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Dell to hire thousands for overseas sales

CFO: No local jobs but indirect benefits

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Dell Inc. has watched its ranking as a global computer maker slip to the No. 3 position during the last couple of years while turning to storage and services as its saving grace.

At last week's annual analyst meeting, company officials upped the ante on Dell's enterprise solutions bet by revealing plans to hire 5,000 additional sales people during the next three years to double that side of its business. However, securities analysts in attendance were openly skeptical that Round Rock-based Dell (Nasdaq: DELL) could win market share from industry giants who long ago established themselves as leaders in the enterprise-level solutions segment while Dell was still focused on personal computers.

Although the additional sales workers — rising from 11,000 to 16,000 — aren't expected to have a direct effect on local jobs, the increased business that they're projected to generate bodes well for Dell's local operations, albeit indirectly, Chief Financial Officer Brian Gladden said.

"We're changing the mix of people in the company, and that will certainly have an effect," he said. "Growth in other parts of the world and executing on this plan would be good for the whole company."

Last year, Dell announced or completed at least 5,100 job cuts, mostly in manufacturing, as it outsourced such work to Mexico and other countries. In North Carolina, the company plans to close a 900-worker manufacturing plant that would be part of Dell's attempt to reduce its annual operating costs by \$4 billion.

Instead of relying on sales of personal computers, Dell's bread-and-butter product, the company continues to diversify with storage and services that generate higher profit margins. Dell has lost market share to Asian companies that have continually lowered the prices of computing devices such as laptops and smart phones.

Tech industry rivals with strong services divisions, like **Hewlett-Packard Co. (NYSE: HPQ)**, are less affected by volatile swings in the global economy. Dell's 2009 acquisition of Plano-based **Perot Systems Corp.** is expected to offset future buying slumps. During the first quarter, Dell generated 13 percent of its revenue from services.

In February, the company, which employs an estimated 16,000 local workers, posted a \$1.43 billion profit on \$52.9 billion in revenue for fiscal 2010 versus a \$2.47 billion profit on \$61.1 billion in revenue during fiscal 2009. On the eve of last month's analyst meeting, Dell officials disclosed that they expect revenue to surge 14 percent to 19 percent this fiscal year compared with last year as customers upgrade their personal computers.

Yet the company appears to still be behind the curve as it tries to become more than a computer maker, observers said.

Abhey Lamba, an analyst for New York-based **ISI Group Inc.**, said Dell has lost the advantage it gained over competitors through its direct-sales model.

“Now the steps it is taking are basically an effort to catch up to the competition’s cost structure,” he said. “It’s possible, but it’s not going to be easy because they don’t have the same [size] advantage other [companies] have.”

CEO Michael Dell said the company will ride the wave of the “refresh cycle” that is being sparked by several factors, including the release of the **Windows 7** operating system by **Microsoft Corp.** (Nasdaq: MSFT).

“We know that it takes time and certainly the catalysts are there,” he said. “But it’s not a one-quarter or two-quarter event.”

In the enterprise solutions segment, Dell is not in a position to gain market share from industry leaders Hewlett-Packard, **Cisco Systems Inc.** (Nasdaq: CSCO) and **Oracle Corp.** (Nasdaq: ORCL) because it hasn’t invested enough in research and development to keep pace with its competitors, said Jayson Noland, an analyst for San Francisco-based Robert W. Baird & Co.

“With virtualization, the world is shifting toward a converged data center,” he said. “Dell is not working from a position of strength for the next generation of data centers.”

Dell established new services and communications divisions last year and has been developing smart phones to generate another revenue stream.

Research firm **Gartner Research Inc.** is projecting a 46 percent surge in U.S. smart phone shipments this year, reaching 62 million. But globally, only 5 percent of all cell phones are smart phones.

Michael Dell said the company is positioned to profit from the capacity problems cell phone service providers will face when the adoption rate of smart phones rises.

“The first thing we think about is all the servers and storage that would store all the data that’s pulled down by these devices,” he said.

Courtesy of JB Goodwin