic, and graphing calculator (Pim, 2015).

In 1968, HP was identified by wired magazine as the producer of the world’s first personal computer, the Hewlett-Packard 9100A and in 1984, it introduced both inkjet and laser printers for the desktop. Along with its

Since 2002, HP has started to work with Sustainability to develop engagement strategies, obtain and analyzing stakeholder inputs and develop competitive assessments and environmental strategies. In 2009, they developed Stakeholder Advisory Council (SAC), which met quarterly, to provide professional advice to HP on current and emerging corporate citizenship issues (sustainability, 2016).

In November 2015, HP split into two Hewlett-Packard Enterprises and Hewlett-Packard Incorporated. The first will serve the technology infrastructure, software and services businesses and the second will focus on personal system and printing business(Sword, 2016). Nowadays, HP provides and develops a wide variety of hardware components, software and related services to consumers, businesses and large enterprises. It specialized in developing and manufacturing computing, data storage, and networking hardware, designing software and delivering services. Its major product line includes personal computing devices, enterprise and industry standard servers, related storage devices, networking products, software and a diverse range of printers and other imaging products. It produces lines of printers, scanners, digital cameras, calculators, PDAs, servers, workstation computers, and computers for home and small-business use(wikipedia, 2016).

HP states its vision as "to create technology that makes life better for everyone, everywhere — every person, every organization, and every community around the globe" (HP Inc., 2016).

Dell Background:

Michael Dell founded Dell Computer Corporation, in 1984 while a student at the University of Texas at Austin. Operating from Michael Dell's off-campus dormitory room. The startup aimed to sell IBM PC-compatible computers built from stock components. Michael Dell started trading the belief that by selling personal computer systems directly to customers, PC's could better understand customers' needs and provide the most effective computing solutions to meet those needs. Michael Dell dropped out of school in order to focus full-time on his fledgling business, after getting about $1,000 in expansion-capital from his family(Wikipedia, 2016).

At the time, the PC industry was dominated by such large firms as IBM, while smaller, lesser known mail-order firms sold IBM clones at a steep discount. Dell used low-cost direct marketing to undersell the better known computers being sold through such high-overhead dealer networks. Dell placed ads in computer magazines, gearing his merchandise to buyers who were sophisticated enough to recognize high-quality merchandise at low prices. Customers placed orders to Dell by dialing a toll-free number. As a result of these methods, Dell's computers became the top brand name in the direct-mail market (Dell Inc., 2016).

Now, Dell Inc. is a technological innovation organization. Which builds up, repairs, and support computers along with similar products or services. Currently there are more than 1,09,400 employees in this organization. Dell carries personal computers, hosting space, facts hard drive gadget, circle switches software program computer peripherals, HDTV, cameras, printers, MP3 format games plus electronics (Wikipedia, 2007).

In order for Dell to attain an aggressive advantage, immediate offering has been already an important part of the company technique. This strategy empowered Dell to attain price tag rewards around its competitors. Immediate offering implies that Dell carries its situation right to the costumer. This permits Dell to help generate average gains(Dell, 2007).

Competitive environment of Dell and HP

In order to scan the competitive environment of HP and Dell we applied porter's five forces and SWOT analysis for each.

HP:
The main competitors to HP are Dell, Lenovo, Acer Inc., Canon Inc., Epson and IBM. Threats of new entrants consider low in PC industries as it required huge amounts of capital. Buyers have a power to bargain lower prices as well as high quality, having so many companies to choose among gives the buyers this power. It is not enough for HP to differentiate its products based on quality and variety only, buyers can easily move to another competitor, which will satisfy in addition to quality low prices. Computers consist of many small components, which supply by different suppliers. Having one major supplier to provide a critical component like the case between HP and Intel gives the supplier the power to bargain the price and put HP in a hard position. PCs companies are threatened by
substitutes and customers’ demand for PCs has been decreased due to advanced technologies in mobile devices and tablets. (Jaswiec, 2015).

### SWOT ANALYSIS

#### Strengths
- Brand name
- Low debt
- Wide range of innovative products
- Developing own hardware and software
- Web technology used for product awareness & sale

#### Weaknesses
- Lack of in-house management consulting division
- Intellectual capital is underestimated
- No aggressive investment in R & D
- No good people retention policy

#### Opportunities
- Expansion of retailed stores for customer convenience
- Participation in joint venture
- Make easy to use product for upcoming retirees
- Computer and cell phone software & hardware

#### Threats
- Competitor’s technology & pricing
- Low compatibility with non-HP product
- Availability of substitute
- Less global coverage than competitor

Source: (Rox, 2011)

HP strengths are its brand name, quality of its product and reliability of the company. It is considered one of the biggest companies in the computer industry, which allow it to access easily to necessary funds and resources. Innovation considers the key culture and one of its competitive advantages. The big size of the company can affect the company oppositely as it may reduce the speed of responding to competitors as well as making decisions. One of HP weaknesses is relying on a limited supply chain, as it relies only on Intel as a provider of processors. Any disagreement between them will affect HP’s market position. Attacking the tablet market gives the HP opportunity to expand its role in its PC tablet market; as well, HP has an opportunity to recover its PC business and regain its position of the global PC manufacturer. The most risky threats are highly competition and facing lower prices of competitors’ products (Jaswiec, 2015).

### Dell:

#### SWOT Analysis for Dell

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
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<tbody>
<tr>
<td>Well established brand.</td>
<td>New CEO John Donahoe.</td>
</tr>
<tr>
<td>Large number of user accounts.</td>
<td>Company culture becoming stale, employees not fully engaged.</td>
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<tr>
<td>PayPal acquisition to support ebay.com.</td>
<td>Skype acquisition.</td>
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<tr>
<td>Ability to collect huge amounts of data on buyers and sellers.</td>
<td>Fee structure has alienated some sellers.</td>
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<tr>
<th>Opportunities</th>
<th>Threats</th>
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<tbody>
<tr>
<td>Find a new revenue stream with online advertising with Skype.</td>
<td>Sellers moving to other auction sites, taking the variety of items they supplied to the competition.</td>
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<tr>
<td>Growth in total online retail means more potential users of PayPal.</td>
<td>Possible shift in online shoppers preferences from auction-based to traditional online retailing.</td>
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<tr>
<td>Other competitors, Overstock.com and uBid.com are struggling, possible acquisition targets.</td>
<td>Scammers and security issues may drive customers to the competition.</td>
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<td>Personalize eBay websites for various countries.</td>
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The main strength in Dell is its Direct Sale Model. Dell controls its supply chain, which makes it easier to build a computer to a customer's specification. Dell also owns a well-known brand name and it has a strong Customer Relationship Management (CRM). On the other side, there are weak areas, that Dell is a computer maker not a computer manufacturer "Dell is dependent on its suppliers". There are some good opportunities for Dell; the main opportunity is the diversification strategy, by introducing many new products to its range "pointers, LCD televisions and other non-computing goods". Another opportunity is Dell sells directly to computer retailers. But there are threats Dell is facing, competitive rivalry (Dell faces big competition from HP, Lenovo, and Acer).also the fluctuation in the world currency markets that affects the cost of supplies that Leads to more production cost (Dudovskiy, 2015).

The threat of potential new entrants is minimal, if even possible. There is a considerable presence of sizable economies of scale in production and other areas of the operations. Substitute products are becoming an issue within the industry. As technology progresses the products of yesterday become obsolete. The smart phone is becoming the biggest threat to the personal computer. The supplier bargaining power through Dell is mainly weak, though there is some slight flexibility. Buyer bargaining power, on the other hand, is high. There are a variety of products to choose from lower price points than the competition. Revelry among competitors is heavily influenced by the above forces, Dell is in a global market and given the power of these forces in global scenarios, competition for Dell is very high (UKessays, 2015).

**Strategies of HP**

**HP strategy**

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<tr>
<th>Core $415B TTM</th>
<th>Growth $155B TTM</th>
<th>The Future $10-30B TTM</th>
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<tbody>
<tr>
<td><strong>Printing</strong></td>
<td>- Reinvigorate the home</td>
<td>- Capture copier pages (A3)</td>
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<td></td>
<td>- Capture business</td>
<td>- Drive Graphics</td>
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<td></td>
<td>- Leverage PageWide</td>
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<tr>
<td><strong>Personal Systems</strong></td>
<td>- Lead Commercial</td>
<td>- Lead 3D printing</td>
</tr>
<tr>
<td></td>
<td>- Deliver multi-OS/ form factor devices</td>
<td>- Drive immersive computing</td>
</tr>
<tr>
<td><strong>Services and Solutions</strong></td>
<td>- Expand commercial mobility</td>
<td>- Blended Reality</td>
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</tbody>
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HP adopted integration strategy of both cost leadership and differentiation. Customers prefer the ownership of HPs' products due to lower total cost and flexibility. HP provides slate tablet less expensive than iPad. It also tries to differentiate its products from companies like IBM and to have products up to par with the changing in the business environment (seith, 2010). HP products are varied and all share same characteristics of simplicity and reasonable prices. HP spends a sufficient amount of investment on research and development to keep its competitive product line. (Spanbauer, 2012)Strategic planning is guided by HP clear vision of its goal and where it’s heading. HP is adopting a decentralization strategic planning as no central office can manage a detailed projection of nearly 112,000 employees in 110 nations and over than 87,000 products and services in 250 countries. The decentralization strategy allows its product division to fully functioning global business with their own R&D, marketing, administration, sales and support.(Briefly identify Hewlett-Packard's strategic agenda, 2002).

HP is adopting its sustainability strategy to gain real revenue growth through four approaches: winning new businesses and retaining the existing ones, expanding the company distribution in Europe, charging a premium price for energy efficient products and entering new markets. HP is using a threefold approach as a part of its
sustainability strategy. It focuses on adherence of suppliers to code of conduct, education of employees and keeping its eyes on the enterprise business and individual consumer markets. One of HP’s strategies is to focus on the customer through simplicity of management and increased business agility. It focuses on understanding, foresees customer needs, and delivers better products and solutions. HP seeks efficiencies by combining the printing and PC units and shrinking its sales team from six to three and its functional support organizations from 12 to seven (Spanbauer, 2012).

Pat Tieman, Director of Business Engagement and Solutions Development stated that “Our initiatives grew out of several goals: One, to serve our customers more consistently; Two, to reduce our cost structure at the corporate, product generation, and regional levels; Three, to better harness the global buy power of HP with our vendors. Technology would give us a way to accomplish these goals.” (Laplante, 2005).

HP emphasizes on leveraging their portfolio of hardware, software and services as a long-term strategy. It adopts changing and hybrid models of IT delivery, focuses towards the delivery of integrated IT solutions for the customers and continues to invest and expand into cloud computing (HP Inc., 2014).

The HP marketing strategy is to focus on solving the problems of its consumer all over the world and to be able to sell its products globally in every major market with ability to satisfying every IT need customer face. HP sells its product through channel partners and resellers, provides training and support that makes its channel support one of the strongest and broadest in the industry (Spanbauer, 2012).

HP's environmental strategy focuses on three main priorities in designing its products: Energy efficiency, Materials innovation and Design for recyclability. In energy efficiency, it aims to reduce the energy needed to manufacture products. HP reduces the amount of materials used in products and develops environmentally friendly materials and products that are easier to upgrade and recycle (anonymous, 2007).

HP outlined a detailed turnaround plan for HP Enterprise Services with the objective of driving margin improvement over time. The four pillars of the strategy are: improving the portfolio through innovation in the core and expanded offerings in higher-growth services such as cloud and information management; strengthening accountability and empowering account executives; optimizing the cost structure with a focus on account performance and improving accounting performance; and improving operating excellence with tools and processes and a formalized operating cadence. The company’s strategy is to transform the infrastructure industry and lay the foundation for widespread cloud adoption. Its strategy is to simplify the HP Enterprise Group’s product portfolio through common architectures and convergence (HP, 2012).

HP has united its corporate global citizenship with its business strategy. The corporate global citizenship agenda is based on the importance to its business, the technology industry and society. Reducing product environmental impacts, raising standards in HP’s global supply chain and increasing access to information technology are the main strategic areas. Stakeholder concern is its main priority. It also focuses on a company’s ability to have an impact (anonymous, 2007).

In acquisition with other companies, HP focuses on acquiring companies with differing technology. It focuses on gaining access to technology that is unable to develop for itself and to ensure cross compatibility of technologies with market leaders (Spanbauer, 2012). Dion Weisler, HP’s President and CEO states “We have a clear strategy that leverages our strengths, and we are focused on execution, taking cost out of the business and delivering innovations that will amaze our customers and partners, although we have some tough quarters ahead, I am confident in the future.” (HP Inc., 2016).

Strategies of Dell

Dell Inc. is one of the few corporations which was able to remain at the top of the market but also had challenges because of the inconsistency between its strategy and the changing environment around it. From the beginning Dell’s strategy was built around a number of core elements: build-to-order manufacturing, mass customization, partnerships with suppliers, just-in-time components inventories, direct sales, market segmentation, customer service, and extensive data and information sharing with both supply partners and customers. Nowadays Dell and other U.S. personal computers (PC) makers are struggling to eke out a profit in an environment of falling prices and intense international competition (Ignatiuk, 2008).

Dell’s business strategy is a successful cost leadership strategy. The company’s formula for success has been based upon its unique customization, delivery, and cost proposition. In reaction to faltering performance and the need to pursue new growth opportunities, a dual-strategic approach that monitors rapidly changing market conditions. Dell integrates its cost leadership skills with differentiated product features and related services to create value for its customers and achieve the benefits of an integrated cost leadership/differentiation strategy. Additionally, Dell becomes a diversified IT company which opens up opportunities in related businesses. This
business-level and corporate-level strategy combination offers Dell a method of dealing with the company’s competitive realities (UK Assays, 2013).

Dell follows integrated cost leadership/differentiation strategy. The objective of using this strategy is to efficiently produce products. Efficient production is the source of maintaining low costs, while differentiation is the source of unique value. Following this strategy, added benefit of building skills that can help Dell adapt more quickly new technologies and rapid changes in the external environment. Dell concentrating on developing two sources of competitive advantage cost and differentiation increases the number of primary and support activities in which the company must become competent, which contributes to greater flexibility (Achtmeyer, 2012).

A corporate-level strategy specifies actions a firm takes to gain a competitive advantage by selecting and managing a group of different businesses competing in different product markets. Corporate-level strategies help company’s select new strategic positions to increase the firm’s value. By 2006, Dell has diversified from a desktop PC provider to operating in the following additional product categories: mobility, server, storage, printer, enhanced services, software, and consumer electronics. More than thirty percent of its revenue is generated outside of its dominant business (McLindon, 2010).

Available to companies operating in multiple product markets or industries, economies of scope are cost savings that the firm creates by successfully sharing some of its resources and capabilities (operational relatedness) or by transferring one or more corporate-level core competencies that were developed in one of its businesses to another of its businesses (corporate relatedness). To create economies of scope both tangible resources and intangible resources can be shared(Moorhead, 2013).

In at least two ways, the related linked diversification strategy can help Dell create value. First, because a core competence has already been developed in one of the company’s businesses, transferring it to a second business eliminates the need for that second business to allocate resources to develop it. Resource intangibility is a second source of value creation through corporate relatedness. Intangible resources are difficult for competitors to understand and imitate. Because of this difficulty, the unit receiving a transferred corporate-level competence often gains an immediate competitive advantage over its rivals (Hruska, 2013).

Dell follows the late mover strategy. Taking the time to monitor customer reaction to product innovations and avoiding the mistakes and costs of new product introductions are compatible with Dell’s successful business model. The approach also provides Dell with time to develop more efficient processes and technologies or create additional value for consumers (Chopra, 2007).

### Business model of HP

HP focuses strongly on the customer market segment. Its value proposal moves mainly around consumer technology, such as printers (& cartridges), handheld PDA’s, home computers. Its main revenue comes from selling consumer tech to consumer markets and it’s generally characterized by thin margins and high volume in growing

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Source: (M. Lowitt & Grimsley, 2009)
markets. HP’s core activities are essentially sequential, following Porter’s value chain of a production company (Osterwalder, 2008).

HP is expanding its business model with a new segment of cameras. Along with it, HP is initiating Print 2.0 strategy which is totally based over three aspects, providing next generation with low cost and more speed digital printing, making web printing easier and making publishing platform to all customer segments (Anonymous, 2015)

HP focuses on having the right printers in the right places applying the managed print services. HP focuses on reducing costly ad and excess inventory, consolidated number of devices by up to 50% at district office and established process for site-specific cost/benefit analysis to endorse flexible print policy. This allows to robust cost accounting and reporting, eliminate unexpected repair and maintenance costs and improve service to students and staff (HP, 2012).

Personal systems generate more than half of HP revenues, primarily Windows desktops and laptops for consumers and businesses, and from imaging and printing, a line of business ranging from $50 inkjets to Indigo presses for commercial printing. Services, largely enterprise systems integration and outsourcing, contribute about 28%, and enterprise servers, storage, networking, and software most of the rest (Wildstrom, 2012).

HP’s business model is based on providing innovative and high-quality products. HP is applying a high performance business model, which shows quantitative superiority along five key dimensions: growth measured by revenue expansion, Profitability measured by the spread between cost of and return on capital, positioning for the future represented by the future value of the share price, consistency and longevity (M. Lowitt & Grimsley, 2009).

Business model of Dell

Dell has always been faithful to its original business model, which combines direct sales and build-to-order production. This business model is simple in concept, but is quite complex in execution. While other PC makers rely on resellers, retailers, and other agents to carry much of the marketing and sales, Dell reaches customers through its own effort. Dell fills each order to meet customer specifications, a process that puts heavy demands on shop floor employees, suppliers, logistical systems and information systems (Rappa, 2007).

Dell's use of the direct approach reportedly provides it with nearly 6% cost advantage compared to indirect sellers. It also provides Dell with detailed knowledge about its customers. The direct approach also allows Dell to identify customer trends early so it can respond with the desired products before its competitors can. Dell segments its customers into relationship, transaction, and public/international customers. This segmentation of customers helps it respond to changes in demand among different customer, to develop new customer segments, and to grow the most profitable segments. Dell's production system applies principles of lean manufacturing and just-in-time production. This aim to minimize parts inventories by requiring suppliers to restock parts only as they are needed, and often to maintain ownership of parts until they are used. The build-to-order production system is the focal point of Dell's business operations, the common contact point for sales procurement, logistics, manufacturing, and delivery (Shetty, 2012).
Comparison of strategies and business models of Dell and HP

Dell has five critical advantages over HP. The firm is run by a technology subject matter expert, it has the best M&A process in its segment, it is private and doesn’t have the distractions of a public company, because of this it is far more stable and thus can better maintain trust. Dell has a clear and concise strategy and HP appears more focused on constant cost reduction exercises. Dell does extremely well regarding their merger and acquisition choices while HP's mergers and acquisitions result seems to be more disastrous. In mergers and acquisitions, HP focuses more on making the acquired company conform to its management model, while Dell focuses on the protection of the core assets they acquired (Enderle, 2014).

HP has adopted an integrated strategy of both cost leadership and differentiation in which customers prefer the ownership of HP’s products due to lower total cost and flexibility (Spanbauer, 2012). Dell adopted as well the same strategy, focusing on efficient production to maintain low cost production in aligning with unique value (Achtmeyer, 2011).

Dell and HP both imply a diversification strategy. HP focuses on more software based products and Dell diversifies through additional product categories such as mobility, server, storage, printer and consumer electronics. HP emphasises on software to add value to customers and uses both fixed and dynamic price strategies (Karam, 2014).

HP’s strategy differs from Dell in which HP produces its products in large quantities to maximize manufacturing efficiencies and sells them to large enterprises and few selected other customers, while Dell tries to provide high standard services for less. Dell focuses on customer service customized to meet the needs of the customers, and build-to-order manufacturing. HP offers a wide variety of products: personal computers, imaging and printing-related products and services, enterprise information technology, multi-vendor customer services, and software products and solutions. Dell offers 6 main products: Laptops, PCs, storage devices, customer service, workstations, and auxiliary services. (Comparing and Contrasting Dell and HP's Strategies, 2015).

V. FINANCIAL ANALYSIS

In 2012, HP struggled due to the acquisition of Autonomy for almost $11.1 billion. HP paid excessively much for Autonomy, which later looks that the company is worth even less than what most critics had estimated. That causes a loss of nearly $7 billion and lead to quickly fall in its stock by 12% (TheWeek.com, 2012).

On Oct. 29, 2013, Dell finalized its privatization deal and announced the completion of its acquisition by Michael Dell, Dell's founder and CEO, and Silver Lake Partners, a leading global technology firm. This explains the non-availability of data starting from 2013 (Dell Inc., 2016).

![EPS Graph]

- From 2009-2011 HP had higher earnings per share than Dell. In 2012, HP’s EPS has dropped dramatically and in the following years, it went back to its previous situation. Since 2013, data were not published for Dell as it became closed.
The profitability indicators show that Dell is performing better than HP. The return on equity of Dell is higher than HP. In 2010 return on assets for both companies was almost similar. However, in 2011 & 2012 Dell had a higher return on assets than HP.

VI. CONCLUSION AND RECOMMENDATIONS

The main element that determines an organization’s success or failure is the strategy it follows. Dell and HP have started their journey decades ago and they have struggled, but sustained their positions; Dell as the market leader and HP as the market challenger. Various incidents have occurred in the past to both the companies which were both good and bad, but it was the strategies that helped them survive and sustain their positions. The strategies of both Dell and HP are quite similar and HP is not far behind from Dell, but any small mistake by Dell, might make them the market challenger and HP the market leader.

Dell has to be very careful while implementing their strategies because HP is very close to becoming the market leader. Dell's integrated cost leadership/differentiation strategy of being simultaneously yield low costs and differentiated features, gave them the competitive edge against HP, but Dell should be very careful to sustain their market position.
VII. REFERENCES


(2002). Briefly identify Hewlett-Packard’s strategic agenda. thinking made easy.


