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## COMMENTARY

# Going Private Is Paying Off for Dell

A year later, we're able to focus on customers and the long term, rather than activist investors.

By **MICHAEL DELL**

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My partners at Silver Lake Management and I successfully took Dell private a year ago in the largest corporate privatization in history. I'd say we got it right. Privatization has unleashed the passion of our team members who have the freedom to focus first on innovating for customers in a way that was not always possible when striving to meet the quarterly demands of Wall Street.

To be clear, public markets can and do play an integral role. In Dell's formative years, public markets provided capital enabling us to grow and thrive, as is the case for many companies. The problem is when customer and shareholder interests diverge. At Dell, we faced a confluence of factors in making the decision to end a 25-year run as a publicly traded company. These factors included the big opportunities ahead, the required pace of innovation and investment, and an affliction of short-term thinking that drove a wedge between our customer and investor priorities.

I have had the privilege of a front-row seat during an extraordinary era of technological advances. It is no coincidence that from 1985 to 2005, while the personal computer and industry-standard server proliferated as the universal model for accessible computing power, world poverty was cut in half. When I look at innovation today, I know we have barely scratched the surface of that potential. The forces of cloud computing, big data and mobility are transforming millions of lives and businesses world-wide.

The technology revolution is gradually reinventing economies and society itself. To keep innovation coming, though, requires companies take big risks. It also requires vision and commitment. The single most important thing a company can do is invest and innovate to help customers succeed. Theoretically, this should also be good for

shareholders. You do what's best for customers, you grow and generate returns, and a stable base of long-term shareholders benefits from success.

Apparently, I'm not alone in this view. In a recently reported survey of more than 1,000 board members by McKinsey & Co. and the Canada Pension Plan Investment Board, 86% declared that using a longer time horizon to make business decisions would positively affect corporate performance in a number of ways, including strengthening financial returns and increasing innovation.



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Yet we find ourselves in a world increasingly afflicted with myopia—governments that can't see beyond the next election, an education system that can't see beyond the next round of standardized tests, and public financial markets that can't see beyond the next trade. This was what Dell faced as a public company. Shareholders increasingly demanded short-term results to drive returns; innovation

and investment too often suffered as a result. Shareholder and customer interests decoupled.

Perhaps nowhere is this divergence more obvious than in the case of certain activist investors. What they look for is arbitrage—a way to wring out shareholder value in the near term. They take a sizable position, demand influence on the board and agitate for a set of actions. To quote Bill George and Jay W. Lorsch from a recent article in the Harvard Business Review, “Because the activists usually cash out their holdings shortly after their demands are accepted or rejected,” the “risk is significant that their initiatives can weaken a company's competitive position.”

Look at what is happening in technology. Major players like IBM and Hewlett-Packard are selling off and splitting up—huge disruption at a time when long-term innovation and customer focus have never been more critical. Such moves may boost share values in the short term, but too often at the expense of real innovation.

As a private company, Dell now has the freedom to take a long-term view. No more pulling R&D and growth investments to make in-quarter numbers. No more having a small group of vocal investors hijack the public perception of our strategy while we're fully focused on building for the future. No more trade-offs between what's best for a short-term return and what's best for the long-term success of our customers. For example, in the past year we have made investments of several hundred million dollars in areas with significant time horizons, such as cloud and analytics, that might not have been feasible in today's environment for public companies.

Every company in every industry is facing the same pressures and opportunities to compete in the digital age and the data economy. We need to find ways to get out of the destructive cycle of nearsighted decision-making and focus on a future that is far beyond the next quarter or fiscal year or election. In this fast-paced, uncertain time, one thing is certain: If we aren't the ones inventing the future, someone else will be.

*Mr. Dell is the founder, CEO and chairman of Dell Inc.*

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