of technology products and services. In 2005, Dell topped *Fortune*'s list of "Most Admired Companies." Fiscal year 2005 (Dell's fiscal year ended in early February or late January of the same calendar year) was an outstanding year in which the company earned US$3.6 billion in net income on US$55.8 billion in net revenue.

Soon, however, increasing competition and cost pressures began to erode Dell's margins. Even though the company's net revenue continued to increase to US$57.4 billion in fiscal year 2007 and US$61.1 billion during fiscal year 2008, its net income dropped to US$2.6 billion in 2007, with a slight increase to US$2.9 billion in 2008. The "great recession" of 2008–2009 took its toll on both Dell and the computer industry. Dell's fiscal 2010 (ending January 29, 2010) net income fell further to US$1.4 billion on US$52.9 billion in net revenue. Sales improved during calendar year 2010 as the global economy showed signs of recovery. Net revenue for February through July 2010 increased to US$30.4 billion compared to only US$25.1 billion during the first half of 2009, while first half net income rose to US$886 million in 2010 compared to US$762 million during the same period in 2009. Nevertheless, Dell's net income was only 2.91% of net revenue during the first half of 2010, compared to a much rosier 6.45% during 2006. (Note: Dell's financial reports are available via the company's website at www.dell.com.)

Problems of Early Growth

The company's early rapid growth resulted in disorganization. Sales jumped from US$546 million in fiscal 1991 to US$3.4 billion in 1995. Growth had been pursued to the exclusion of all else, but no one seemed to know how the numbers really added up. When Michael Dell saw that the wheels were beginning to fly off his nine-year-old entrepreneurial venture, he sought older, outside management help. He temporarily slowed the corporation's growth strategy while he worked to assemble and integrate a team of experienced executives from companies like Motorola, Hewlett-Packard, and Apple.

The new executive team worked to get Dell's house in order so that the company could continue its phenomenal sales growth. Management decided in 1995 to abandon distribution of Dell's products through U.S. retail stores and return solely to direct distribution. This enabled the company to refocus Dell's efforts in areas that matched its philosophy of high emphasis on customer support and service. In July 2004, Kevin Rollins replaced Michael Dell as Chief Executive Officer, allowing the founder to focus on being Chairman of the Board. This situation did not last long, however. Rising sales coupled with rapidly falling net income caused Michael Dell to rethink his retirement and resume his role as CEO in January 2007. Although Michael Dell in 2010 owned only 11.7% of the corporation's stock, at age 45 he owned the largest block of stock and continued to be the "heart and soul" of the firm. The rest of the directors and executive officers owned less than 1% of the stock.

Business Model

Dell's original business model was very simple: Dell machines were made to order and delivered directly to the customer. The company had no distributors or retail stores. Dell PCs had consistently been listed among the best PCs on the market by *PCWorld* and *PC Magazine*. Cash flow was never a problem because Dell was paid by customers long before Dell paid its suppliers. The company held virtually no parts inventory. As a result, Dell made computers more quickly and cheaply than any other company.

Dell became the master of process engineering and supply chain management. It spent less on R&D than did Apple or Hewlett-Packard, but focused its spending on improving its manufacturing process. (Dell spent 1% of sales on R&D versus the 5% typically invested by