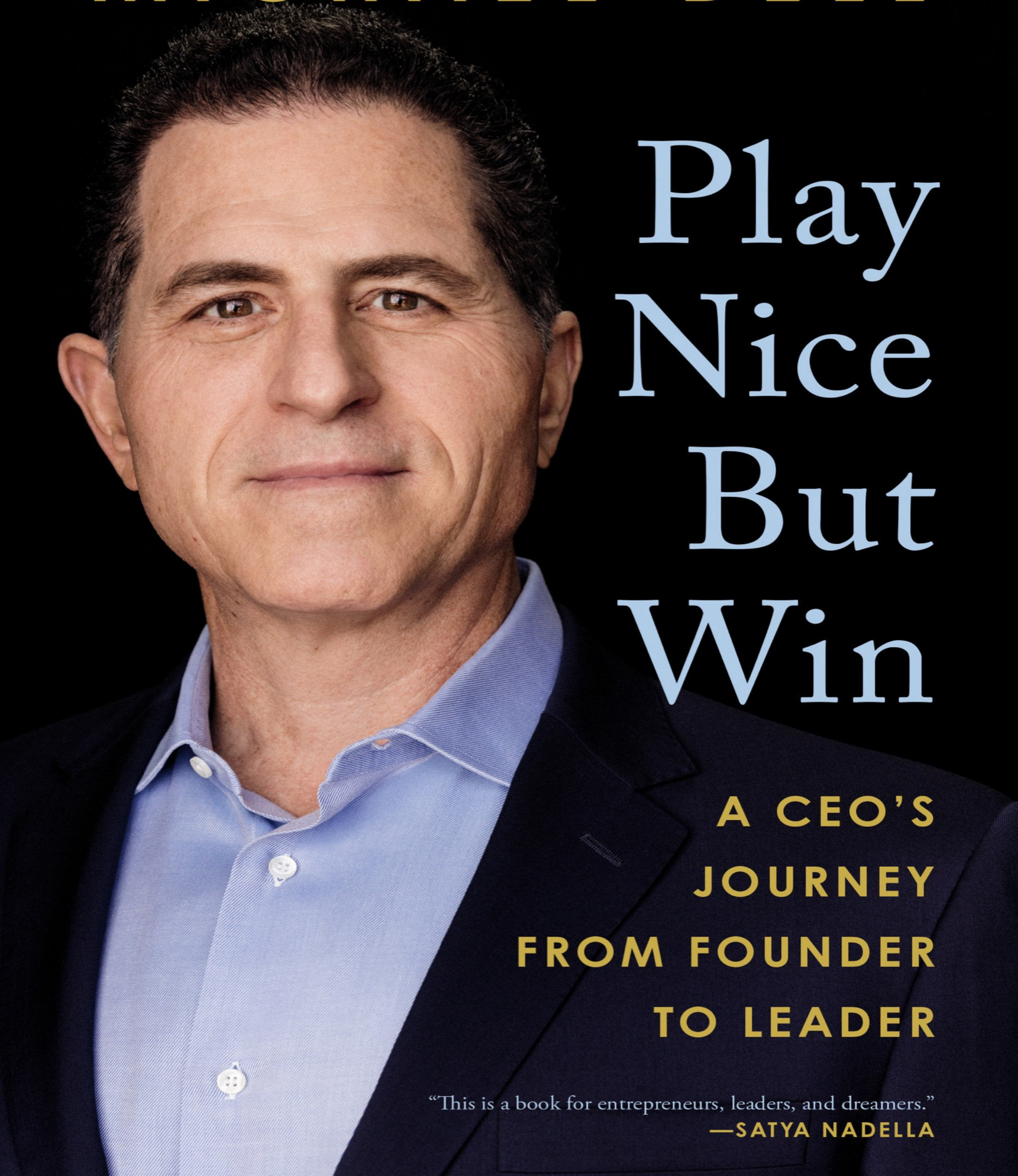
MICHAEL DELL

Play Nice But Win



A CEO'S JOURNEY FROM FOUNDER TO LEADER

"This is a book for entrepreneurs, leaders, and dreamers."
—SATYA NADELLA

Praise for ***Play Nice But Win***

"In this super-candid book filled with revealing stories, Michael Dell shows how his development as a person was tightly intertwined with building the company he founded in his college dorm room. It's a fast-paced tale of launching a public company, taking it private, and then taking it public again, all while wrestling with colorful characters such as Carl Icahn. Dell provides a wealth of business insights but also something more important: how curiosity and good values are essential to success both in life and in business. It's a lesson he learned from his strong parents and shares with his wife in the work of their foundation to give kids better opportunities. The result is a book that is exciting, insightful, and valuable."

—Walter Isaacson, bestselling author of *The Code Breaker*

"Michael Dell takes you into the real world of building and transforming an empire, vividly describing conversations and deals with key players so you see the whole picture. It's a great gift for those on a similar journey."

—Ray Dalio, founder of Bridgewater Associates and author of *Principles: Life and Work*

"*Play Nice But Win* is exactly right. Exceptional entrepreneurs like Michael Dell have changed the world under great pressure, but with great success. Michael tells you how to be successful and true to your values in this awe-inspiring narrative of what it takes."

—Eric Schmidt, cofounder of Schmidt Futures and former CEO and chairman of Google

"Michael Dell is the rare leader who set his company on a successful long-term direction by balancing innovative strategy with consistent values. In *Play Nice But Win*, he reminds us that courage and conviction are the key to transformative change in any organization."

—Indra Nooyi, former chairman and CEO of PepsiCo and author of *My Life in Full*

"Many people have great business ideas. Entrepreneurs see them through. That's the story of Michael Dell, whose book takes us on a riveting journey from the dorm room at the University of Texas to the boardroom of one of the world's largest tech companies. It's a tale of vision and perseverance every aspiring entrepreneur should read."

—Sir Richard Branson

"This is Dell Direct. With insightful frankness and humor, Michael Dell tells his story, that of his iconic company and the grit required to compete in the ever-growing technology industry. This is a book for entrepreneurs, leaders, and dreamers."

—Satya Nadella, CEO of Microsoft

"Michael Dell's journey is part of the historic fabric of American business. His story of multiple transformations through the decades has insights for leaders at every stage, from entrepreneur to CEO."

—Howard Schultz, cofounder of the Schultz Family Foundation, former chairman and CEO of Starbucks

"With rare candor and insight, Michael shares his incredible journey as founder and CEO of one of the most iconic and admired tech companies. It's the unvarnished story of one of the world's greatest entrepreneurs, a visionary with unparalleled determination and a commitment to leading with compassion and integrity."

—Marc Benioff, chair and CEO of Salesforce

"As Michael Dell likes to say, life is about taking a punch, falling down, getting back up, and fighting again. *Play Nice But Win* is as much a story about resilience as it is about business. Michael is candid about the setbacks and challenges he's faced in his life and career. The lessons he's learned along the way are important for everyone who aspires to lead."

—Sheryl Sandberg, COO of Facebook and author of *Lean In* and *Option B*

"*Play Nice But Win* is an autobiographical thriller, and Michael Dell is the gangster protagonist—never looking for a fight, but relishing every brawl once he's in it. By outwitting tyrants, takeovers, and dead ends, Michael relentlessly protects, transforms, and expands the product he tinkered with as a teenager into the multinational company Dell is today. Michael consistently wins not by exposing loopholes but always by *making* advantage of the rules. *Play Nice But Win* is a magic trick, and one hell of a caped crusader coup."

—Matthew McConaughey, Academy Award winner, bestselling author of *Greenlights*

"*Play Nice But Win* belongs on the list of great digital-age memoirs. The quietest of the entrepreneurs who created the modern computer business finally tells his story."

—Malcolm Gladwell, host of the podcast *Revisionist History*

"This is the saga of how one of the great founders of our time launched his company, grew it, got it back, and rejuvenated it. Michael Dell's entrepreneurial spirit is infectious, and his behind-the-scenes stories are full of important lessons about leadership, collaboration, competition, and innovation."

—Adam Grant, #1 *New York Times* bestselling author of *Think Again* and host of the TED podcast *WorkLife*

"In his new book, *Play Nice But Win*, Michael Dell provides a powerful portrait of his life—the early years, the obstacles and challenges, the successes and triumphs. Thoughtful and revealing, it shares an inside look at what it takes to become a good leader—and more important, a good human being."

—Jamie Dimon, chairman and CEO of JPMorgan Chase

"This book is an incredible window into what it's like to be in a founder's shoes, and the difficult work of growing a company. Michael Dell is not only an innovator, but a leader, and in *Play Nice But Win* he shows what it really takes to build the future."

—Marc Andreessen, cofounder of Netscape and Andreessen Horowitz

"Michael walks you through every step of his journey, from starting a company in his college dorm to pulling off the largest all-tech acquisition in history. Anyone who's interested in business at any level can learn from the insights in this book."

—Bill Gates

PLAY NICE BUT WIN

A CEO's Journey from Founder to Leader

Michael Dell

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Library of Congress Cataloging-in-Publication Data
Names: Dell, Michael, 1965– author.
Title: Play nice But win : a CEO's journey from founder to leader / Michael Dell.
Description: New York : Portfolio, [2021] |
Identifiers: LCCN 2021016697 (print) | LCCN 2021016698 (ebook) | ISBN 9780593087749 (hardcover) | ISBN 9780593087756 (ebook)
Subjects: LCSH: Leadership. | Chief executive officers. | Entrepreneurship.
Classification: LCC HD57.7 .D486 2021 (print) | LCC HD57.7 (ebook) | DDC 658.4/092—dc23
LC record available at https://lccn.loc.gov/2021016697
LC ebook record available at https://lccn.loc.gov/2021016698

BOOK DESIGN BY LUCIA BERNARD, ADAPTED FOR EBOOK BY CORA WIGEN

Author's net proceeds from *Play Nice But Win* will go to the Michael & Susan Dell Foundation, which is dedicated to changing the lives of children in urban poverty worldwide.

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To Mom, for teaching me to be forever curious.
To Dad, the founder of the founder.
And to Susan, forever and always my lifetime love.

CONTENTS

A corporation is a living organism; it has to continue to shed its skin. Methods have to change. Focus has to change. Values have to change. The sum total of those changes is transformation.

—Andy Grove

PART ONE

Public to Private

1

HEADWINDS

I was sitting at Carl Icahn's dining room table with Icahn and his wife, eating Mrs. Icahn's meat loaf.

It was a lovely spring evening—Wednesday, May 29, 2013—and Carl Icahn was trying to take my company away from me.

It was a truly surreal moment, in so many ways.

That May evening was almost the precise midpoint in a nine-month drama in which the personal computer company I started in my freshman dorm room at the University of Texas in 1984, the company with my name on it, tilted *E* and all, almost slipped away from me—and then changed forever, changing me along with it.

I'd like to tell you that story, and a couple of other ones besides.

The year 2005 dawned bright with promise for Dell Inc. Apart from the blip of the dot-com bust five years earlier—a correction that affected not just us but tech companies across the board—Dell had enjoyed a pretty uninterrupted run of growth in revenue and profits and cash flow for two decades. In January 2005 our share of PCs sold stood at a robust 18.2 percent. In February *Fortune* named us the most admired company in America. Dell, they wrote, was "thriving in an industry that may technically qualify as being in the poorest state in the Union. Its profits in this margin-squeezed business soared 15 percent in 2004, a feat that Dell makes look boringly routine. And now it’s the first PC maker to hold the rank of America’s Most Admired since the original ‘PC’ maker, IBM, logged off in 1986.”

By September, though, things had begun to change. A lot. Though our profits rose 28 percent in the second quarter, total revenue was several hundred million dollars short of projections. We were, *The New York Times* reported, “wrestling with the same question facing other mature technology companies that ranked among the highest fliers of the 1990s: How to increase revenues when it is already so big?” Compounding the problem was the fact that personal computers and laptops, which accounted for roughly 60 percent of our sales, were no longer the rich profit center they used to be. As prices had dropped over the course of the year, we’d had to sell that many more PCs just to keep up with the previous year’s revenue.

Interviewed by the *Times*, our CEO Kevin Rollins blamed himself for the shortfall. “Frankly,” he said, “we executed poorly on managing overall selling prices”—especially on machines sold to consumers.

Yes, you read that correctly; it wasn’t a typographical error. Kevin Rollins, not I, was CEO of Dell Inc. that fall. I’d stepped aside from the position in July 2004 and Kevin had taken over—though taken over isn’t exactly the right way to put it. I remained chairman, and the two of us continued to run the company together as we had for a decade; not much really changed except for our titles.

And so if there was blame to be laid for that revenue loss, I shared it. But it quickly became apparent in late 2005 that the underperformance wasn’t an anomaly: Dell was beginning to hit serious headwinds. For one thing, our competitors were getting smarter. Companies like Hewlett-Packard, Acer, and Lenovo, companies we’d always soundly defeated with our build-to-order model, had gone back into their cave and figured out how to duplicate many of our supply chain innovations. Meanwhile, build-to-order itself, so effective at addressing the many combinations and permutations of desktop computers, lost its advantage as the industry shifted from desktops to less easily customized notebooks. Customers were starting to focus more on services and solutions as value transitioned from the fundamental client product, the PC and related peripherals, to software, servers, and the data center.

It took us a little bit longer than we would have liked to figure all this out.

And then there was a Dell plus that was subtly turning into a minus: for a few years we'd been prioritizing profit over growth and share, and a company's success is always a balance between those three. Our profits were strong in the 2000s, but now our share was eroding. And that can be a slippery slope.

We needed to build new capabilities, we needed to invest in new areas, and we needed to move fast.

In 2007 I returned as CEO—both a symbolic move and a practical one—and we embarked upon a major merger and acquisitions initiative, starting with the purchase of the data storage company EqualLogic, for $1.4 billion. The financial crisis of 2008 threw a temporary wrench into our plans, but the following year we restarted the program by buying Perot Systems (for $3.9 billion), and in 2010 we really went on a roll, acquiring storage, systems management, cloud, and software companies such as Compellent, Boomi, Exanet, InSite One, KACE, Ocarina Networks, and Scalent.

In 2011, to round out our enterprise capabilities, we bought Secureworks, RNA Networks, and Force10 Networks. And in 2012 we made still more key acquisitions in software and security, including Quest Software, SonicWALL, and Credant Technologies. For fiscal year 2012, Dell achieved its highest-ever revenue, earnings, operating income, cash flow, and earnings per share.

Maybe it was the calm before the storm.

But in the meantime, all was not well at Dell. We'd tried to enter the smartphone and tablet markets, without success. We'd even come up with what was known at the time as a "phablet"—a five-inch Android device called the Streak. It didn't exactly streak lightning across the sky. (For one thing, most of the profit went to Google.)

By 2012 our PC sales had fallen by double digits, and our share had continued to erode—by year-end, with the heavy weight of Windows 8's failure dragging us down, it had dropped to 10.5 percent—and now profit was declining as well. Our market capitalization had fallen below $20 billion.

In late 2012 our share price would sink almost to penny-stock territory: less than $9, a plummet from the $15-to-$17 levels it had seen in 2009 through 2011. The conventional wisdom, shouted through a thousand megaphones on the internet as well as on CNBC and other media outlets, was that the PC was doomed, and that therefore Dell was pretty much doomed too.

Our shareholders were not happy, myself included.

Despite our spectacular success over the years—anyone who'd bought Dell shares back at the beginning and held on to them had earned 13,500 percent on their investment, twenty-seven times greater than the 500 percent return on the S&P 500 during the same period—our stockholders were worried about the company's future. Still I had the full support of our shareholders, who in July 2012 reelected me to serve as CEO and chairman of Dell with over 96 percent of the vote.

And I was trying to reassure them. "We're really not a PC company anymore," I told *Fortune* editor in chief Andy Serwer in July 2012, at *Fortune*'s Brainstorm Tech conference in Aspen. But Andy was a tough sell. "Is it really the case that you're not a PC company now or that you don't *want* to be a PC company in the future?" he asked me.

I reminded him that in the last five years we'd made a concerted shift in our business, toward end-to-end IT solutions: a complete set of capabilities for customers, from their data centers to their client systems to security, software systems management, storage, servers, and networking.

I told Andy that Dell was really in four businesses now.

First came the client business, which was itself transforming with all that was going on in mobility and client virtualization—which in turn brought new needs in terms of security.

Next came the enterprise data center. I reminded Andy that we'd built a tremendous business in storage and networking, fueled by all those acquisitions—about twenty-five in the last three or four years. I said that in case anyone had forgotten, about one-third of the servers in North America were made by Dell. Cloud and virtual infrastructure had become very big for us.

Then there was our software business, centering around systems management and IT security. I said we were seeing around twenty-nine billion security events per day; we were protecting tens of trillions of dollars of assets for the biggest banks and financial services firms in the world.

I called Andy's attention to the fact that of the 110,000 people at Dell, almost half—a full 45,000—were in our fourth business, services, helping companies capture value from all the IT needs out there.

"So we're right in the middle of some of the stickiest challenges out there," I told Andy. "How do you connect older applications to cloud applications? How do you secure and modernize IT environments and bring them off mainframes and onto the X86 platforms? Put them in the Dell Cloud and do it more efficiently."

Dell, I said proudly, was a much different company than it had been four or five years ago.

Andy looked a little bemused. "Am I wrong, or did I not hear you mention PCs at all in that little soliloquy?" he asked.

Even smart people, it seemed, were hung up on that one subject.

Andy then put a polling question up on the screen behind us: "Last year desktops and laptops accounted for 54 percent of Dell's revenue, down from 61 percent in 2008. How big will Dell's PC business be in five years?"

Possible answers were: (a) 50–54 percent (about same as today); (b) 40–50 percent; and (c) 39 percent or less. Choice C got the most votes by far.

The correct answer was A.

I told Andy that with all due respect to his poll, a better way to think about the question of our PC business vis-à-vis our other businesses was in terms of revenue and profit. Let's say (I said) you sell a billion dollars' worth of PCs, versus a billion dollars' worth of software: those two transactions would have very different characteristics in terms of free cash flow and margin. Therein lay some of the difficulty in looking at Dell strictly from a revenue standpoint. Our business mix was definitely shifting, I repeated.

Hoping the message was starting to sink in.

I believed passionately in everything I told Andy at Aspen. And in the days, weeks, and months that followed, the business press kept pushing the narrative that Dell equaled PC, and the PC was dying.

And our stock continued to swoon.

I'll freely admit that some part of me smarted at seeing our share price sink so low. The company had my name on it; after my family, it meant everything to me. But my wiser side saw an opportunity for the company. Back in 2010 I bought a big block of Dell stock in the open market, confident that the share price would rise. (There are very stringent rules about when and how an insider like me can buy or sell our stock: soon, but not too soon, after quarterly earnings have been announced. Needless to say, I followed them.) Yet it also occurred to me that if I—with help from others, of course—could buy back *all* the stock, our transformation as a company could proceed without the tyranny, the ever-ticking shot clock, of a quarterly earnings report. Going private would open up the possibility of dramatically accelerating the growth of the company and allow us to have a far greater impact in the world.

Others had the same thought.

In 2010, at a Sanford Bernstein conference, an analyst named Toni Sacconaghi had asked me if I'd considered taking the company private.

"Yes," I said. My monosyllable hung in the air. There was a little laughter in the room.

Sacconaghi smiled. "That's more succinct than I would think," he said. "What would be a galvanizing event for you to consider it much more seriously?"

“No comment,” I said, feeling I may have already said too much. I smiled back.

Fast-forward two years. In late May of 2012, a month and a half before the Aspen conference, I had a meeting at our Round Rock, Texas, headquarters with several officers of Southeastern Asset Management, a Memphis firm that was the second-largest shareholder (some 130 million shares) of Dell stock after my wife, Susan, and me. These meetings happened on a regular basis right after we’d announced our quarterly earnings, but this meeting was different, because in the midst of the customary drone about numbers and projections, Southeastern’s chief investment officer, Staley Cates, told me he felt we should take the company private.

“Can you tell me more?” I asked him.

“Let me get back to you,” Cates said.

This, frankly, made me nervous. It wasn’t the idea of going private itself that worried me; it was the fact that our second-largest stockholder was bringing it up. I had no clue what Cates was driving at. Obviously he wanted to increase the value of his shares, but was he saying that he wanted me to buy him out? Or was he saying he wanted to help me take the company private? What was he saying? I went over to the other side of the building and talked to Larry Tu, our general counsel, and Brian Gladden, our CFO. “What do we do now?” I asked them.

“Ask him how that would work,” Brian said. “Ask if he has a financial model he’d like to share.”

So I asked, and Cates sent me a simple spreadsheet that outlined his idea. I sent the spreadsheet to Gladden, and Brian sent it to a banker he knew at one of the major investment banks. And the banker analyzed the idea and told us it didn’t hold water. “Too complicated, too much debt; not gonna happen,” he said. “Forget about it.”

So we forgot about it. Then something very interesting happened.

As I was taking off my microphone backstage at the Aspen Q&A, a guy—a few years younger than me, fit-looking—came up and introduced himself. His name was Egon Durban, he told me, and he worked for Silver Lake Partners.

“Hey, I’d love to meet with you about an idea I had,” he said. “I have a house in Hawaii near yours—can we get together sometime?”

Now, people come up to me all the time, and I’m polite, but . . . people come up to me all the time. If this Egon Durban had been from a company I’d never heard of, I would have told him, “Sure, call my office,” and we’d never speak again. But Silver Lake was a major private equity firm with a great track record and a deep expertise in technology (and whose first fund I’d invested in when it started up in 1999), so I gave Durban my email address. And when I looked him up, I saw he was one of Silver Lake’s four managing partners.

This was July 16, 2012. Later that afternoon Durban emailed me, repeating his request to meet with me in Hawaii, and I forwarded the email to my longtime assistant Stephanie Durante, asking her to make an appointment for Egon Durban and me to get together on August 10 at a beach café near my house on the big island of Hawaii.

I had no idea why Durban wanted to meet. Maybe Silver Lake wanted to buy one of our businesses? Or sell us one of their businesses? Maybe they wanted me to invest in a new fund of theirs? Could’ve been any of a half-dozen different things.

August 10 was a Friday, a beautiful day in Hawaii—okay, it’s always a beautiful day in Hawaii. But I was especially happy to be there just then. I like to joke that August in my hometown of Austin, Texas, is like the FM band on the radio: it goes from 88 to 108. That morning on the Big Island, a cool breeze was blowing off the ocean; the temperature was a perfect 79 degrees. Durban and I could have sat down and talked at the café, but why would you want to sit inside on a day like that? “Let’s go for a walk,” I said. I do some of my best thinking while I’m walking, and the surroundings didn’t hurt a bit. There was a trail there that ran along the coast; down across the beach the surf crashed, pale blue-green and clear as glass.

“What’s up?” I asked Durban as we set out.

“We’ve looked at your company, and we think you should consider going private,” he told me.

“Huh!” I said. As if this were the first time the idea had ever occurred to me. In truth, I’d thought about it many times before—especially as the worldwide savings glut that followed the 2000 dot-com bust brought plunging interest rates, always a plus when you’re borrowing money for acquisitions.

“And we think we may be able to help you,” he said.

Tell me more, my expression said. I was acting naive because if he had a plan, I wanted him to spell it out. “Huh,” I said again. “Really!”

“Really,” he said.

“Okay,” I said. “Tell me why you think that’s a good idea.”

We walked and talked for the next hour. It was a kind of Socratic back-and-forth, me asking a lot of questions about how this idea would work (and what could go wrong), Egon responding clearly and candidly, examining every possibility thoroughly. I liked him at once. He struck me as very smart, aggressive, and bold. He knew why he wanted to talk to me; he had a pretty strong belief in the idea, yet he wasn’t trying to sell me anything. He wasn’t saying, “We, Silver Lake, are ready to commit to this deal.” They had a hypothesis; Durban and I were there to explore it.

The first thing he said was that based on the talk I’d given at the Fortune Brainstorm conference, as well as research his firm had done using only public information, Silver Lake was acutely aware of Dell’s transformation strategy. They understood why we’d been acquiring all those companies. Durban said that he and his partners didn’t believe for a minute that the PC was doomed—they felt personal computers and peripherals could continue to be an important part of our revenue stream even as we extended the business in new directions. And they believed in those new directions.

“As such,” Egon said, “we feel Dell is significantly undervalued.”

“I agree,” I said. I could’ve said a lot more. The fact was that in a way, given all we’d been doing to reinvent the company for the past five years, and all we’d been saying about it, I felt abandoned by the public shareholders. But that was an emotional reaction, so for the time being I kept it to myself.

And then, Durban continued, there was the fact that Dell had a lot of cash on its balance sheet. I was well aware of this, of course, and well aware of its drawbacks. On the plus side, it’s not a popular idea for tech companies to have a lot of debt. Having a net position with a lot of cash is seen as the right thing to do, and that’s where we were.

But—from a capital-structure finance perspective, if your company has a lot of cash, its equity can’t appreciate nearly as much because in a sense it’s weighed down by the cash. Cash doesn’t appreciate. If, on the other hand, you use the cash to buy back stock, the stock can appreciate far more. Now, doing that inserts risk: stock prices can always fall, for all kinds of unanticipated reasons. But if you have a business that generates lots of cash flow very consistently, a stock buyback could turn out to be a very good thing.

And a buy*out*, Durban said, could turn out to be a very, very good thing—especially with Dell’s stock at those historic lows.

And, as a cherry on the sundae, interest rates happened to be very low then. Dell’s earning strength would make banks eager to lend to us—and suddenly Durban was talking about us—and the low interest rates would make the borrowing painless.

Yet if we were talking about buying back *all* of Dell’s stock, we were talking about a great deal of money—in the neighborhood of $25 billion. Still, Egon said he felt sure that between Silver Lake and me, and perhaps a couple of other interested parties, we could easily raise all the capital we’d need, and could easily borrow the rest. A leveraged buyout would be preferable, because all parties would be out that much less cash—and given the proven profitability of Dell, would be able to pay down the debt quickly.

I asked him what he thought the debt-equity split would likely be. He gave me a rough idea. And then something occurred to me. “Gee,” I said, “this is a large transaction. Have you guys ever done anything this big?”

They hadn’t, Durban said, but they were completely confident about raising their game. I was intrigued at this approach from a major private equity firm. I knew that if there was to be a go-private, it wouldn’t be initiated by investment bankers; it would be initiated by a firm like Silver Lake, and somebody like Egon Durban. Investment bankers are, essentially, matchmakers. Private equity firms, like Blackstone, Apollo, TPG, KKR, and Silver Lake, invest their own money. Durban was talking about putting up Silver Lake’s own capital—and a great deal of it—and he wanted to do it because he thought his firm would reap a substantial return.

That is capitalism at its purest.

Everything Durban was saying made sense to me. I liked him and I liked Silver Lake, and I knew in my gut that it was time to make a big move. But an enormous amount was at stake, far too much to do (or say) anything abrupt. Far too much not to investigate all possible avenues: going private was the ultimate considered decision. Nor did I think that Egon would’ve expected me to react impulsively. And so when I told him I’d think about what he said and get back to him, he told me he completely understood. We shook hands and each went off to enjoy the rest of the beautiful day.

I had another neighbor in Hawaii, one whose house I could see from mine: George Roberts, the “R” in KKR—Kohlberg Kravis Roberts, the global investment firm. George and his co-CEO, Henry Kravis, were first cousins who’d grown up together, and they were kind of the elder statesmen of the private equity business. They’d more or less created the modern-day private equity firm, and they’d been two of the pioneers of the leveraged buyout: they were central to the RJR-Nabisco takeover story that turned into the book (and movie) *Barbarians at the Gate*.

I went over to see George, and I took my laptop with me. I flipped the computer open and showed him some facts and figures about Dell: all publicly available information, no forecasts or proprietary data. “Based on this, do you think it’s possible that we could go private?” I asked.

George looked over the data, then asked a few questions. “Yeah, I think it’s very possible,” he said. “In fact, we’d like to help you do it.”

Well, that’s interesting, I thought. So now I’ve got two leading private equity people who have told me that this is not just possible but *very* possible. And these are just my neighbors in Hawaii! I haven’t even reached out to anybody else—haven’t talked to Steve Schwarzman at Blackstone, or David Rubinstein at Carlyle, or David Bonderman at TPG.

But the person I needed to talk to first, I immediately realized, was Larry Tu.

I flew back to Austin on August 14 and met with Larry—who told me with a serious expression that if I was about to embark on the process of trying to take the company private, several things needed to happen. First, I would have to retain my own counsel. As a matter of fundamental principle, the company could not represent me in an endeavor that could change the very essence of Dell as a corporation—an endeavor that Dell’s board or stockholders, or both, might or might not approve.

And second, of course, I would have to tell the board about what I proposed to do. Right away.

As to the first, I called Marty Lipton, the founding partner of the law firm Wachtell, Lipton, Rosen & Katz, and one of the world’s experts on complex corporate transactions. “What do I do?” I asked.

“The first thing you need to do,” Marty said, “is talk to your board.”

“Yup, got that,” I said.

“And the next thing is that you need to do absolutely everything precisely by the book,” he said. “I’m putting you in touch with Steve Rosenblum here at the firm; he knows this process inside and out.”

Next I phoned Alex Mandl—the chairman of the Dutch digital-security giant Gemalto and lead independent director on Dell’s board—and told him about my idea. I described Staley Cates’s June proposal and my meetings with Durban and Roberts. I said that I was still in the exploratory stages: that I hadn’t yet decided whether I wanted to proceed, but that if I did, I’d be willing to partner with any party that offered the best possible deal for the stockholders. I told Alex that I'd need access to certain proprietary company information in order to explore the feasibility of taking Dell private. Alex said he'd have to ask the board about all of it.

Things were starting to move fast. It would've been impractical to gather all twelve members of the board (including me)—people running big companies, spread all over the world—for an in-person meeting in anything resembling short order. So on August 17 the board held a meeting by phone, and I, having by now been thoroughly prepped by Steve Rosenblum, told the members all that I'd told Alex, and more:

- That the fundamental reason for my desire to explore a proposal to acquire the company was that I believed Dell could be better managed as a private company without public-company pressures for short-term performance and the other disadvantages of being public. (Changing and evolving a business—transforming it—is an uncertain process, one that involves financial volatility. And public investors don't like uncertainty or volatility.)
- That I'd had separate, preliminary conversations with George Roberts of KKR and Egon Durban of Silver Lake. Based exclusively on public information, I said, each of them was of the belief that it might be feasible to develop an offer that would be attractive to the company and its shareholders.
- That also, in a conversation I'd had some weeks ago with Staley Cates of Southeastern Asset Management (SEAM), he indicated that SEAM might be interested in joining with me in exploring a proposal to acquire the company.
- That I had made no agreements or arrangements with Silver Lake, KKR, or Southeastern; that I'd spoken to them separately, not together; and that no confidential information had been provided.
- That I hadn't hired an investment banker and would advise the board before doing so.

- That I'd asked Wachtell, Lipton, Rosen & Katz to act as my personal counsel in this matter.
- That I would not proceed without the board's full knowledge and its approval of my having further discussions and use of company information to explore the possibility of making a proposal.
- That I knew any transaction must be at a fair price and the highest price reasonably obtainable for the shareholders—and that that price would ultimately be subject to a market check.
- That I recognized that any proposal from me would be reviewed and negotiated by, and be subject to the approval of, the independent directors or a special committee of independent directors, that any process would be determined by the independent directors or the special committee, and that the independent directors or the special committee would retain independent counsel and an independent banker.
- That the next step would be, with the board's permission, for me to work with advisers and potential partners to explore making a proposal to the board.
- That Larry Tu would advise the board on confidentiality, trading, and other legal matters.

I said that I wouldn't go any further in my discussions with any outside party unless the independent directors approved my doing so. Alex said the board needed to talk about all this, and they needed to do it with me not present.

I got off the conference call.

Mandl called me after the meeting and told me that the board was prepared to consider the possibility of a go-private—or the possibility of any strategic alternative that could extricate Dell from its predicament. And to that end, that they approved my having discussions about a possible go-private proposal. I called Egon Durban and George Roberts and told them. Separately. Neither had a clue that I had spoken with the other.

I did not call Staley Cates.

There are very specific rules about things that investors and owners of companies can and cannot do. If one major investor in a company goes into a room by him- or herself and says, “Hmm, maybe we’ll take this company private,” well, that person is just talking to him- or herself. But if I as the largest Dell shareholder and SEAM as the second-largest shareholder were meeting and talking about this, we could be viewed as forming a group that would require an SEC filing. And that filing would be public information, and news of the potential deal would be in the public domain. And typically, if these things go public before they’re signed and announced, they have a smaller chance of actually occurring.

Neither Silver Lake nor KKR—by definition as private equity firms—owned shares in Dell Inc., a publicly held company.

We (“we” at that point being just me and my legal team at Wachtell Lipton) agreed that if we reached the point of signing and announcing a go-private transaction, we would try to contact Southeastern then to see if they were still interested.

On August 20 the board held another phone meeting, one in which I didn’t participate. During the meeting, on the recommendation of Alex Mandl, a four-person special committee was formed to consider all possibilities for Dell. The committee consisted of Alex and three other independent members of the board: Laura Conigliaro, a director of the professional services firm Genpact; Janet Clark, the CFO of Marathon Oil Corporation; and Ken Duberstein, former White House chief of staff during the Reagan administration.

According to the proxy statement Dell would eventually file with the SEC, “the Board delegated to the Special Committee full and exclusive authority to (i) consider any proposal to acquire the Company involving Mr. Dell and to consider any alternative proposals from any other parties, (ii) engage independent legal and financial advisors to the Special Committee, (iii) make a recommendation to the Board with respect to any such proposed transaction and (iv) evaluate, review and consider other potential strategic alternatives that may be available to the Company. The Board resolved not to recommend any going private transaction or alternative to such a transaction without the prior favorable recommendation by the Special Committee. The Special Committee subsequently appointed Mr. Mandl as its chairman."

The next day, August 21, our numbers for the second quarter of fiscal year 2013 came out (our fiscal year ends on the last day of January, so most of fiscal year 2013 occurred in calendar year 2012). The numbers were not great. Dell's revenues for the second quarter were $14.5 billion, approximately $300 million less than we'd projected in early July, and approximately $800 million less than we'd projected in early June. We therefore lowered our fiscal year 2013 earnings per share guidance (a fancy term for prediction) from $2.13 to $1.70. We attributed the lowered outlook to the uncertain economic environment, competitive dynamics with other companies, and the decline in demand in the EUC business—that's end-user computing, as in desktops, laptops, displays, and other peripherals.

You can guess how our stock price reacted. (Interestingly, we had our regular quarterly meeting with Southeastern Asset Management the day after the earnings report, and Staley Cates made absolutely no mention of the go-private idea. I puzzled about that one for a while.)

Meanwhile, both the board and the special committee began having closed-door meetings. Lots of them. And closed-door meant two things: one, the public (including Dell shareholders) had no idea they were going on and two, the door was closed to me. No admission to the founder and CEO. There might as well have been a sign on the boardroom door reading MICHAEL, KEEP OUT. I knew all these meetings were happening, but I didn't know when or what was happening in them. I just kept wondering what the heck was going on and why everything was taking so long. Here I had two major private equity firms eager to do this deal with me; I was certain others would be eager too. How complicated could it be?

2

DIFFERENT PLACES

Things were simpler back at the beginning. Weren't they? Maybe it always seems that way in retrospect. But the truth is that way back in the fall of 1983 my fledgling computer company almost ended before it began—almost died right there in my freshman dorm room, Dobie 2713, at the University of Texas at Austin. Or, to be exact, in a hotel room at the Hyatt Regency Austin. But I'm getting ahead of myself.

First, a little background. I'm a proud Texan by birth, born and raised in Houston. For the first fourteen years of my life, my family—my mom and dad and my brothers Steven and Adam and I—lived in a modest single-story house at 5619 Grape Street, in Meyerland, a heavily Jewish neighborhood in the southwest part of the city. In 1979, after my parents had made some money, we moved to a fancier part of town called Memorial.

My mom and dad, Lorraine and Alex, were ambitious people. They'd relocated from New York City to Houston in the sixties because my father had heard that Texas's largest city was not only diverse and welcoming but rich with opportunity. He'd heard correctly. Houston was booming. Back in the sixties, if you were a doctor and you showed up there, it was basically like, "Okay, we'll loan you some money; here's your house—away you go." My dad worked really hard to set up his practice, and he worked smart: he chose an office in a building that was literally right next to the synagogue, Congregation Beth Yeshurun. If your teeth weren't straight and you were Jewish, there was a pretty good chance my dad fixed you.

A number of professionals besides my father had offices in this building next to the synagogue: there was a dentist and an insurance guy and an eye doctor, among others, and many of them were Jewish too. Pretty soon my parents figured out how to buy a big part of the building, so they were leasing all these other people their offices. Not long after that my dad opened other offices around Houston, eventually becoming likely the city's most successful orthodontist—mainly by outworking everybody else. He was always calculating: where to put his offices, what days to be in which location, how to make things more efficient. Could you get another chair in this office? Did you need another assistant in that one? Did it make sense to bring a junior doctor into the practice?

In the meantime my mom was working full time as a mother to my two brothers and me and part time as a real estate broker.

Ambitious people.

My parents had a saying for when my brothers and I went out to play street ball with our friends: "Play nice but win."

My mom was a brilliant woman, with particular skills in mathematics and finance. I like to think she passed along some small part of her talent and curiosity to me. She was really the financial brain of the family. Not long after she and my dad came to Houston she began investing in stocks and real estate, and the investments did well—so well, in fact, that when I was in junior high school she got her securities license and became a stockbroker, first for E. F. Hutton, then for Paine Webber.

I was the middle son. Steven, two years older, was the brilliant one, studious and serious. He eventually became a very successful ophthalmological surgeon in Austin. Adam, five years younger than me and kind of an only child after Steven and I left home, was the family negotiator. Also an extremely smart guy, and also highly successful today. After going to law school, he went into venture capital, started a company or two, and then a couple of years ago created a personal-finance app that Goldman Sachs ended up acquiring, making him a partner in the process.

A quick story about the three Dell boys. There's a great private school in Houston called St. John's: admissions are very stringent. Steven applied to get into St. John's for seventh grade, and got in. Adam started there in kindergarten. I applied in fourth grade and didn't get in. I was a little self-conscious about it for a while—I remember thinking, "I guess I'm not good enough." But really it didn't bother me that much. I just kind of went on about my business.

And I was a busy kid. Very busy. At the rehearsal dinner for my wedding to Susan, my mom made a speech that began, "Being Michael's mother has not been easy." She smiled when she said it, and everyone laughed, but she meant it. She used to like to tell the story of me at age three—I have no memory of this, but she swore it was true—stealing my father's wallet and walking to the grocery store to buy candy. Now, this could've turned out very badly. But instead, one of my mother's friends saw me there eating the candy and asked, "Where's your mom?" "I don't know," I said. So she took me back home, but I figured I'd done something wrong, so I buried the wallet in the garden. The yard man found it a week later.

One time when I was six, I was excited about something and running all over the house and went straight through a plate glass window, cutting my leg very badly. There was blood *all* over the place. I remember asking my mother if I was in trouble. Dad wasn't home, so a neighbor who was a doctor drove me to the hospital while Mom sat with me in the back seat, holding my leg and telling me to stay awake. I had to go to school in a wheelchair for a month.

Another story: one day twenty years ago I was busy working at my office when my assistant came in and said a woman claiming to be my first-grade teacher wanted to come and see me. Now, unfortunately there were (and are) a lot of tricksters and people with less than admirable qualities who would say anything to try to get a meeting—the vast majority of people who claim to have just spoken with me yesterday in a continent I was not on are just BS artists. (By the way, this never works.)

Anyway, I asked my assistant to ask the woman what her name was. She came back in and said, "Mrs. Watson." Which actually was the name of my first-grade teacher. So we set up a meeting. Mrs. Watson asked if she could bring a friend of hers along. I said sure. So my first- grade teacher, who was now living in a retirement home in Austin, came to see me at my office with one of her friends. They were both maybe eighty years old. And as we reminisced about Woodland Hall School and as I was hearing her voice again after thirty-plus years, all I could remember was, “Michael, sit down! Michael, sit down!” I didn’t have the heart to tell her this.

I had an incessant energy and was going in all directions at once. When I was in second or third grade my parents sent me to a child psychiatrist, Dr. Pesikoff. I remember playing table hockey and doing puzzles with him. I later asked Mom and Dad why they’d sent me, and they said they couldn’t figure me out. (I was also a stutterer; my mom sent me to a speech coach around the same time.) The report back from Dr. Pesikoff was “the kid is fine.” He was more worried about my parents being able to deal with all my curiosity.

I was extremely curious, maybe the most so in the family. It was a trait my parents really encouraged in all of us. A lot of exploits other kids might’ve gotten punished for, they just smiled at. My brothers and I were always taking things apart around the house to see how they worked. My specialty was anything with electronics in it—telephones, televisions, radios. Most of the time I put them back together.

My parents weren’t into sports; we didn’t sit around on the weekend and watch the game. When my mom and dad talked, it wasn’t gossip or chitchat. They were constantly discussing the economy: What was the Federal Reserve doing? Where were oil prices and interest rates and currencies and the stock market? We had *Forbes* and *Fortune* and *Barron’s* in the house; we used to love watching Louis Rukeyser’s *Wall Street Week*. Even before my mom started working as a stockbroker, she had these huge Value Line books, with pages and pages of information on individual companies. I soaked it all in.

Houston was a total boomtown in the 1970s, and buildings were going up all over the place. Sometimes, as my family and I were driving along Loop 610, I would look out the window at all the shiny new buildings with flagpoles in front and think to myself that one day I would have a company and be in charge and have flagpoles in front. I didn't know what the company would do, but this is what I dreamed about.

As you might imagine, I was not an athletic kid. I collected stamps and baseball cards; Hank Aaron was an early hero of mine, but soon my heroes became businesspeople, especially entrepreneurs who'd challenged the status quo and built businesses out of nothing—people like Charles Schwab, Fred Smith (FedEx), Ted Turner, and William McGowan (MCI). People who I was reading about in those business magazines, and whose stocks I was following as they rose meteorically.

My true loves were business, science, and math. One of my earliest memories is of being enthralled with this old-fashioned Victor adding machine my father had, the kind with the hand crank. I loved the crisp metallic *chunk* it made when you turned the crank, the columns of numbers it printed on its little roll of paper. When I was in third grade I got a National Semiconductor electronic calculator, a big step up from the Victor. I was fascinated by the complicated problems this little machine could handle. By seventh grade I was in an advanced math class, and good enough at the subject that the teacher, Mrs. Darby, invited me to join the exclusive Number Sense Club. And one day, in the classroom where the club met, a new kind of machine showed up: a computer-teletype terminal.

It wasn't actually a computer—there was no CPU inside and no display, just a keyboard. But the other kids in the club and I discovered that you could type mathematical equations or very basic programs on this terminal, send them off to a mainframe somewhere, and an answer would come clicking back. It was the coolest thing I'd ever seen.

I usually rode my bike to school, and halfway between my house and school was the local RadioShack store. For a brief moment in time that now-vanished national chain not only sold police scanners, remote-controlled model planes, and helmets with sirens on them but also manufactured and sold more personal computers than any other company in the world. The TRS-80 was their pioneering machine. On my way home from school I used to stop at the store just to fool around with their display model. I'd hang out till they kicked me out.

It was the dawn of the microprocessor age, and naturally I was desperate to have my own computer. In Mrs. Darby's class I'd learned about *Byte*, this magazine all about microcomputers and microprocessors. I got a subscription, read every issue cover to cover, then read it again. One month there was a piece by the cofounder of Apple, Steve Wozniak, about the company's upcoming second entry into the personal computer market, the Apple II. "To me, a personal computer should be small, reliable, convenient to use, and inexpensive," Wozniak wrote.

He had my full attention.

The article that followed contained a detailed technical description of the Apple II. Unlike the TRS-80 (and the Commodore PET 2001, the third major entry in the brand-new personal computer market), Apple's new machine would have a color monitor. And unlike Apple I, Wozniak continued, Apple II would feature "more memory capability, a read-only memory (ROM) BASIC interpreter, color video graphics as well as point graphics and character graphics, and extended systems software." Not to mention (optional) game paddles.

I had to have one.

I begged, pleaded, and cajoled my parents to let me buy one. The list price was a steep $1,298—about $5,000 in today's money—but (I reminded my mom and dad) the beautiful part was that I could pay for it out of my own savings.

How did a thirteen-year-old happen to have that kind of money lying around?

Entrepreneurship was the air my family breathed. I discovered early that I liked to make money: I thought it was fun! So I went to work. Early. During the summers, when I wasn't at camp, I worked in my dad's orthodontic practice. I would sterilize the instruments and help prepare the office for all the patients each day. I liked going to work with Dad and seeing how many patients he helped: some of the cases were quite challenging. His work was extremely precise—he was very much the scientist at work, making calculations, planning and checking to make sure every patient had the best possible results.

At Camp Ramah in Wisconsin (this was when I was ten and eleven), I discovered that the camp library had a subscription to *The Wall Street Journal*. I used to hang out there and comb the pages of the *Journal* to check the prices of the stocks I'd invested in, as well as the gold, silver, and currencies I was speculating in.

Not kidding.

At twelve I got a job at the local Chinese restaurant, Four Seasons (no relation whatever to the hotel chain). I started as a dishwasher, then advanced to water boy, filling people's glasses. I guess I was good enough at that that I got promoted to assistant maître d'—they had me dressed up in this fancy outfit and I was seating people. I forget how much I was making, probably one or two dollars an hour. Seemed like a lot at the time.

And then, hand to God, a nearby Mexican restaurant, Los Tios, literally recruited me away. I guess somebody from Los Tios was eating at Four Seasons one night and thought I was doing a pretty good job maître d'-ing. They offered me a higher hourly rate, and I went for it.

I remember one time when I was working at Los Tios, a car drives up, and it's the immigration police. And all my colleagues vanished like that—ran out the back door as fast as you could imagine, and I'm the only one left. So these guys walk in, and I'm like, "Good afternoon, gentlemen. Can I get you a table?"

"No, we want to see who works here," they say. Very serious.

"Well, right now I'm the only one working here," I told them.

They stared at me. "Really? You're the only one who works here?" One of them went to look in the back. Nothing.

"Yes, just me," I said. "What can I get you?" Mind you, I was twelve years old.

My clothes would carry home pungent odors from my restaurant jobs. Sometimes my mom would make me strip off my outer garments in the driveway so she could hose me off before I was allowed to enter the house.

I also got a job at a coin and jewelry store, negotiating prices on gold coins that people bought and sold: the owner would give me a cut of each transaction. And I didn't just collect stamps, I sold them, at the stamp auctions I attended often as a kid—attended often until I realized that the auctioneers were taking a percentage of the proceeds. Why not (I thought) eliminate the middleman? I talked some of my friends into giving me their stamps on consignment, then, on a typewriter, I one-finger-typed a twelve-page catalogue listing their stamps and mine. Then I bought an ad in *Linn's Stamp News* advertising "Dell's Stamps," and mailed off xeroxed catalogues to everyone that responded. Sold a bunch of stamps, made pretty good money.

So I was sitting on some funds. And, all the while, begging and pleading and cajoling until my parents finally gave in. For my fourteenth birthday I was allowed to take almost thirteen hundred dollars of my hard-earned savings out of the bank and order an Apple II. I was beside myself with excitement waiting for it to arrive—days felt like weeks. Then one day I got a call from UPS saying the computer had arrived, but for some reason it was held up at the local warehouse. Delivery would take a while longer, nobody was saying how long. That was unacceptable. I made my father drive me over there to pick it up. When we got back home, the car had barely stopped moving in our driveway when I jumped out, carrying the precious cargo carefully, took it to my bedroom, unboxed the beautiful computer—it even smelled beautiful—and immediately took it apart to see how it worked.

My parents were horrified. And furious. But (I thought but didn't say) how could you understand it if you didn't take it apart? Assembled or disassembled, the Apple II was a beautiful thing. And one of the beautiful things about it was its open architecture: every circuit was on its own unique chip, so you could go in and start to play with these circuits and modify them. You could reprogram the BIOS (the Basic Input/Output System: the program, embedded on a chip on the motherboard, that controlled all the other devices inside the computer) and upgrade it.

This is amazing, I thought. *I can program my own computer*.

There was more. Back before the internet, before CompuServe or Prodigy or AOL, there used to be something called the Computerized Bulletin Board System (CBBS): using a Hayes modem (a brand-new invention at the time), you could dial in and communicate with people all around the country—learn and socialize and play games. That seemed super intriguing to me, so I bought a modem and set up a bulletin board of my own. But of course it wouldn't do if my mom or dad picked up the phone and heard modem tones instead of a dial tone, so it made perfect sense to me to call Southwestern Bell and ask them to come and install another phone line in the house.

Luckily for me, my parents were more amused than angry.

Word got around that I knew a thing or two about computers. I soon began tutoring kids in the neighborhood on how to get the most out of their Apple IIs. That became a pretty lucrative sideline. I also joined HAAUG, the Houston-Area Apple User Group—hundreds of techies getting together once or twice a month at a local library to talk upgrades and trade parts and swap stories. I would hang out with these guys (they were almost all guys) and get all kinds of ideas about how to modify my Apple II. HAAUG also sent out a dot-matrix-printed monthly newsletter, containing important information like the following:

> One of the least expensive (and thus surprisingly underpublicized) accessories for the APPLE II is the Programmer's Aid #1. The PA#1 is a single 2K-byte ROM chip which plugs into socket D0 of your APPLE. It contains a "library" of routines which integer BASIC users frequently need but don't always have easy access to. . . .

I was totally into all of it. At the group meetings I met a computer engineer in his twenties or thirties, a really smart technical guy. I thought, *OK, I'm going to hang around this guy and see what I can learn.*

And together we came up with something pretty cool.

At the time, developers were writing software for the Apple II, and the problem was that they'd sell one copy of the software, then everybody would copy it, and the developers would never make any money. All you needed was two floppy-disk drives: you'd put the software in one and a blank disk in the other, then type in a "copy" command. Educators were some of the worst offenders—they felt like, "Well, we're educators, so we shouldn't really have to pay for software."

So my engineer buddy and I invented a copy-protecting method. Every floppy disk had a certain number of tracks—I believe it was thirty-five. We figured out a way of programming the software so that it would write some data on a half-track, in between the tracks: when you ran the copy program, it would copy the data that was on the tracks, but not the half-tracks. Result: no copy. We went and sold this to a bunch of companies that were writing education software. It became a little business for a while, and we did all right.

Then I read that Steve Jobs was coming to Houston to speak to our user group.

It was the spring of 1980. Jobs fascinated me, not just as a computer pioneer but as an entrepreneur: I'd read about him in the business magazines, with the same intense admiration that drew me to the stories of Fred Smith and Charles Schwab, Ted Turner and William McGowan. Like those men, Jobs had started with little but an idea and an intense drive to bring that idea to fruition. And like them, he was succeeding in changing American business. Jobs was just twenty-five, and the company he'd founded with Wozniak seemed poised to go into orbit in 1980, on the cusp of its initial public offering and the introduction of the Apple III, which promised to be to the Apple II what the Apple II had been to the Apple I.

And Jobs in person was even more compelling than he was in print. When he entered the room at our meeting, it was as though the waters parted. He spoke with passion about how the personal computer—*his* personal computer—was revolutionizing the world. He spoke in soaring metaphors: "It's now possible, for the capital investment of a passenger train, to buy one thousand Volkswagens," he said. "The difference is that those thousand people have the freedom to go where, when, how, and with whom they want to go." With personal computers, he was saying—with *his* personal computers—people would have the capacity to accomplish the unimaginable.

I was fifteen and riveted. I couldn't have begun to imagine that in five years Jobs and I would be not only colleagues but friends.

My family's move from Grape Street to a fancier house in the Memorial neighborhood coincided with the beginning of my first year in high school. As you might imagine, an upscale school district would have a really nice high school, and Memorial High School didn't disappoint. It even had a computer lab, highly unusual at the time. Naturally I took a computer class. Mr. Haynes was the teacher.

Mr. Haynes was teaching us about programming—a subject about which I already knew quite a bit. And at that point in my adolescence, I wasn't shy about showing off my knowledge. The truth is, I was a bit of a smart-ass.

One day Mr. Haynes told the class, with some excitement, that he was going to write a program to create a sine wave using BASIC programming language and that we could all watch him and learn. Well, that wasn't news to me: I'd already learned how to program in machine language, which is like talking directly to the microprocessor and is a pretty complicated process. It was not an easy thing to do (I can't do it anymore), and I was proud that I had mastered it.

And so the moment after Mr. Haynes told the class of his plan, I spoke right up. There was a much better way than BASIC programming language to create a sine wave, I said. You could do it in machine language, I said, and it would be much faster.

Mr. Haynes shot me a dirty look. "Okay," he said. "Why don't you write it in machine language and I'll write it in BASIC, and we'll come back next Tuesday and we'll see whose is faster."

We came back the next Tuesday, and he ran his program. *DIT-DIT-DIT. DIT-DIT-DIT. DIT-DIT-DIT. DIT-DIT-DIT.* Sine wave.

Then I ran mine. *VROOP*—sine wave.

From that day forward, Mr. Haynes hated me. And I'm sorry to say that I didn't mind.

On August 12, 1981, IBM introduced its PC, the 5150, a flat beige-and-gray box with a boxy beige-and-gray display on top. It weighed in at a svelte 25 pounds and had a 4.77-MHz Intel 8088 CPU that contained 29,000 transistors. Stripped, the PC had just 16 kB of RAM and no data storage drive: the bare-bones model would set you back a mere $1,565 (about $3,900 today). If you opted for the standard version, with 64 kB of RAM (expandable to 256 kB) and a couple of 5.25-inch floppy drives, the price jumped to $2,880 ($7,150 today). Available software included the VisiCalc spreadsheet; a word-processing program, EasyWriter 1.0; and Adventure, the first game developed by a scrappy little outfit out in Redmond, Washington—a mere six years old at the time—by the name of Microsoft.

Yes, the Apple II had lots of games, but the 5150 was not only more powerful than Apple's machine but more serious. IBM's entry into the personal computer market was a big, big deal. For years, Big Blue had a dominance in the technology field unmatched by any other company; during the 1980s, IBM was by far the most successful and valuable company in the US. And the 5150's software was tailored specifically to business users, of whom, it turned out, there were a lot out there. As *Wired* magazine later wrote, Big Blue's entry into the personal computer market would "effectively sweep away the competition and effectively have the field to itself, for a while." (Mark those last three words.) IBM retailed the 5150 through ComputerLand and Sears, Roebuck; it sold sixty-five thousand PCs in four months, with a hundred thousand orders taken by Christmas. And with all due respect to the riveting Steve Jobs, one of those sales was to me. On August 12, 1981.

I became an instant IBM convert. The personal computer as business machine (*business machine*, after all, was two-thirds of IBM's name) was, I believed, the wave of the future. As soon as I took my 5150 apart—which of course I did immediately—I discovered a couple of striking things. First of all, as with the Apple II, the 5150s architecture was open: you could literally understand what every chip was doing.

The other thing I found when I disassembled the IBM-PC was that there was nothing inside from IBM! It was all parts from other companies. There was that CPU from Intel, and every chip was marked with the name of its manufacturer. I could just walk into RadioShack or another local electronics store and buy the chips I needed. And the PC's operating system, MS-DOS, was developed not by IBM but by that scrappy little outfit Microsoft.

There was just one exception to this odd made-by-others theme, only one thing that was unique to this machine: the basic input/output system. The BIOS. But all that outsourcing was very strange, I thought. It would later become apparent that IBM had created the PC quickly and with off-the-shelf components out of expediency, because they were secretly worried about Apple's inroads into the consumer and education markets. So instead of creating their own operating system, which they certainly knew how to do, and creating their own microprocessor, which they certainly knew how to do, they chose DOS from Microsoft and the Intel-8088. They were such a huge and powerful company, such an American institution, so completely synonymous with the word "computer," that I don't think they thought anyone would ever challenge them.

The summer between my sophomore and junior years at Memorial High was an eventful one, and not just because of the PC. For one thing, I now had my driver's license, which expanded my horizons dramatically. I was used to riding my bicycle all over Houston to go to stamp stores or my various jobs or Apple User Group meetings—sometimes I'd pedal twenty or thirty miles, clear across to the other side of town. But that got tiring, and sometimes it rained. Now I could really go places: my father let me use the old family station wagon, a massive, light-blue 1975 Oldsmobile Cutlass. “If you hit anything, you’ll probably be okay,” my dad said. “This thing is a tank.”

Driving also expanded my economic opportunities dramatically. That summer I got a new job: along with hundreds of other teenagers, I sold subscriptions to the (now-defunct) *Houston Post*, calling random people on the phone and trying to talk them into getting the paper. Being naturally ambitious, I wanted to sell as many subscriptions as possible. And almost immediately, I observed three things: first, that if you sounded like the people you were trying to sell a subscription to, they were much more likely to buy from you. I would talk to my prospects with a heavy Texas accent, strike up a conversation. Results often followed.

The second thing I noticed was that people who were moving into a new residence were more likely to subscribe to the paper. And the third thing I observed, kind of a corollary of the second, was that people who were getting married were much more likely to buy a subscription—maybe out of some kind of excitement at settling down and beginning grown-up life.

The beginning of a plan occurred to me.

In Texas, when you want to get a marriage license you have to go to the county courthouse to apply, giving the address you want the license sent to. And I figured out that under the Freedom of Information Act (FOIA), I, as a fellow Texas citizen, was entitled to go to any county courthouse in the state and say, “I want to see all the marriage license applications you received during the past year.” I clearly remember the first time I did it, at the Harris County courthouse, downtown Houston. The guy on the other side of the counter looked at me like, “Oh my God.” Then he said, “Are you sure?” Then he disappeared for what felt like an hour and came back carrying these huge books.

And I thought, *Jackpot.*

In one stroke I had gone from the hit-or-miss of cold-calling to discovering a gold mine of people who were way more likely than not to subscribe to the paper.

At first I had to sit there and write down every name and address. But then I realized I could bring in my trusty Apple II (it was much lighter than the IBM PC), plug it in, and type in all the info.

And then it hit me that there were sixteen counties surrounding Houston, they all had courthouses, and every courthouse had records of marriage applications. Jackpot times sixteen. I had wheels, I had a computer, and I had friends. So I hired my high school buddies to travel to all those courthouses and get all that info (some of them had their own Apple IIs that they could take along to get everything down, or sometimes they borrowed mine), and then I conducted a massive direct-mail campaign, sending subscription offers to every young married couple on that huge list.

Part of the building boom in Houston was that all these very large apartment and condominium complexes were going up. I would go to these places and say, “I’m from the *Houston Post*, and we’ve got this great offer where all your new residents can get the paper free for two weeks. Just fill out this little form.”

Between all the young marrieds and the new apartment dwellers, I made a little over $18,000 that summer.

A story.

In my junior year at Memorial High I took a class called Government and Economics. The teacher was Mrs. Miller, and like Mr. Haynes, she hated me. Why? I’m sorry to say I gave her a pretty good reason. From my first days in her class, my routine was the same: I would come in, go to the back of the room, sit down, and read computer magazines. I wasn’t doing it just to be a smart-ass; I was mainly doing it because I was bored—Mrs. Miller was talking about basic economics and government, which I pretty much already understood. But she didn’t know that; she just saw me apparently goofing off, and she got mad. Mad enough to call my father.

“Hey, your son isn’t paying attention in class,” she said. “Can you tell him to straighten up?”

“Have you given him any tests yet?” my dad asked.

Mrs. Miller said she hadn’t.

“Why don’t you give him a test, and if he doesn’t do well, call me back,” my dad said.

So she gave me a test, and I did very well. That didn’t endear me to her. But worse was to come.

A couple of months later Mrs. Miller gave the class an assignment: fill out your federal tax return for 1981. So I filled mine out and turned it in on the due date.

In the next class she handed back our graded assignments, and when she came to me—still sitting in the back of the room with my copies of *Byte* and *PC Magazine*—she stopped. She was holding up my tax return and sort of smirking. “It looks as though Michael made a big mistake on his return.”

Everybody in class suddenly got very interested.

She looked at the return. “It says here that you made over eighteen thousand dollars last year, Michael! My gosh! If that were true, you would’ve earned more than I earned in 1981!”

The room got very quiet. Then I said, “Well, that’s actually my tax return.”

If it was possible for anyone to hate me more than Mr. Haynes did, Mrs. Miller was that person.

Practically the moment I opened up my new IBM PC and looked inside, I thought, *How do I soup this thing up?* Thanks to my steady intake of *Byte* and *PC*, I had plenty of ideas. I really wanted to max the thing out. Internal modems were a brand-new thing—I had to install a modem. And the PC didn’t come with a hard drive: I had to put in a hard drive. And plenty of extra memory.

The new IBM user group I joined gave me even more ideas. The Apple group had been techy and wonky, but all kind of under the flag of that Apple spirit of artsy rebellion: arcade games and fantasy games—Wizards and Warlocks stuff—were a big part of the agenda. The IBM group was a whole different deal. Its members were engineers and scientists and businesspeople, and all people wanted to talk about was, How can we use this thing for business? I was fascinated by how empowering a tool the PC was. Until very recently, people had been using slide rules and calculators and pencils to figure things out, and suddenly there were spreadsheets and word processors. Suddenly an individual could calculate enormous amounts of data really quickly—it wasn't just the province of the data processing department.

I even found a new computer friend: his name was John Hart, and he worked as an engineer in Shell Oil's IT department. A super-nice guy, forty or so, and extremely knowledgeable. I'd go visit him at his office or go over to his house, and we'd talk about nothing but computers: How could we make our PCs more powerful? How could we use this program or that software for business? Everything we were looking at and thinking about was brand-new and exciting; it seemed as if the field had no limits. I was seventeen: a good time in life to savor limitlessness.

Then a miraculous thing happened: in June of 1982 the National Computer Conference, a major annual event, came to Houston. The ads started appearing in the newspaper in May: *Advancing Professionalism. . . . Eighty technical sessions. . . . More than 650 companies in some 3,200 exhibit booth units will provide you with a panorama of the industry's newest products and services!*

I couldn't have been more excited. The four-day conference was held at the Astrodome—or rather, in two centers adjacent to the Astrodome: the Astrohall (formerly the Houston Livestock Exposition Building) and the Astroarena, next door. Frankly, both facilities were kind of run-down, and the air-conditioning was just a rumor, and it was June in Houston—meaning, hot and humid as hell—and there were tens of thousands of attendees milling around and sweating, but to me it was like Disneyland. I saw so many beautiful things in all those booths: peripherals and terminals and systems and software. New horizons opened. Particularly thrilling was the elegant (and reasonably priced) Shugart ST412, a 10-megabyte hard drive which, because it had the same dimensions as a 5.25" floppy drive, could be mounted right inside my PC, in one of the floppy-drive slots. Ten megabytes sounds laughable now, but then it was gigantic. I had to have one. I got one.

After I souped up my PC, an interesting thing happened: the lawyer father of one of the kids I was computer-tutoring got wind of what I'd done with my machine and asked if I could do the same thing for his. An internal hard drive and more memory could really speed up his office operations, he said. So I tricked out his PC, and he was very pleased with the result. He paid for the parts and added a nice fee for my time—and since the whole operation only took me about forty-five minutes, it was very cost-effective work. The lawyer was pleased enough that he talked me up to a couple of the other lawyers and doctors he knew, and I got more work. Then an even more interesting thing happened.

One doctor called and said he wanted to buy an IBM PC for me to customize; what model should he get? I told him not to bother—I'd buy the computer, put in everything he needed, and sell it to him at a reasonable markup. That sounded fine to him. So I bought a new PC, ordered the parts I needed from the back pages of *Byte*, installed them, and delivered the doctor a Michael Dell Special. He was very pleased, and so was I.

Then it happened again. And again. Suddenly I was in business.

I was getting tired of driving that big boat of an Oldsmobile around, so at the start of my senior year at Memorial I went with my parents to a BMW dealership in downtown Houston and picked out a brand-new white manual-transmission 320i: a beautiful machine, an adolescent's dream of a car. When it came time to pay, the salesman naturally looked to my mom and dad, assuming that these well-off parents were indulging their spoiled son—and then I got to enjoy the shock on the guy's face when I took out a cashier's check for most of the $15,000-plus, and a wad of cash for the rest. I'd actually brought my parents along for backup, knowing that a seventeen-year-old kid might not be trusted to have that kind of money. I had it, and then some, thanks to my newspaper-subscription funds and my new custom-computer business.

Was it a little strange to take my mom and dad with me when I bought my BMW? It didn't feel strange to me. I was close to my parents; then again, any seventeen-year-old knows the mixed feelings that kind of closeness carries. I loved my mom and dad deeply, but to say they were involved in my life is to put it mildly. Steven was off at college; Adam, the straggler third son—just twelve at the time—seemed to be operating in a state of anarchy. So I had become my parents' focus. And there was a lot of focus. By the time I was a junior in high school I began to rebel. Between computer user groups and computer friends, not to mention all my various jobs, I had a lot going on, and my mom and dad were always bugging me about what I was doing and who I was doing it with and where I was going.

To the last question I had a stock answer: "Different places."

The truth is, as much as I loved my parents, and as cozy as living at home was, I couldn't wait to get the heck out of there.

I'd received my acceptance letter from the only college I'd applied to, the University of Texas at Austin, and my life was pretty much planned out for me: I would go and take premed courses and become a doctor. Didn't matter what kind, as long as I could hang out a shingle and Mom and Dad could say, "Oh, Michael—he's practicing internal medicine"—or whatever. I was going with the program, on autopilot. Meanwhile, there was this other thing, computers, that I was passionately excited about—and that I couldn't really tell my parents about, because it was so far from what they had in mind.

I was to graduate from Memorial High in May 1983, but that March I drove off to Austin to rent an apartment, with my own money—a life raft, an oasis of freedom a hundred and fifty beautiful miles from home. In the back seat of my BMW were three souped-up IBM PCs, and in the trunk there were two more.

3

GOING PRIVATE (IN PRIVATE)

CEO: a big, important-sounding title. *Founder and CEO*, even more so. Right?

Sort of.

The truth is that CEOs of public companies, and even founder-CEOs, serve at the pleasure of their stockholders and boards of directors. The board has duties to the shareholders; the CEO reports to the board. The board sets the CEO's salary, oversees his or her activities; the board has the power to fire him or her.

There have been numerous examples of chief executive officers running afoul of their shareholders and being removed by their boards. Now and then it's even happened to big, important company founders—we don't have to look any further than Steve Jobs getting kicked to the curb by Apple in 1985.

So in setting out on my quest to take Dell private, I was under no illusions. I didn't feel invulnerable or all-powerful. I never thought for a minute that I was operating on my own or with impunity. I was answerable to our board, and once the news of my effort went public, the stockholders would weigh in too.

The board had given me permission to begin discussions with private equity firms. I also needed to find out which bank or banks could help finance the deal. And—urgently—I needed to keep all these discussions as confidential as possible. Typically, when big deals leak before they're announced—and this was going to be an extremely big deal—those deals have a much smaller chance of actually occurring.

When a big deal leaks, there's suddenly a story out there that may or may not be accurate—and there's little you (meaning me) can do about it. You pretty much have to say, "No comment." You've lost control of the narrative. You don't have a deal yet, you don't know if you're going to have one, and anything you can say is likely to be misconstrued, jeopardizing the possibility of a deal. When you do officially announce, you deploy a vast array of communications: to investors, team members, customers. You can explain the deal. You can reassure everyone who's affected—and this means many, many people—that their interests are going to be enhanced by the deal. You can give everybody comfort about what's about to happen.

When there's a leak, you can't do any of that. A leak creates worry and turmoil and potential morale issues among the team. There's a real risk of losing people who get worried about what their place is going to be. And there's a real risk of losing customers to competitors who stir up FUD—fear, uncertainty, and doubt—about your company.

When you take a company private, you're basically putting it up for sale. I wanted—needed—to be the one who wound up buying Dell, together with one or more private equity firms: whoever would offer the highest price to our shareholders. But in putting the company up for sale, it wasn't outside the realm of possibility that someone might try to grab my company away.

My company. It was a paradox: I couldn't really say Dell was mine because it was a public company: I owned less than 16 percent of the outstanding shares. But I'd started it, so I couldn't help thinking of it as my company. I felt—you might say—a certain affiliation with it.

On September 13, 2012, the special committee held a conference call to listen to our CFO, Brian Gladden, talk about management's projections for Dell's future financial performance. Representatives from Debevoise &

Plimpton, the firm the committee had retained as its legal adviser, were also on the call. I was not.

Brian (as the SEC's detailed proxy statement would later note) presented the updated outlook for fiscal year 2013, which reflected the disappointing numbers and rough consumer environment we'd taken note of in July. But he said that other than modifications necessary to reflect this harsh new reality, management projections for the company through fiscal year 2016 remained unchanged.

The special committee begged to differ.

The committee asked Brian to revise the plan to reflect a less rosy projection of Dell's future financial performance. They also asked him to extend the forecast out to fiscal year 2018, to give potential bidders for the company enough information to conduct valuation analyses.

The committee then met in executive session—no Brian, no me—to discuss management's projections. As the proxy statement later read: "Given the uncertainty regarding the Company's future performance and the difficulty experienced by the Company's management in meeting its estimates over the prior fiscal quarters, the Special Committee decided to continue to explore potential strategic alternatives, including continuing to execute management's long-term plan and remaining as a publicly held company, potential changes to that plan, and adjustments in the management team."

In plain English: all possibilities were on the table. Including staying public—and including the possibility of replacing me.

This wasn't war. This was corporate governance working the way corporate governance was supposed to work. I'd always had an open, transparent relationship with the board: I liked and respected every member, and I'm pretty sure they all felt the same about me. I never wanted to be the gatekeeper of information or access. I'd always told the board they could and should talk to anyone at the company they wanted to talk to, anytime, about me or anybody else, or about anything at all. But the board's ultimate loyalty was to Dell Inc. and its shareholders, not me. This was especially true of the new special committee, which essentially had one task—to watch like a hawk every possible development as I attempted to take the company private. They conducted that task with focused determination.

And so the meetings continued: meetings upon meetings. Meetings with me, meetings without me. Meetings about holding further meetings. Some were purely procedural; some turned out to have real significance.

As summer turned to fall I kept wondering what was taking so long. If the special committee really thought we shouldn't go private, couldn't they just say so? We could all get back to doing what we'd been doing and go on about our business. But the committee, to its credit, was being extremely thorough.

A few days after that conference call we had a board meeting in, of all places, Shanghai. Every so often we would convene at an international location that was important to the company, and China was (and still is) certainly that. We did a huge amount of business there, including lending our name to some twelve thousand partner stores that sell our products. (The Dell logo, with its distinctive tilted *E*, is instantly recognizable even in countries that don't use the English alphabet.)

Soon after we arrived, I asked Alex Mandl if we could have a chat.

We wanted to be quite careful about electronic surveillance—we were in China, after all—so we decided to stroll around the hotel, outdoors, while we talked. And I wanted to be careful about showing my frustration at the length of the process, but at the same time I couldn't completely hide it. So as politely as possible, I asked Alex, in essence, "How long does it take to figure out whether we can go private or not?"

Alex is a strong man, a corporate leader himself—before leading Gemalto he was CFO and COO of AT&T—with Old World manners and a slight accent from Austria, the country of his birth. He was well aware of his responsibilities as lead independent director on our board, and especially as head of the special committee, and so he responded to me: "Michael, we are taking every possible measure to ensure that the stockholders are well served by whatever results from this process."

It'll take as long as it takes, Alex was telling me. In essence.

I pestered him. Politely. He parried my questions, politely. Gentlemen, the two of us. We strolled around the hotel and when we went back inside I knew nothing more than I'd known when we started.

Meanwhile, unbeknownst to me, the experts the special committee had retained were delivering some pretty apocalyptic assessments of the state of Dell.

At one key gathering in September (I was not invited), J. P. Morgan, the financial adviser the special committee had retained, said that although the leveraged buyout market was strong, they doubted anyone would be interested in buying Dell, given our large market capitalization, our significant exposure in the ever-worsening PC market, the recent decline in our operating performance, and—by the way—the absence of any stated third-party interest in acquiring the company over the past couple of years.

In meeting after meeting, I later learned, the experts kept hitting the special committee with what they felt was stark realism about the prospects of Dell's foundational product and cash cow for decades, the PC. The PC was dead. Or dying. Or, at best, flatlining. Industry analysts were predicting, as (again) J. P. Morgan told the special committee in early October, that "the PC market would remain flat due to cannibalization of PC usage resulting from increasing adoption of tablets and smartphones."

Cannibalization!

And if one were to make the argument—as I had been trying to do—that we weren't really even in the PC business anymore, that we were shifting to end-to-end IT solutions, software and services. . . . Well, the experts the special committee had hired were telling the committee, in low, serious voices, that there were grave risks in relying on that declining PC business to fund the growth of our new businesses.

If you listened to the experts, in other words, we were pretty much screwed.

But I didn’t think we were screwed; not at all. The whole reason I’d first thought about going private back in 2010, and the reason I was all in on it now, was that where the world (and the stock market) saw vulnerability, I saw opportunity. Where the experts saw gloom and doom, I saw thrilling possibilities. I knew that opportunities often come from looking at things differently—from having a contrarian perspective. It would have been unimaginable for me to move ahead with a go-private if everybody, including industry forecasters, was saying, “The PC is going to be fine.”

Yes, PC sales were not doing well in the second half of 2012. I felt that was happening partly because Microsoft was about to introduce its newest operating system, Windows 8, and people were waiting to see if it was any good. Demand often paused before a new version. But I was highly optimistic.

Yes, smartphones and tablets were the bright, shiny objects of the moment (and Windows 8’s user interface had been specifically designed to work well with tablets, including Microsoft’s own Surface tablet, their answer to the iPad). But I believed that those devices, as sexy as they might have been, were not going to replace the PC—they were going to add to it. People might bring their personal devices to the office, but I thought that the PC’s value as the essential productivity tool, especially in the business market, was solid. I believed that customers would read on their smartphones (and to a lesser extent, on their tablets) and work on their PCs.

So while PC sales were down for a time, I felt this wouldn’t last. I thought that while customers could delay replacing older PCs for a little while, they wouldn’t do it forever. I believed we could create new products compelling enough to drive the replacement cycle once again.*

Jeff Clarke agreed. Jeff, our vice chairman, was as close to a cofounder as I had. He’d joined Dell as an engineer back in 1987, just three years after founding, when we had only 150 team members—a merry band of mercenaries and misfits—and he had risen through the ranks by virtue of his technical expertise. He quickly distinguished himself as a brilliant engineer by leading the design of successive generations of our desktop products with a superior attention to detail, speed, and execution focus. He had an uncanny ability to design motherboards that were nearly flawless, or really flawless, from the get-go.

And then he had another quality that emerged quickly: tactical brilliance.

At first glance, Jeff was a good ol' country boy from San Antonio, an air force brat rough around the edges and maybe between the edges too. But that was just at first glance. In reality he knew our business as well as or better than anyone. He was also a straight shooter, constitutionally incapable of telling the boss what he wanted to hear just because the boss was the boss. One of the greatest fears faced by anyone who succeeds is living in a bubble of good news and hearing just what you want to hear. Jeff Clarke was (and still is) one of the people who made sure that was not the case.

But when I told Jeff about my intention of taking the company private, he was incredibly excited. Like me, he loves victory*: Play nice but win.* We both saw going private as a way of liberating the company—of reinvigorating the entrepreneurial spirit of the company's origins, of getting much more aggressive on gaining share, of investing in R&D and adding sales capacity.

"Does this mean you'd unleash me to be competitive again in the PC business?" he asked.

"Absolutely," I told him.

He grinned like a kid on Christmas morning.

PCs were Jeff's main lane, his technological true love—the greatest general-purpose business productivity device ever created, in his view. (In mine too, of course.) And as head of products and operations, he'd felt the financial pressures of the quarterly shot-clock as acutely as anyone in the company. He knew instantly that going private would mean changing Dell's competitive posture from offense some of the time to all the time.

Operating as a private company would give us the freedom to price our PCs and servers more aggressively. Yet lowering prices alone won't help you if you don't have a relationship with the customer. Going private would free us to hire more salespeople and expand our relationships with channel partners to sell more products to both existing and new customers of all shapes and sizes. Building sales capacity has often been key to our growth in market share.

Going private would also allow us to increase R&D investment, which would drive innovation, creating new products, services, and solutions. But going private was looking like more of a challenge with each passing week.

And then there was life itself. Our four kids were growing up, and we were proud of each one of them. That fall, our oldest, Kira, was starting her sophomore year at Vassar College, focusing on international studies and mastering a few languages. Our second daughter, Alexa, was working hard in the Non-Degree Special Students Program within the School of General Studies at Columbia University. Our twins, Juliette and Zach, were sixteen-year-old high school sophomores, still living with us in Austin. Juliette, who'd been competing with her Arabian horses since age four and had won several National Championship titles, had just begun showing American Saddlebred horses and was preparing for her first competition at the World Championships. Zachary had already shown his aptitude for business by starting a successful summer camp during high school and was beginning to work on his next idea for a business venture.

On the other end of the generational scale, things were pretty tough. In 1984, when I first started the company, my mom, always a dynamic woman, began to experience prolonged periods of intense fatigue. She went to see her doctor and was diagnosed with non-Hodgkin's lymphoma. Then, after long bouts of difficult treatment, she went into remission. We were all thrilled, and grateful.

But in 2009 the disease returned, and this time it didn't go away. Mom's condition worsened steadily, and by fall of 2012 she was in a fight for her life. Susan and I were going to Houston every couple of weeks to visit her, trying to put the best face possible on things with her and my father and our kids, acting as cheerful as we could. Every time we left, though, it felt as though the world was crashing down. I tried to stay as hopeful as possible, and I compartmentalized.

Some people brag about their ability to multitask—I'm not sure how well I can do that, but one thing I know I'm good at is compartmentalizing. When you're leading a team with 110,000 members, focusing intensely on one thing at a time really is a survival skill, and this was a period when the stakes were unusually high. I had to lead the company, reassure the troops, oversee our ever-expanding slate of acquisitions, travel to our locations around the world, and be a father, husband, son, and brother—all while keeping an absolute secret lock on my plans for taking Dell private.

It was difficult and awkward, to say the least. I couldn't talk to my mother and father about it. I couldn't talk to my kids about it. I couldn't talk to my brothers about it. There were just a handful of people within Dell I could take into confidence. My wife was really the one person I could tell everything to, and thank God for her—in so many ways, but especially at this moment.

We talked, through long walks and bike rides: talked through every angle of this thing. At first Susan didn't understand why I was taking this on at all—Why mess with success? was the way she felt about it, and not just because she's my ever-supportive life partner. She understands business: when we met back in 1988, she was working for Trammell Crow, which at the time was one of the most successful commercial real estate companies in North America. Susan was an industrial leasing agent, and she was good at it; she had a head for it.

And so when I told her about the company's transformation, about the acquisitions that cost a lot but could blossom into so much more, about my optimistic view of the future of the PC, she saw at once what I was talking about—and knew how wrong all the naysayers out there were. There were a lot of them, and they were very authoritative and opinionated, and if you wanted to see how influential they were, all you had to do was look at the price of our stock.

And Susan understood that while they were authoritative and opinionated and influential, they were wrong. So we kept walking, and we kept talking.

The data room. It sounds mysterious, like something out of a spy movie—but in reality it's much geekier: a secure online shared storage area, kind of like Dropbox or Google Drive, where documents are placed so that different parties can sign in and read them. That fall we created a data room containing tons of information about Dell, including historical financial information of all kinds, plus an overview of all aspects of the business—products, customers, operations, supply chain. Both Kohlberg Kravis Roberts (KKR) and Silver Lake Partners (SLP)—still not knowing of each other's interest—were given access. They studied up on us, and in early October we had due-diligence meetings with each, first KKR, then SLP, a week apart.

To help keep the meetings as confidential as possible, we held them at my house in the hills of Austin, in a conference room on the first floor. It's a big room with a long table and wide windows that have a nice view toward the city in the distance. You can see the Main Tower of the University of Texas; you can see the J. Frank Dobie residence center, the high-rise dorm where I lived during my freshman year. Funny thing—if you go to my old dorm room, Dobie 2713 (as I have), the window literally looks straight across miles of Austin landscape to this house. I can remember gazing out that little window in my cinder block dorm room and thinking, "Man, I'd like to live up in those hills one day—that looks pretty good."

The two meetings were similar yet quite different.

In both the dress was business casual, the atmosphere friendly and collaborative. After all, if either firm's offer was successful, we would be getting married as partners. Both SLP and KKR came with a list of key questions or topics they wanted to discuss. We, as management, were there to answer each firm's questions and help them understand the business well enough that they could fully develop their offers.

About a dozen people attended each meeting: from Dell, besides me, it was CFO Brian Gladden; our general counsel, Larry Tu; our controller, Tom Sweet; Jeff Clarke; and our VP for operations finance, Jeff Likosar. The special committee sent along a lawyer from Debevoise Plimpton and a banker from J. P. Morgan to monitor legal and financial developments. And each suitor firm sent about five people. In the first meeting, George Roberts led off the questioning for KKR. George and I had talked so many times at this point that we jumped right in.

KKR mainly wanted to know how our financials would look moving forward. Would we be able to recapture the market share that had eroded? What was our view for the future of the PC? What did we expect in terms of future cash flows? And how were we working to transform the company?

When Silver Lake came, a week later, they were certainly interested in our financials—but there was more, much more, that they wanted to talk about. Unlike KKR, SLP was a technology-focused private equity firm. And everyone at the meeting, including Egon Durban, came from SLP's Silicon Valley office. They all understood technology very well; they spoke our language.

From the outset, it was clear that the Silver Lake team understood aspects of our business that KKR had barely asked about: the importance of acquisitions, the value of intellectual property, the nature of operating-system cycles. Because they'd been born as a technology-focused private equity firm they actually knew something about technology. So when we talked about virtualization or microprocessors or NAND-flash (a type of nonvolatile storage memory that doesn't require power to retain data) or any kind of intricate thing in our industry, they would understand exactly what we were talking about.

And Silver Lake knew what I knew: that even if Windows 8 didn't do as well as I expected, Microsoft would eventually create a version that customers wanted—and our PC business would rebound accordingly. They understood how building sales capacity and adding new customers would work for us. And when we talked about how new developments in cloud, storage, security, and the Internet of Things, aka IOT (interrelated computing devices operating without human interaction) would affect our product strategy, the SLP team understood far more of what we were saying than KKR appeared to.

On October 23, twelve days after the Silver Lake meeting, both KKR and SLP submitted preliminary nonbinding proposals to acquire Dell Inc. KKR proposed a purchase price of $12–$13 per share for all our outstanding shares, other than those held by me and Southeastern (all of which they assumed would be rolled over in the transaction) and contemplated an additional $500 million investment by me. Silver Lake proposed a purchase price of $11.22–$12.16 per share for all our outstanding shares, other than those held by me (again, all of which they assumed would be rolled over in the transaction), and indicated that I was the only party they were interested in partnering with.

I felt both firms could do considerably better.

My job as CEO, after all, was to do everything I could to increase the value of the company on behalf of all the shareholders. And so, by letter and in subsequent meetings at my house, I encouraged KKR and Silver Lake to improve their offers. I stressed every detail about Dell's ongoing transformation that might've been omitted or underemphasized at the due-diligence meetings. I asked each firm to put forward its best possible offer, knowing that the board would reject any offer it felt was inadequate.

In the meantime, the special committee retained a major firm, Boston Consulting Group (BCG), to explore those potential strategic alternatives they kept talking about.

Also in the meantime, Windows 8 came out.

To say the least, Microsoft's vaunted new operating system performed contrary to my expectations. The hoopla had been all about the new tablet-oriented user interface: as it turned out, users hated the user interface. "It's the Edsel of operating systems," a reviewer for PC-Mag.com wrote. "No one is sitting on a computer saying, 'Wow, I cannot wait to upgrade to Windows 8!' " PC sales went from bad to worse. And though Dell Inc.'s cash flow was pretty strong—$3.2 billion for the trailing twelve months—our earnings were hurting.

Now, part of the reason for this was that we were in the midst of our transformation—we were investing in all these new areas that we believed in deeply. But investors were saying, “Why are you investing in these new areas? They’re not generating any earnings! Plus, you’ve got this PC business that’s struggling—we don’t really think much of the company.”

On November 15, 2012, our financial results for the third quarter of the 2013 fiscal year came out. The numbers weren’t pretty. Our revenue of $13.72 billion was $260 million below the midpoint of the third-quarter guidance range we’d projected in August.

The following day, the market price of Dell common stock fell 7.3 percent, to $8.86 per share.

A whole bunch of different emotions were swirling around in me. In one way, I’ll admit—I’m human!—I felt abandoned by the public shareholders. It seemed like they’d just totally missed the whole thing; they didn’t understand what we were doing. They didn’t appreciate the company. They didn’t value it correctly. In my worst moments I’d say, “They’re too stupid to work here.” I probably shouldn’t admit that—I apologize, Dell shareholders!—but at the time, with so much going on, my compartmentalizing skills notwithstanding, my feelings were pitched high.

It should be pretty clear to you by now that I’m an optimist by nature—basically, I just feel it’s a better way to live than the alternative. You don’t start a company if you’re not an optimist. (A healthy appetite for risk helps too.) I believed absolutely in our transformation; I knew in my bones that this bargain-basement stock price didn’t represent a nadir in our fortunes but an amazing opportunity. I reemphasized my strong opinions on both counts to KKR and Silver Lake, but both firms were having reservations, if not second thoughts, about what (in the Dell proxy statement’s words) was becoming a litany: “the Company’s recent failure to achieve its projections, the increasing weakness in the PC market, the Company’s loss of market share in emerging markets, and the execution risks associated with evolving into an ESS [enterprise software and services] provider."

Four days after Thanksgiving, Silver Lake gave me a draft revised proposal with the proposed purchase price left blank. Four days after that, KKR did the same. This in itself wasn't very significant: all it told me was that both firms were still on board and running the numbers. And I had committed to contributing my shares—at that point, 15.7 percent of the company—at whatever price a successful suitor was willing to pay.

On the last day of the month I called the head of the special committee, Alex Mandl, and told him that I was more enthusiastic than ever about going private. I also told him that I could supply as much additional equity as might be needed for the transaction. At the same time, both Alex and I knew that there was a ceiling to how much equity I *should* contribute.

Dell Inc.'s spectacular run of success over twenty-eight years—which really means the spectacular success of an amazing and ever-expanding team—had made many team members, and me, very well-off. In theory, I myself could've provided all the equity necessary to buy back my—excuse me, *the*—company. But that would've created all kinds of potential legal problems. If I alone were setting the share price for the go-private, it wouldn't be viewed as a clean price discovery, because I am the ultimate insider. With nobody investing from the outside, the board wouldn't have anything to compare my offer to.

On November 29 I met with Boston Consulting Group. The top executives of this company and I had crossed paths many times—but these were not the top executives. I recognized nobody in the room. Still, I realized that the special committee had placed its faith in them as advisers, and I gave them the respect they deserved. I presented my glass-half-full view of the transformation; they showed their most serious faces, revealing nothing. They asked some pointed questions about Dell's ability to cut costs and regain market share. I expressed my deeply held belief that these were hills we would be fully able to climb after going private.

And then the meeting was over, in one hour flat. The consultants didn't want me for two hours, or three; nor did they ask to meet again. That was the last I saw of them.

And as of December 3, there was one less offer.

That day, George Roberts called and said that KKR was not going to submit a second offer for Dell. The reasons he gave were no surprise: the downward trends in the PC business; industry analysts' worries about the competitive pressures Dell faced—pressures that KKR believed to have been validated by our disappointing third-quarter numbers. No hard feelings; it was just business. George wished me a lot of luck, and I believed he meant it.

Was I disappointed? I'm human; of course I was disappointed. But I didn't need ten private equity firms to help me go private, I thought; all I needed was one.

The next day, Silver Lake submitted an updated nonbinding proposal to acquire the company for $12.70 per share.

Two days later, December 6, I met with the entire board, including the special committee. First, Alex Mandl updated everyone on the committee's work, and the contributions of J. P. Morgan and BCG, both of whom—no surprise—were continuing to hold a skeptical view of the go-private. Then I gave a presentation.

This was my board; I was their chairman. And yet I had put a gap between them and me; I had introduced new ideas, debatable ideas, ideas that were frightening to some people, into what had been a steady (if problematic) state: a very large, very prominent global corporation with growing pains. I was the captain of the ship—someone who was looked to for direction and certainty, but now, someone who had created uncertainty. I was well aware of my role and my responsibilities. I needed to speak with certainty, to reassure. But I felt sure. And so I spoke calmly but passionately about my conviction that taking the company private was the best possible course for Dell, for our stockholders, for our customers. And I told the attendees what I planned to do once we'd gone private.

I said that we would extend the company's enterprise software and services capabilities through significant investments in research and development and additional acquisitions.

I said that we would hire large numbers of additional sales personnel.

I said we would expand in emerging markets.

I said we would invest significantly in the PC business.

These steps, I said, were the sure path forward. And yet if we undertook these initiatives as a public company, I knew—and everyone in the room knew—that they would be poorly received by the stock market because they would reduce near-term profitability, raise operating expenses and capital expenditures, and involve significant risk.

A go-private was in the best interests of Dell's stockholders, I maintained, because they would receive a portion of the potential upside from these initiatives in the form of a premium for their shares without bearing the risk and uncertainties related to executing the initiatives.

Finished with my pitch, I nodded once and looked at the familiar faces around the long table. Their expressions were noncommittal. They had questions.

Why was Silver Lake the right partner for this process? Should the board try to bring in another suitor or two while the discussions were still private? Or, at the risk of unleashing forces we couldn't anticipate or control, should we go public with the plan?

I reiterated my belief that SLP, with its tech roots and expertise, would be a superb partner. On the other hand, I said, I was completely open to considering any suitor the board might want to introduce. Going private was a monumental step, as everyone in the room knew well. No option for getting the best possible deal for our shareholders should be overlooked.

But what if, after all of this, a deal simply couldn't be made?

"I'm ready to stay on as CEO if we stay public," I said. "I'm ready to stay on and try to execute as much of my plan as possible under those conditions. But I can promise you this—the market won't be happy, and neither will the stockholders."

December 2012 was an eventful month, to put it mildly. (Little did I know that the coming months would make that December look placid.) As the special committee and its advisers, and my executive team and I, considered every possible angle of the go-private, everything proceeded under the strict rules of legal and financial propriety. Yet powerful feelings, all around, churned beneath the surface layer of corporate correctness.

The day after my presentation to the board, Alex Mandl, on the recommendation of J. P. Morgan, which felt it was important for this process to have more than one potential sponsor, contacted the private equity firm TPG (Texas-Pacific Group) and invited it to make a proposal to acquire Dell. TPG agreed to consider making a proposal, signed a confidentiality agreement, and was granted access to the data room. On the eleventh I met with a group of TPG partners at a law office in downtown Austin to describe Dell and our transformation-in-progress and to answer their questions. They were smart, they were sharp; still, in my heart of hearts I still felt Silver Lake was the only firm that really spoke our language. But—

The day before, December 10, Mandl told Silver Lake that its offer price of $12.70 was too low, and that the special committee would only allow SLP to continue in the process if SLP made a materially higher offer. Egon Durban then asked the committee's permission to seek financing from Microsoft. Alex told Egon he would discuss the request with the committee and its advisers. When one of the lead attorneys from Debevoise contacted Egon that afternoon to discuss the Microsoft request, Egon said that Silver Lake would not continue in the process unless it was permitted to talk to Microsoft.

The next day—as I was meeting with the TPG partners—the special committee decided to allow SLP to discuss debt financing with Microsoft and a small number of banks, provided that all parties signed confidentiality agreements. Over the next couple of days, Dell entered into confidentiality agreements with Royal Bank of Canada, Credit Suisse, Barclays, and Bank of America Merrill Lynch, and a meeting between Silver Lake, me and my team, and the banks was set for December 17.

I flew to New York on Sunday evening the sixteenth, arriving in time to have dinner with Alexa.

The meeting took place at 8:15 the next morning in Silver Lake's offices in the slope-fronted glass tower at 9 West Fifty-seventh Street. It was a cool, foggy day in Manhattan; the city was packed with holiday shoppers and sightseers. We met in a massive conference room on the thirty-second floor, and there were a lot of people present: besides me, Brian Gladden, and Egon and his team, each bank had brought around a dozen people. There was a bevy of lawyers. And as I looked around this crowded room, I felt scared.

Not scared of anyone present, or of anything that was about to happen at the meeting. That was all good—it was moving the process along. No, what frightened me was that I found it absolutely impossible to conceive that among this crowd of principals and ancillaries, some knucklehead wouldn't breathe a single word about the proceedings afterward to a wife, a husband, a girlfriend, or boyfriend.

It seemed highly probable to me that news of the meeting would leak, and that if it did, the go-private would almost certainly wilt on the vine.

But it didn't happen. There was no word that week or the week after. After the big meeting, I flew directly back to Austin and had dinner with David Bonderman, the cofounder of TPG, and John Marren, his head of technology investments, to talk about the possibility of their partnering with me. They had the kind of questions I'd anticipated; I had good answers. The atmosphere was low-key and cordial. But a week later, Jim Coulter—David's partner in founding the firm—and Marren called me to say that for a variety of reasons, including the size of the equity check that would be required and their concerns about the bank financing, they were not going to submit an offer for the company. I called Alex to let him know. I would later find out what had really been bothering TPG: that old chestnut, the decline in the PC business, not to mention the decrease in our operating performance.

So we were back down to one suitor. And talks between Silver Lake and the special committee, talks to which I was not privy, continued to ping-pong back and forth, back and forth.

The holiday season came and went. On January 2, 2013, as I later found out, BCG's consultants met with the special committee and delivered a pessimistic financial forecast for Dell. Of particular concern to them was our end-user computing (EUC) business—PCs, monitors, and other accessories. The consultants projected a continuing shift in the overall EUC market from the so-called high-margin premium segment, where we had been the undisputed leader for a long time, to a lower-margin segment—namely, cheaper PCs manufactured in Asia. They also predicted that the EUC market in toto might decline by as much as $10 billion over the next four years. They voiced a concern that Dell's relationships with existing customers and vendors could deteriorate as we continued to transition to other businesses. And for good measure, they reminded the committee that although, over the past four years, we'd used some $11.4 billion of our cash resources to fund acquisitions in enterprise software and solutions, 65 percent of our revenue still came from our EUC and EUC-driven businesses—the very businesses they were so bearish about.

Happy New Year!

And yet. Two days later, on January 4, all four banks we'd met with—Royal Bank of Canada, Credit Suisse, Barclays, and Bank of America Merrill Lynch—came back with strong offers and full support for the go-private. Soon Microsoft would commit to partnering with us in a go-private, with a loan of $2 billion. Strictly speaking, we didn't need their loan, but the way it was structured allowed us to lower the interest rate on the money we were borrowing from the banks.

It seemed we were on our way. I spent the next week feeling quietly confident.

Then, on Monday, January 14, the proverbial substance hit the proverbial fan.

“Dell Inc., the personal-computer maker that lost almost a third of its value last year,” Bloomberg News reported, “is in buyout talks with private-equity firms, two people with knowledge of the matter said.”

Two knuckleheads who’d been in the big meeting at 9 West, in other words. Or two knuckleheads who were close to some knuckleheads who’d been in the meeting.

Our stock rose 13 percent in a single day, to $12.29 a share. Rumors began to fly. Who were we going to partner with? (One of the unnamed sources mentioned Silver Lake and TPG, which of course was half right.) When would a deal be announced? (One of the sources said possibly as early as that week, which turned out to be considerably premature.)

But in a certain way it didn’t matter what the details were. Our go-private was now thoroughly public, and the seeds of chaos had been sown.

4

START ME UP

It was the summer of 1983, and I had time on my hands. A lot of it. Kind of new territory for me.

Some kids take the summer off after they graduate high school, to smell the roses before moving on to the serious business of starting college and beginning to grow up. A lot of kids I knew from Memorial High spent much of that summer going down to San Marcos and tubing on the river.

As you can probably guess by now, this wasn't my way. It's not that I was averse to having fun; it's just that I had a different idea of fun than most kids my age.

I didn't have a summer job per se that year. To all appearances (and as far as my parents knew), I was idle, a rising UT freshman tooling back and forth between Houston and my new apartment in Austin in my beautiful white BMW—a nice car for driving fast, and I loved driving fast.

But there was another car that came in much handier for the businesses I'd started. That's *businesses*, plural.

It was a hand-me-down from my parents, a 1978 Cadillac Coupe de Ville—maroon, with a color-coordinated vinyl half-top, very classy. A big hunk of Detroit iron from a time when Detroit was proud of making big cars. It drove like a cabin cruiser—not exactly nimble, but directionally correct. Forget about fuel economy: this boat got gallons per mile.

Why would I have bothered with that big old car, a vehicle most eighteen-year-olds would've been embarrassed to be seen in, when I owned a brand-new Beemer? (Not to mention the fact that maroon was the school color of UT's longtime rival, Texas A&M.)

I loved that Cadillac *because* it was big.

I was still upgrading IBM PCs: still buying disk drives and hard drives and memory chips and installing them in the base-model IBMs that I bought at retail, then selling the improved computers for a profit to doctors and lawyers and architects. As soon as I arrived in Austin I'd started putting little ads in the local paper, and I got responses right away, which provided me with the working capital I needed to buy more PCs to meet what appeared to be an ever-growing need. And that Coupe de Ville came in very handy for transporting the raw stock I needed to meet that need—new IBM PCs, which came in pretty enormous boxes. But the enormousness of the boxes was matched by the cavernous size of the car's trunk, which could hold three of those bad boys, and the back seat, which, after you slid the front seat up as far as it would go and tilted the seat back forward (no back doors in a Coupe de Ville!) and squeezed each box through, could accommodate four. Two more boxes could be stacked in the front passenger seat.

I'm sure I made quite a sight as I drove down Interstate 35: chubby-cheeked boy with curly hair and big glasses at the wheel of a tremendous Cadillac filled with giant boxes, its rear end drooping under the weight of all those computers.

And then there was my other business.

IBM PCs sold like crazy from the moment they were introduced, but what that huge demand led to was all kinds of supply disparities among the retail outlets that carried the product. Houston might order ten thousand units; Dallas, another ten thousand; Phoenix, another ten thousand. But IBM couldn't push out all that supply in time, so some of those dealers would wind up getting only four or five thousand units at a time. In response the dealers started overordering—asking for twenty thousand or fifty thousand computers at a clip—just so they could get what they needed. The result was retail chaos: one city would have way too much stock; another, not nearly enough.

I picked up on this.

I'm not sure I knew the word *arbitrage* at that point, but the concept—namely that I could make some money from these supply incongruities—came to me in a flash. All I had to do, I realized, was go to a city that had a surplus of PCs, buy a bunch, then take them to another city that had a shortage and sell them. Sound simple? It really was.

Thus began the fly-and-buys.

I would locate a big retail outlet that had way overbought IBM PCs, say a ComputerLand in Phoenix, then call them up and ask if I could take some off their hands. That would sound great to them—so great that in many cases they'd agree to sell me some of their surplus for below their cost. I'd get on a Southwest Airlines flight to Phoenix, rent a big U-Haul truck—which in those days, believe it or not, it was possible for an eighteen-year-old to do—then go to ComputerLand, hand them a cashier's check, and load the thirty or forty PCs into the truck and drive to some store that was undersupplied, say a Businessland in Tucson, and sell them my truckful at $50 or $70 or $80 per machine over what I'd paid.

Result: instant profit of a couple of thousand bucks.

You may be pausing a moment here to do a mental calculation. Did an eighteen-year-old who wasn't dealing drugs really have fifty or sixty thousand dollars at a time to lay out for those new computers?

And the answer is, yup. My PC upgrade business was doing well enough that I had steady cash flow. And my computer reselling business was profitable from the jump.

After a little while I discovered you could ship big boxes very cheaply by Greyhound bus. So if I was arbitraging between computer stores within Texas, I could send a check to a guy in San Antonio with too many PCs on his hands, have him take the computers to the bus station and put them on a Greyhound, then pick them up myself in Dallas or Houston or Austin and take them to a store that needed extra. If there were more than five or ten of them, I'd get one of my buddies and say, "Hey, you want to come with me and do this thing, and I'll pay you some money?" Then he'd bring his car and help me out.

And so the summer passed. I didn't get around to tubing on the San Marcos, but I did make some nice money.

School began. In theory I was a premed biology major at the University of Texas, on a smooth track to becoming the doctor my parents wanted me to be.

The reality was somewhat different.

By the time my first semester began in August 1983, I was running a thriving business out of my Austin apartment. My surgically altered IBM PCs were selling almost as fast as I could upgrade them. The apartment was packed to the ceiling with computers and computer boxes, with peripherals and paraphernalia: hard drives and disk drives and memory chips and motherboards and soldering irons.

I had a roommate, David Myers, a childhood friend from Meyerland. My parents had known his parents forever, he and I liked each other well enough, so rooming together seemed like a good idea. The apartment was about 600 square feet: David and I each had a bedroom and a little bathroom and shared a kitchenette and small living area. My growing inventory of computers and parts soon began to edge into the living area. David was all right with it at first.

I went to my classes, at first. I'd sit in biology or organic chemistry and listen to the professor drone on, dutifully take some notes, but mostly I stared out the window, thinking about when I could get back to what I was really interested in. Nor did I participate much in college activities. UT is a big football school, of course—Texas!—and every home game created a huge ripple of excitement across the campus. I went to exactly one game and left after the first half. I had other fish to fry.

My newspaper ads were building word of mouth among knowledgeable computer users around Austin. Doctors and lawyers and architects continued to hire me to upgrade their PCs; I also did some business with some of the smaller colleges in the area. I remember Southwestern University, in Georgetown, about twenty miles north of town, bought a dozen machines from me. I went up there personally to deliver them and set them up.

An interesting side note is that I didn't sell any computers to any students. Ever. The students at UT, at least the ones I met, knew nothing about computers and couldn't have cared less about them. It was a very different time.

Austin being the state capital, I discovered that three blocks away from campus there was an office where the state of Texas published procurement notices. Say the Highway Department needed four PCs with such-and-such specifications. Someone from the Highway Department would go to this state procurement office and issue a request for bids, and the bids were public. So anyone (like me) could walk into this office and say, "I'd like to see all the requests for bids for equipment in the following categories," and they'd literally hand you these pieces of paper. Nothing was electronic—it was physical sheets of paper. I'd go back to my apartment and look through all the requests, throwing away the ones that weren't relevant to my expertise. Looking over the requests that were left—and they weren't just for upgraded computers; they were also for memory and hard drive kits and I/O (input-output) cards, things that maximized the functionality of a computer—I'd calculate how much I could sell each one for and win the bid but still make a profit. Then I'd handwrite my bids, ride my bicycle back to the state procurement office, and hand the bids in.

None of these contracts were super big, but I started winning them, which added to my already steady other businesses. Soon I was racking up gross revenues of between $50,000 and $80,000 a month. Which may sound impressive, but I was spending almost every cent on new inventory.

Word drifted back to Houston. Who knows how? Somehow word usually manages to get around. Suddenly people were telling my parents, "Wow, Michael has quite a thriving business—congratulations!" And my parents were like, "What? He's supposed to be going to college!"

They showed up in Austin. By surprise. Not a total surprise—but close enough. One afternoon the phone in my apartment rang; I picked it up and heard my mom's voice. "We're at the airport; we just landed," she said. "We're going to come to see you."

"Great!" I said. I hung up and furiously started cleaning up my room. I somehow managed to move everything into my roommate's bathtub, boxes and parts and soldering irons. Not my bathtub—what if my mom or dad needed to use my bathroom?

They arrived. I smiled, kissed them, and invited them in. It suddenly felt like there were a lot of people in that little living area. They looked around and nodded. I walked with them into my bedroom—they looked around and nodded again.

"Where are your books?" my father asked.

Whoops!

Think fast. "They're at the library," I said. "I study at the library."

"Hmm," said my father.

"Hmm," said my mother.

Then we went out and walked around the campus—the university grounds were (and still are) big and beautiful—and went to dinner, after which they flew back to Houston, more or less satisfied with what they'd seen. Crisis averted.

My schoolwork suffered; my businesses thrived. I was still doing fly-and-buys, just mostly on weekends, because after all, I did have to at least go to my classes. Dallas, Houston, San Antonio, Phoenix, Tucson: I racked up a lot of miles on Southwest Airlines. And I continued selling and installing upgraded computers around Austin. I had a small team of fellow UT students helping me drive the machines around and set them up—my roommate, David; a friend of David's named Jeremy Lee, and Jeremy's younger brother, also named David; a guy named Mark DeWalsh, who'd known my brother Steven in high school. They started out with little or no computer expertise, but they learned quickly. I paid them, and it was all good.

Until it wasn't—with my roommate, at least. David had been OK with my borrowing his bathtub that once, but as the living space of our little apartment looked more and more like a laboratory/machine shop/warehouse, full of boxed and unboxed computers and displays and memory cards and soldering irons, David got less and less happy. Our interactions became clipped; I rarely saw him smile. Then one morning when I opened my bedroom door to go to the shared part of the apartment, the door wouldn't open. When I finally managed to push it out a couple of inches, I saw what the problem was: it was blocked by heavy computer cartons. While I was sleeping, David had walled me in.

Message received.

That November I moved to a dorm, Dobie, on the edge of campus. Dobie was a high-rise, twenty-seven stories tall; by luck of the draw, I was assigned to a room on the top floor—Dobie 2713, with a beautiful view out toward the western hills of Austin—and a roommate who, to my great good fortune, was a member of the US Olympic cycling team. He spent every day, all day, training on those very hills; he literally just used the room to sleep in. Every evening he'd return from his training sessions and drop onto his bed, exhausted; every morning he'd vanish before I was awake. To be honest, I don't remember his name, but I'm eternally grateful to him for being the perfect roommate.

And it's a good thing he was gone so much. Very soon there was as much inventory in my little dorm room as there had been in the apartment, except that the dorm room had even less space. The poor UPS guy—I know I drove him bonkers. He'd have to bring all these heavy computer and display boxes on his little trolley all the way up to the twenty-seventh floor, riding the same passenger elevator every student in the building used, which meant it stopped at almost every floor. And he'd often have to make multiple trips. And, because I was managing my cash very tightly, I was ordering all this equipment COD, so the delivery guy also had to collect payments from me. I used to walk around with big wads of twenties, fifties, and hundreds in my pocket. Good thing I never got mugged!

Being up at the top of Dobie was great for me, though, and not just because of the view. As it turned out, the top floor of the building also contained the relay station for the Austin TV affiliates: ABC, CBS, and NBC. Up on the roof—this was back before cable television—there was an array of huge satellite dishes. And as it happened, the TV control center was right next to my dorm room. I'd often see these technicians walking in and out, and sometimes the door was open, and I'd catch a glimpse of all this interesting equipment in there. So—interesting electronic equipment basically being my favorite thing in the world—my natural curiosity kicked in, and I started asking these TV guys a lot of questions. Like most people, they enjoyed being asked about their work, and pretty soon we were on pretty friendly terms. Friendly enough that I was able to convince them to give me a cable feed for the Dallas and Houston stations.

Why Dallas and Houston? Most everyone who went to the University of Texas was from Texas, and most of them were from the state's two biggest cities. And (of course this was long before the internet) like me, they were hungry for news from home.

They had a need; I had a solution.

By running cable through the top two floors of Dobie (I only had to drill a couple of small holes), I was able to set up a network that allowed anyone with a TV set to watch the Dallas and Houston stations. That wasn't all, though. Sometimes on a Friday or Saturday I'd go to Blockbuster and rent a film—say, *Animal House*—and then I'd announce to the guys on the twenty-sixth and twenty-seventh floors that at 8:00 p.m. there'd be a showing of *Animal House*. At eight o'clock I'd pop the VHS into my VCR, and, bingo, Movie Night on KDEL.

That's a joke, of course. There were no call letters. My experiment in cable broadcasting was strictly for fun—nobody had to pay a dime for it. Still, when the building management found out about it, they were not amused. "You can't do that," they said. "You've got to shut all this down."

It was OK with me. I had plenty of other fish to fry.

My mom and dad were hearing more and more about what a terrifically successful business I was running, and they weren't liking what they were hearing. When they returned to Austin this time, it was not a happy occasion. Just after Thanksgiving they told me they were coming for a couple of days; they got a room at the Hyatt Regency. One night I met them there just before dinner, and I could see the moment I walked in the door that they were both very upset.

"Michael," my father said, "are you going to school here or are you running a business? A *computer* business?" He made it sound kind of unsavory.

"Well, kind of both, I guess," I said. Not very truthfully.

I could see that my mom was about to cry. That's something no son ever wants to see. My dad shook his head. "Michael," he said. "Michael. You've got to get your priorities straight. You've got to get your head screwed on straight. This computer thing—" He hesitated. "It could be a nice hobby for you. But your life, Michael. Your life."

I was staring at the floor, ashamed and proud at the same time; obedient and rebellious. I had no idea what to say to them.

"What do you want to do with your *life*, Michael?" my father asked.

"I want to compete with IBM!" I said. I was only half kidding. But my dad wasn't amused.

"You are here for one thing and one thing only," he said. "And that is to get the education you need to put you on the right path in life."

I muttered something about not being so sure the path he was talking about was the right path for me.

Then I looked at my mother.

Her tears were flowing now, and she had both hands on the neckline of her dress. "Michael—" she began—and then she said my name again. "Michael."

The gesture she was making was more than a gesture. She actually looked as though she was about to rend her garment, an ancient Jewish expression of bereavement. Right there in a room at the Hyatt Regency Austin, she was laying five-thousand-plus years of Jewish guilt on my head. Telling me that if I kept going the way I was going, I would be dead to her. Wow.

Naturally, I caved.

I was crying; my mother and father were crying. When I was finally able to summon a semblance of composure, I blew my nose and looked at them. “Okay,” I said.

They were staring at me. It’s a pretty powerful thing when both your parents are staring at you like that.

“Okay,” I repeated. “No more computers. Only school. Only school. I promise.”

I really did mean it. But all I was feeling was pain.

For the next ten days I went cold turkey. I literally didn’t touch a computer. No memory upgrades, no hard drive installations, no fly-and-buys. No *Byte* or *PC Magazine*. I went to my classes and tried my hardest to pay attention. I took notes.

For my tech jones, I thought it might help to turn my attention to another enthusiasm of mine, high-end audio. I loved listening to rock ’n’ roll—Rolling Stones, the Doors, Jimi Hendrix, Queen, Roxy Music—and I liked it loud. In those just-on-the-cusp-of-CD days, audiophiles still went gaga for Thorens turntables, Harman Kardon receivers, big Klipsch speakers. In my spare time, I frequented the high-end audiophile stores in Austin, hoping the look and smell of those beautiful components would ease my craving for memory cards and motherboards and BIOS chips—not to mention the thrill I got from just being in the computer business.

It didn’t help.

In fact, what those ten days of intense longing really did for me was focus my mind, intensely. I realized that the prospect of practicing medicine, in any specialty, held absolutely no appeal for me. And that the prospect of building my working life on computers was more than appealing—it was absolutely thrilling.

So I arrived at a very eighteen-year-old type of stratagem: I would go back to my computer businesses, and I wouldn't tell my parents. Brilliant, right? Besides, it was the eve of Christmas break: I could restart without having to worry about going to classes.

But it had become clear to me that a little dorm room on the twenty-seventh floor of a high-rise was grossly inadequate for storing inventory. If I was going to go back into this thing full bore, I was going to need a lot more space than I had up at the top of Dobie. Thus, with plenty of working capital still in the bank, I decided to get another place of my own.

At the beginning of January I moved into a condo complex a couple of blocks north of campus, at 3200 Duval Street. It was the nicest building in the area—it had a gated underground garage for my Beemer—and I got one of the nicest units in it, a two-bedroom apartment on the third floor. I intentionally chose the top story, because the apartments up there had double-height ceilings, perfect for stacking inventory. And very soon there was a lot of new inventory.

By the time second semester began, I was back in business big-time: upgrading, flying-and-buying, reselling. I decided if I was really going to be a business, I needed to act and look like a business, so I looked up how to set up a proper d/b/a structure, then filed the paperwork to become a sole proprietor doing business as PC's Limited. Not exactly a genius name, but since my upgrades basically seemed to sell themselves, sexy marketing was the least of my worries.

My parents were something else again.

By the end of February 1984 I was spending even less time on my schoolwork than I had during first semester. The time was clearly approaching when I'd need to fess up to my mom and dad. But right around then I made a very useful discovery about a special provision in the University of Texas rule book: namely, that it was possible to take a semester off and then reregister at a later date with no academic penalty.

That was definitely something I could tell my parents, just as soon as I got around to broaching the subject.

Meanwhile, I kept shuttling around Austin with my little crew of helpers, doing installations. On weekends I continued to fly around Texas and Arizona, buying PCs and selling them back. The money kept coming in, and my overhead was low. My condo unit was right next door to the landlady's—Liba Taub was her name. If she ever caught a glimpse of all the computer boxes stacked to the 18-foot ceiling of my double-height apartment, she didn't seem concerned. I was a nice young man; I paid my rent on time. I didn't have wild parties.

During spring break that year I went with my mom and dad and Adam to England to visit Steven. My older brother, the smartest of the three of us, had graduated from college in three and a half years and gotten into Baylor Medical School, so he had six months off, which he'd decided to spend being a bartender in London.

It was my first trip abroad, and we made all the touristy stops: the Tower of London, Windsor Castle, Parliament. But I also made some side trips of my own, to look into what *really* fascinated me about England. For one thing, this was around the time that audio CDs were being introduced to the general public, and for whatever reason, the new technology had taken off faster in the UK than in the US. You could go into the HMV music store and buy lots and lots of albums on compact disk. I couldn't get over how clear and beautiful the audio quality was—and I couldn't wait to hear it through the big Klipsch speakers I'd bought for my new apartment.

But the other thing that impressed me was the profusion of computer stores—and, just like in the US, the profound ignorance of the people who worked in them. In England, as in the States, these stores were selling PCs consisting of 600 or 700 dollars' worth of components for the equivalent of $3,000 or more, and the salespeople knew little to nothing about how these computers worked. Nor did the stores offer much in the way of service and support. Neither the customers nor the retailers seemed to care. Everyone wanted computers, and the pounds and shillings were flying.

It was on this trip that my mom suddenly started feeling exhausted all the time. When we got back home, she went to her doctor and soon got the diagnosis we all feared: she had non-Hodgkin's lymphoma. But the cancer specialists at MD Anderson in Houston were hopeful, and so were we. We all knew what a fighter Mom was.

After we returned to Texas I broke the news to my parents. With all the assurance I could muster, I told them the truth: not only was I running a business that was consistently grossing over $50,000 a month, but I also believed I could build it substantially. And there was more good news, I told them: I could leave UT with no academic penalty and reenroll at a future date if wanted. I gave them my solemn promise that if my commercial venture didn't work out, I would go back to school.

I won't pretend that they were thrilled. There was a lot of frowning and head shaking. But eventually they agreed, grudgingly. It would take a few years for my relationship with Mom and Dad to heal. Still, they were logical people who understood a bottom line: they saw the logic of my choice even if they wished it otherwise. And the sad truth is that my mom was probably too tired to argue with me.

A couple weeks later I got a phone call from Kelley Guest. Kelley, a partner at a law firm in town, had bought a few hard-disk upgrade kits from me, both for himself and several other people in his office. "I've been thinking that you should incorporate," he said.

"How come?" I asked.

Kelley told me that if my business kept going the way it was going, I might soon be hiring people to help me on a full-time basis. Offering fringe benefits like medical coverage, he said, would be the surest way to attract quality people, and owning a corporation would allow me to set up medical and other kinds of employee benefits. He also said there were certain tax advantages available to an expanding corporation that wouldn't be applicable to a sole proprietor. He could do the paperwork pretty easily, he told me.

“Sounds okay,” I said. “What’s it going to cost me?”

“Well, I need another one of those upgrade kits,” Kelley said, “so why don’t we make a trade. I’ll do your incorporation and you install the hard drive kit, and we’ll call it a deal.”

That sounded good to me. So I installed the kit, and Kelley drew up the papers. But then he called me back and said, “Michael, there was a small hitch. We couldn’t incorporate under the name ‘PC’s Limited’ because it’s too generic. So I called the company Dell Computer Corporation, and you can be doing business as PC’s Limited.”

“Fine,” I said. “No problem.”

“One more thing,” Kelley said. “It turns out you’ve got to pay a thousand dollars if you want to incorporate in Texas.”

You may think that with $60,000 or $70,000 in gross revenues every month, I’d consider a mere thousand a pittance. This was not the case. Not only did I have to pay rent on my condo, but as always, almost everything I was taking in was going right back out again, primarily to buy new inventory. I was living on a pretty thin margin.

“I’ve got to go sell some more stuff,” I told him. “I’ll be back to you in a few days.”

I sold the stuff. And on May 3, 1984, my little one-man operation formally became Dell Computer Corporation, d/b/a PC’s Limited. It was just two weeks until final exams. I took them and passed by the skin of my teeth, then I left school forever.

A real business, I felt, should have a real office. Soon after I incorporated, I signed a lease on a 1,000-square-foot space in an office complex a few miles north of downtown Austin, Unit F11 at 7801 North Lamar. And soon after that, I made my first hire.

Terry Hostetler was the manager of a local store called The Software Place. We met when I sold the store a demonstrator computer, and we clicked right away. We were both super excited about the PC revolution, and our interests kind of dovetailed: Terry knew an awful lot about software; I was more of a hardware guy. He was smart, he was mature—he was twenty-three to my nineteen, and he was married, which seemed very grown-up to me—and we liked talking about technology. A lot. We even had similar senses of humor. I felt I'd found a friend.

One day we went out to lunch together, and afterward we drove around Austin in my BMW talking about our hopes and dreams. One of my ideas, I told Terry, was to buy a ComputerLand or Businessland franchise and leverage it into something bigger. In my explorations around town, I'd spent some time at a store called CompuAdd, which sold computer components rather than computers, and met the owner, a guy named Bill Hayden. Hayden told me that thanks to Austin's tech boom he was really making big bucks. I guess he thought he was just impressing some punk kid, but when I sized him up I thought I could do everything he was doing and a lot more.

Was I a little full of myself at nineteen? Sure, I was. I think you have to be to do anything important. You'll have realized by now that I'm a pretty competitive person, and I thought I had all kinds of ideas that Bill Hayden could never even begin to imagine.

One of my ideas was just an expansion of what I was already doing: placing ads and taking orders over the phone for memory kits and hard drive kits and upgraded PCs. I was constantly on the lookout for the lowest prices for computer components, and I felt I could save customers the trouble of comparison shopping, pass along the savings to them, and still make a profit. And my upgraded machines, which contained those components, were both better and less expensive than the IBM or Compaq PCs that consumers could find in retail stores. Not to mention the fact that unlike retail stores, I was prepared to offer reliable (and free) tech support.

Up to now I'd just been placing ads in Austin, but with a couple of people answering phones for me, I figured, I could advertise nationally—say, in *PC Week* and *Computer Shopper*, both of which had short-enough lead times that I could maintain control over pricing. Customers could call in from wherever and tell us what kind of memory or hard drive kit they wanted, or, if they were ordering an upgraded computer, tell us how much memory they wanted in their machine, what size hard drive, how fast a processor. Once they gave us a credit card number, we could send out the kits, or put together a customized computer for them in an hour or so and ship it out the same day. It sounds simple, yet nobody else was doing it.

Terry listened carefully to everything I was saying. He told me he too had dreamed of starting his own tech business in Austin, and that what I was talking about sounded cool.

“Why don’t you come work with me?” I said.

He didn’t hesitate. “Okay,” he said.

It wasn’t just me and Terry for very long. We started hiring technicians and salespeople right away, first a couple, then a couple more. Our little 1,000-square-foot office was divided into four sections: up front was a tiny showroom where local buyers could purchase kits or upgraded computers; just behind that were Terry’s office and mine. Next was a space with four long tables: at two sat our technicians with their chips and cards and motherboards and drives and soldering irons; our salespeople sat at the other two, taking the calls that came in and writing up the orders on three-part forms. In the very back was a storeroom for computers and parts.

There were a lot of orders. The out-of-state ones came in on a phone number I was proud to have thought up: 1-800-426-5150 / 1-800-IBM-5150. (The 5150 was IBM’s plain-vanilla PC, though we were also upgrading Compaq machines.) When we had a few kits and computers ready, we’d box them up and take them over to UPS, rushing to get there by five o’clock, when they closed.

As the business kept growing we kept hiring, about one new sales rep or technician every week. It soon got pretty chaotic in that little space, so when F1, a much larger office right next door, became vacant, we grabbed it. The new place had a bunch of cubicles for our salespeople and technicians and bigger offices for Terry and me, and right away everything felt more organized.

Well, sort of. Our order-entry system consisted of three clotheslines hung between the cubicles, with the yellow sheets from the three-part forms pinned to them. The top line was for orders that needed to be filled, the middle one was for orders waiting for parts to be delivered, and the bottom clothesline was for orders that, for one reason or another—sometimes parts were back-ordered—we had no idea how to fill. Our bookkeeping system consisted of piles of three-part form sheets and credit card receipts.

Terry and I each wore several hats. He was our resident software expert, also the office manager and bookkeeper. I sussed out the highest-quality and lowest-cost suppliers, helped answer tech support calls, and now and then pitched in with the technicians on upgrades. Throughout that spring and summer, as the business kept growing, we kept hiring, and the office was busy and noisy from morning to night. We were a ragtag bunch of computer buccaneers, and the sheer level of activity could get daunting sometimes. We kept a couple of foam bats in a box outside Terry's office door, and when things got too crazy, he and I used to slug each other with them to let off some steam.

It was fun, it was stressful, it was all-consuming, and I was proud of my little band of troops. But I was their boss, I was nineteen years old, and my experience of the business was different from theirs. And this was something that at that age, as I can see now, I wasn't fully equipped to understand, emotionally speaking. One Thursday that fall, Terry told me he was going out for lunch. "Okay," I said. "See you later."

Lunchtime passed, and Terry didn't come back. That seemed strange. Finally I called him at home. "I'm not feeling so good," he told me. "I'm going to take the rest of the day off."

"Okay," I said. "See you in the morning."

But he didn't show up the next morning, or the next afternoon, and on Saturday I went to see him. He seemed really unhappy. For a long time he wouldn't say anything. Then he looked at me. "I just can't take it, Michael," he said. "It's too much pressure; I just can't do it anymore."

"What do you mean?" I said. "You can't leave me. I don't know anything about the accounting and the software."

I realize now it wasn’t the most sensitive response in the world.

Terry shook his head. “I just can’t do it,” he repeated. “It’s just too much pressure for me.”

I tried to get him to change his mind, but he wouldn’t budge. I went back to the office and looked through the pile of papers on his desk, trying to make sense of them. Bookkeeping was a foreign language to me. For the first time in my life I didn’t have an idea in the world what to do. I was alone, and I was afraid.

5

MR. DENALI

Super Bowl weekend 2013 was super memorable for me, and I never watched the game.

On Wednesday, January 30, at our foundation offices in Austin, Susan and I announced that the Michael and Susan Dell Foundation (MSDF) was going to give $50 million to the university's new medical school. It was a joyous occasion: our twins Zachary and Juliette were present, as were the chancellor of the University of Texas system and the president of UT. But I had to skip the reception afterward—the moment the ceremony was over, I bolted for my car and headed for the airport, where I met our CFO Brian Gladden, controller Tom Sweet, general counsel Larry Tu, and another one of our lawyers, Janet Wright, and flew to New York. Over the next four and a half days I spent almost every waking hour in marathon talks with the special committee over the final terms of the go-private, in what I came to think of as the Super Bowl of negotiations.

This thing had been dragging on for months, and Egon Durban and I were both pushing to get it done at last. The rumors about Dell had become relentless, and customers were seriously worried. United Technologies, for one, was about to award us a big contract, but with the status of the company completely unknown, they were starting to get cold feet. Meanwhile, all we could say was, "We don't comment on rumors and speculation." I kept trying to get Alex Mandl to move the committee along by telling him how unhappy our big customers were, but Alex, cool and tough as ever, refused to be rushed. He and I each had a vision of how to do right by our shareholders, but our visions weren't lining up.

The talks began bright and early Thursday morning in Debevoise & Plimpton's Manhattan offices, and they were intense from the beginning. Though Silver Lake and I had clearly demonstrated that we had the financing in place to pay what we thought was an eminently fair price for the company—I'd agreed to accept $13.36 per share for my 279 million shares, and Silver Lake was offering stockholders $13.60—the members of the committee weren't impressed. They questioned every detail of our proposal, parsed every paragraph. If there was any chance of getting shareholders a better price, they were determined to get it. Not only did they want to go out and find other suitors—the term of art for this process is a *go-shop*—but they were prepared to make an extraordinary offer: Dell would consider paying all the costs that any qualified suitor would incur in doing due diligence on us, up to $25 million. This was a highly unusual idea, to say the least—heck, it was a welcome mat. Then again, we weren't talking about your usual buyout.

Each morning Egon and I would meet in the lobby of our hotel, the Four Seasons on Fifty-seventh Street, and walk over to Debevoise's offices at Fifty-sixth and Third to do battle. There was a laundry list of unresolved issues—and at the same time, Alex was also saying, "What are the final bank commitments, what is the expected capital structure, and what about Microsoft?"

The special committee wasn't the only party we were contending with. We were still hammering out the repayment terms for our bank loans and Microsoft's $2 billion loan. Microsoft's largesse also came with a condition: they were unhappy with how many people in China were downloading bootleg copies of Windows, so they wanted us to forcefully increase the attach rate of Windows to the PCs we sold there. We wanted that too—bootleg software tended to cause problems on our computers. But we also wanted to settle on an achievable goal.

All of this is to say that between our lawyers and finance people and the special committee's lawyers and finance people—Debevoise and J. P.

Morgan, plus Evercore, the investment bank the committee had retained as a second financial adviser—a number of negotiations were going on simultaneously. Every time there was a tweak to the deal, we'd have to get the banks to approve it, then bank documents had to be signed so the committee could see and approve the signatures. Couriers were kept busy. The emails were flying thick and fast, often until three or four o'clock in the morning. For secrecy's sake, every key party referred to in every document had a code name: Dell Inc. was Osprey. Silver Lake was Salamander; Microsoft was Matterhorn. I was Mr. Denali. This practice was customary in confidential negotiations—the names usually start with the same letter as the name of the actual entity or person you're talking about—but I'd first learned of it over the summer when somebody on our team started talking about Denali. "What's Denali?" I asked. "Oh, that's you," the person said.

Through Thursday, Friday, and Saturday everybody on both sides of the deal sat in that conference room at Debevoise and talked and talked. Sometimes we would hit an impasse over one deal term or another, and Egon and I would go out and take a long walk in Central Park to clear our heads before returning to the bargaining table. By Saturday night, February 2, I really needed a break, so I took my daughter Alexa, who was living in New York at that point, to a Knicks game at Madison Square Garden.

I'd splurged on courtside seats, which were great, but try as I might, I couldn't stay focused on the game. My brain was in overdrive: I just couldn't stop thinking about those negotiations, all the while striving, against all odds, to keep a poker face. I remember having the absurd thought: "Well, if I'm here looking like I'm enjoying the game and I have no other cares on my mind, then maybe they'll think the rumors aren't true." Easier said than done! Whether I was sitting in my folding chair on the Garden floor or going to the snack stand at halftime, I felt like I was in a mosh pit of interested parties. Spike Lee was sitting nearby—as was the head of a big private equity firm. When this guy saw me, he raised his eyebrows and said, "Interesting news!" Of course I knew exactly what he was talking about. And of course there was nothing I could say back to him except, "Yeah, how about this game?"

I returned to the hotel afterward, but sleep wasn't easy to come by that night. I'd expected the negotiations to be wrapped up by Sunday at the latest, but everything was still up in the air. We were at a point where either this was going to get resolved in fairly short order or it was just not going to happen.

At 1:00 a.m. my phone beeped as an email arrived. It was Microsoft saying they'd agreed to our proposal and were going to go ahead with the loan. That was one piece of good news, but we still needed several more. At 2:00 a.m., another beep from my phone: Silver Lake had sent a draft letter outlining two choices for the board: $13.60 a share if we continued to pay dividends until the deal was closed, $13.75 a share if we stopped paying dividends. This, the letter said, was Silver Lake's best and final offer and not subject to further negotiation. The next morning—Super Bowl Sunday—Egon and I submitted the proposal to the special committee, and that afternoon they held a meeting to consider it. When they came back, they told us they weren't interested in any plan that discontinued the dividend, and that they weren't satisfied with $13.60 a share. Alex told Egon that he'd have to do better. Egon told Alex that Silver Lake was unwilling to increase its offer. We were officially deadlocked.

Except that we weren't. Both Egon and I felt that there was play in the situation, and that despite Silver Lake's "best and final" ultimatum, Egon and his team could find a way to add a few more pennies to their offer. In the meantime I had to get back to Austin—I had several key customer meetings scheduled for Monday the fourth—and Egon had important business of his own to get back to in California. We both felt we could handle further negotiations over the phone.

On the plane home I got an email from one of our top sales executives with more bad news: AXA, the French insurance company, had grave concerns about all the rumors and speculation, and had just spiked a $150 million deal with us because of the uncertainty. The executive added that other customers were going to suspend purchasing from us until something was announced one way or the other. Meanwhile, all he could tell them was, "We don't comment on rumors and speculation."

The pressure wasn't just from the outside. Since our fiscal year starts at the beginning of February, every year around that time we have a big sales kickoff meeting (we call it the FRS, or Field Readiness Seminar, a name we came up with back in the '80s and had held on to for some reason), where thousands of our salespeople from all over the world come together to get training on Dell's new products and solutions and services. I was going to have to fly out to Vegas on Tuesday the fifth and get onstage and address all these people, and every one of them would want to know what the heck was going on with the company. And the last thing on earth I wanted to tell them was, "No comment."

I told Alex all of this. I said that our customers were alienated, that we were losing big deals, and that I needed to be able to reassure our sales force. Could we please get this done by Tuesday morning at the latest? I asked.

And as always, Alex refused to be rushed. "The dividend is nonnegotiable," he told me. "And the price is too low."

So we got back to work. While America was watching the big game, Egon and I and our various representatives spent Super Bowl Sunday trying to figure out how we could possibly raise our offer. By late that night—missed the game: Ravens beat the 49ers, 34-31—we were still deliberating.

As buyers, naturally Silver Lake and I wanted to pay as little for the company as possible. But we also wanted the deal to go through. Silver Lake figured (they were setting the price, not me) that adding a nickel to our previous offer, at a cost to us of five cents times 1.79 billion shares—$90 million—would make a substantial difference in the board's eyes, and wouldn't make a big difference to us if, as we anticipated, our thesis was correct and taking the company private would lead over time to a great increase in its value. And if our thesis was incorrect and we lost—and we didn't think we would lose—we would be out a great deal more money than $90 million.

And so early Monday morning, Silver Lake and I agreed to raise our offer by a nickel a share, to $13.65, and we agreed the company would continue to pay its regular quarterly dividend. Egon told Alex that this was absolutely, positively as high as he could go, and at around 10:00 a.m. Larry Tu sent an email indicating that Alex and Jeff Rosen (a key lawyer from Debevoise) would talk it through, then call Egon.

The NFL Super Bowl was history, but in our Super Bowl the game was in overtime and it was fourth down and inches to go.

Throughout the day and into the night of Monday the fourth, the special committee conferred with the Boston Consulting Group, Debevoise, J. P. Morgan, and Evercore. At 10:00 p.m. Alex and the committee had a conference call with Dell's board of directors and Debevoise—I wasn't on the call—and Alex, on behalf of the special committee, recommended that the board accept our offer. The board agreed unanimously. At 10:45 we received word that the board had officially approved the deal. After the call was over, our lawyers and the special committee's lawyers worked through the night to finalize the transaction documentation, and on the morning of Tuesday, February 5, it became official: our plan was to go private, with Silver Lake as my partner in a $24.4 billion leveraged buyout, at $13.65 a share.

It was the end of the process, we thought. In fact, it was just the beginning.

The reaction was immediate and big. Naturally, every media outlet imaginable weighed in on the story. The *Wall Street Journal* noted that the potential buyout would be the biggest of its kind since the 2008 financial crisis but called the move "risky" and, in effect, an "admission" by me that I "wasn't able to pull off the changes needed to improve [my] company's revenue and profit under Wall Street's glare." I was, they wrote, "a man . . . increasingly worried about his legacy." It had been years, unnamed sources told the *Journal*, "since Mr. Dell showed the enthusiasm he did when he reclaimed the title of CEO in 2007."

Well, the press is going to do what it's going to do, but the truth is that I was very excited about the future of the company, even if there were some threads of truth behind the critics' claims. And the fact that the market didn't like the company had created the opportunity that I was seizing on. Thank you, market! I'm grateful that you mispriced the company! It would've been impossible to buy the company back otherwise, whether the market was right or wrong.

It was kind of a bittersweet thing.

In fact I was more enthusiastic than ever about the company's prospects. Who, I wondered, had they been talking to?

The New York Times applauded the deal as "a bold move" but went on to call it "a huge gamble. It will saddle Dell with $15 billion of new debt, and it does nothing to divert the forces reshaping the technology industry and undercutting the company's business."

That was an interesting take, considering that I'd been trying to tell everybody who would listen that, far from needing to divert the forces reshaping the technology industry, Dell was in the process of harnessing and commanding those very forces. . . .

Didn't matter. Everyone seemed to have an ax to grind.

CNN: "Critics say Michael Dell isn't much of an innovator, so he'll never turn Dell into the next Apple or Samsung."

The press has called me lots of things over the years: an enfant terrible, a wunderkind, a genius, an idiot, whatever else—I've developed a thick skin where name-calling is concerned. Most of the critiques don't bother me very much for very long, partly because I know that over time, the press has become more interested in creating controversy than in presenting objective facts. I find most things to be overstated in either direction, either positive or negative, and the truth always closer to the middle.

And—funny, I never had the slightest desire to turn Dell into the next Apple or Samsung. All I really wanted to do was turn today's Dell into tomorrow's Dell—and we'd already made a pretty good start on that.

But apparently our progress was threatening enough to HP, our biggest competitor at the time, that they felt the need to sow some good old-fashioned FUD—fear, uncertainty, and doubt. Within hours of the announcement, they issued a dire-sounding statement: "Dell has a very tough road ahead. The company faces an extended period of uncertainty and transition that will not be good for its customers. And with a significant debt load, Dell's ability to invest in new products and services will be extremely limited. Leveraged buyouts tend to leave existing customers and innovation at the curb. We believe Dell's customers will now be eager to explore alternatives, and HP plans to take full advantage of that opportunity."

In other words, They're toast, buy from us instead!

Well, not if I had anything to do with it.

But the blowback had just begun. On Friday, February 8, Southeastern Asset Management weighed in, with a long, heated letter to Dell stockholders over the signature of O. Mason Hawkins, Southeastern's CEO. The letter, widely quoted in the press, called the buyout offer "woefully inadequate," saying that it "clearly represents an opportunistically timed bid to take the company private at a valuation far below Dell's intrinsic value, and deprives public shareholders of the ability to participate in the company's substantial future value creation." And what was Mason Hawkins's idea of a proper valuation?

Not $13.75 or $13.85 or $14 a share. Not $15 or $16 or even $20 a share. No, Southeastern's management contended that the correct price for Dell was $23.72 per share, making the company worth more than $42 billion.

How had Southeastern come up with that number? Hawkins thoughtfully spelled it out in the letter. He valued our PC business at $2.78 a share, other product lines at a combined $13.36 per share. He calculated that the $13.7 billion we'd spent on acquisitions since 2007 came out to $7.58 per share. Add them all up and they came to $23.72.

But that $23.72 figure had another meaning: it precisely echoed our stock price on the day in 2007 (and before the great financial crisis) when I stepped back in as CEO. Southeastern was trying to get into shareholders' heads by arguing that in effect, I'd driven the company into the ground.

Hawkins wasn't arguing that I be ousted as CEO. But he was threatening to wield Southeastern's 8.5 percent stake in Dell—second only to my 15.7 percent—to foment a shareholder mutiny against the deal. His letter complained that since Southeastern had spent about $2.28 billion to accumulate its 147 million shares of Dell, it stood to lose around $270 million on its Dell holdings if the company sold at $13.65 per share.

I wasn't angry at Hawkins. I could see where he was coming from: he was just trying to get the best possible outcome for his investment.

It was strange—you'd have thought that if Southeastern's widely publicized letter was completely persuasive, Dell stock would've immediately jumped to $20-plus a share, eliminating the need for a go-private. That didn't happen. In fact, on the Friday that the letter came out, Dell shares rose a mere ten cents, from $13.53 to $13.63. And what the letter failed to mention was that the unaffected price of our stock—its level before all the rumors burst out in mid-January—was some three dollars lower than that. Our proposed transaction offered the shareholders some of the potential benefit of our plan without their having to take any of the risk. So instead of having $10-plus a share, they could get $13.65 a share, and if they didn't want that, they could vote no on the deal, and their stock would probably revert to $10-odd a share. The choice seemed pretty clear, but discontented people rarely see clearly, and our biggest stockholder's discontent had opened the door to all kinds of trouble.

Trouble showed up promptly. The day after the Southeastern letter, *Barron's* ran a piece titled "The Dell Deal May Die." "Michael Dell's deal to take his namesake company private initially was treated as a near certainty on Wall Street," it began. "But there's a reasonable chance that shareholder resistance will scuttle the transaction." The article went on to say that Southeastern's opposition could galvanize Dell stockholders, many of whom, it maintained, were unhappy with the allegedly low price that I planned to pay.

Barron's logic: the $13.65 per share amounted to only eight times our projected 2013 profit of $1.67 a share and just six times earnings, if you excluded our net cash of $5 billion, which came to $3 a share. "That's a steal, given that Dell is believed to have earned $1.71 a share in its just-concluded fiscal year that ended in January," the piece continued. "No major company has ever gone private so cheaply. Most leveraged buyouts are done for double the Dell transaction valuation."

But if the deal was such a steal, why wasn't the market showing anything different?

The writer went on to cite the bullish projection I'd made at our annual analyst day the previous June: our goal, I'd said, was to generate $74 billion in revenue and $6 billion in operating profit in fiscal year 2015—substantial gains that would be driven primarily by our fast-growing software and services business. "Given that presentation," said one investment manager quoted in the piece, "it's a travesty that the Dell board considered the price to be fair."

Reading this, I felt I'd stepped through the looking glass into some kind of weird Wonderland: the very arguments I'd been making over the past half year were now being used against me! The real travesty, I'd long felt and continued to feel, was that investors were failing to look beyond the cliché of Struggling PC Manufacturer and see how great we really were and how much greater we were sure to become. It was precisely because investors were refusing to be bullish on Dell that I was taking the bull by the horns.

The first go-shop had taken place behind closed doors, before the public knew we were putting the company up for sale. KKR and TPG had dropped in, then dropped out. The second go-shop was a very different process, starting with a bang on the heels of the February 5 announcement. Now, under the supervision of the special committee, Evercore began contacting potentially interested parties to see if they were interested in bettering our offer. By March 23, the agreed end of the forty-five-day go-shop period, Evercore would reach out to sixty-seven parties in all: nineteen strategic parties (tech companies like Hewlett Packard, IBM, Cisco, and Lenovo), eighteen financial sponsors (investment firms such as Insight, Francisco Partners, and Riverwood), and thirty other institutions, including sovereign (state-owned) wealth funds. Evercore also received four unsolicited inquiries, two from strategic parties and two from financial sponsors. Of the seventy-one institutions Evercore communicated with, eleven expressed an interest in a possible transaction. The waters were boiling.

If you blinked while you were reading that February 9 *Barron's* piece, you might've missed this small but interesting aside: "It's possible, too, that a prominent activist investor like Bill Ackman, Carl Icahn, or Dan Loeb could take a stake in Dell and oppose the buyout, which is slated to close around midyear."

Activist investor was kind of a euphemism for what Carl Icahn really was. *Corporate raider* was more to the point, and maybe *trouble-making opportunist* was closer still to the truth. Since the late 1970s Icahn had shown great skill in gaining significant positions in companies in trouble or flux, and then either forcing them to buy back their stock at a premium or pushing company leadership to make decisions that would boost the share price—aka the value of his holdings. He liked to present himself as a great defender of the common man, the ordinary shareholder; in fact he was the great defender of Carl Icahn. Sometimes he would simply strip out and sell a target company's assets with little concern for employees or stockholders but at great financial gain to himself. Sometimes—and this got more and more effective as his reputation and wealth grew—all he had to do was threaten to take over a company in order to get it to buy out his shares at a big markup: this charming practice was known as *greenmail*. He seemed to have little to no interest in what a target corporation made or did: the game was everything to him.

And it was a game. Being a spoiler was his way of having fun and making a pile at the same time. He'd legendarily paid his way through Princeton with poker winnings; his business practices were not dissimilar. Whoever had the most chips on the table after the dust settled won. He'd gone after dozens of companies, many of them household names—Transworld Airlines (TWA), Marshall Field, Phillips Petroleum, Nabisco, Blockbuster, Texaco, Marvel Comics, Herbalife, Netflix, Motorola—and made billions.

And suddenly Carl Icahn, a guy I'd never given much thought to before, except as this troublemaker in business stories not involving me, popped up —*blip*—on my radar screen.

What he was up to wasn't clear at first. On February 26, a representative of Icahn's company, Icahn Enterprises, contacted Debevoise & Plimpton and said that Icahn wanted to obtain confidential information about Dell with an eye toward "a possible transaction" with respect to the company. Debevoise sent Icahn Enterprises a draft confidentiality agreement, and that evening, representatives of J. P. Morgan and Debevoise met with Icahn himself to see what kind of transaction he had in mind.

We soon found out. On March 5, Icahn sent a letter to our board, his first shot across our bow. The letter stated that Icahn Enterprises was now a substantial holder of Dell Inc. shares, and that Icahn "believed that the transaction contemplated by the merger agreement is not in the best interests of the Company's stockholders and substantially undervalues the Company." The letter included a proposal for an alternative to the buyout Silver Lake and I had proposed: a leveraged recapitalization of Dell plus a special dividend to the company's stockholders. The letter also indicated Icahn Enterprises' intent to commence a proxy fight for control of Dell if our stockholders didn't approve the buyout.

How substantial was Icahn's stake in Dell? On March 6, CNBC reported that he had amassed a position in the company that could approach 100 million shares—or roughly 6 percent of all unaffiliated stock, not far behind Southeastern's 8.5 percent stake.

In business you can surround yourself with the smartest people, you can plan ahead with the greatest care and intelligence, but one thing you can count on is that from time to time you'll get smacked in the face with a flounder—aka something you'd never anticipated. This was one of those times.

And now another major player entered the fray. In late January, the Blackstone Group, one of the world's biggest private equity and financial services firms, had contacted Evercore, saying that once the second go-shop began, they expected to make a proposal to acquire Dell. In February Blackstone signed a confidentiality agreement and was granted access to the data room; they also modified their original approach, saying they now intended to form a consortium to try and buy the company. And on March 1 Francisco Partners, a tech-focused private equity firm, joined Blackstone's confidentiality agreement and were given access to the data room. A number of other companies would join them. Blackstone told the media that it might try to divest Dell Financial Services, a subsidiary of ours, to help finance the deal.

And Icahn was conducting his own maneuvers. On March 7, he contacted Debevoise with his latest strategic move: requesting a waiver of Section 203 of the Delaware General Corporation Law, which imposes restrictions on business combinations between a corporation and major shareholders. A week after that, Icahn notified the special committee that he'd filed a notification under the HSR—the Hart-Scott-Rodino Antitrust Improvements Act—that he might acquire up to 25 percent of Dell's outstanding shares. Icahn was now saying he wanted Dell to remain a public company; he was wooing our stockholders by proposing we pay a one-time $9 per share special dividend in addition to our regular quarterly dividends.

The big battleships were maneuvering into place; the forces were gathering for the fight to come.

Meanwhile, I had to reassure the troops, 100,000 Dell team members who were worried about their future. At the Field Readiness Seminar in Vegas, just after the February announcement, I'd told several thousand salespeople that I had full confidence in the go-private and our ability to control it. I spoke in general, upbeat terms, my chin out and a smile on my face. I thoroughly believed in what I was saying, and the sales force believed me.

Then came Icahn and the other events of February and March, and a million stories in the financial journals and on TV. Over the next months I embarked on a world tour of Dell sites—places like Beijing, Bangalore, London, and Moscow—to tell the many members of our team that everything was under control. It was a strange dance I had to do. With all the confidentiality strictures that were in place, there was only so much I could reveal. So I would say something like this: “Well, look, all I can tell you is that I’m in the middle of all these discussions, and while I can’t disclose exactly what’s happening, I’m confident that we’re going to come to a great outcome for you and for our customers and for our shareholders and for our company. So if you trust me, believe me, everything is going to be fine. Don’t worry about it.”

It sounds simple—it was simple. But they did believe me, because I had never lied to them before, and I wasn’t lying now. At the same time, I wasn’t entirely sure how much control I had over the events that were very rapidly unfolding.

By the third week of March, both Icahn and Blackstone had emerged as the main contenders for an alternative transaction, and they were making a lot of noise. Icahn was now saying he was ready to use his own money to help finance a deal to acquire not 25 percent but 58 percent of Dell for $15 per share, leaving the rest of the company public. Blackstone said it was prepared to offer $14.25 per share for the whole company, either all in cash or partly in shares, maintaining Dell as a publicly listed company. Both said they had letters from banks that were highly confident about backing them—but those weren’t commitment letters, and we had *four* banks formally committed to helping us. Still, the special committee said it was prepared to negotiate with both Icahn and Blackstone. More than that, the committee said publicly that it had determined that the two preliminary plans submitted by Blackstone and Icahn could result in “superior proposals” to ours, which was the predicate for continuing discussions.

And the media were paying attention. “Could Michael Dell lose it all?” was a question more than one outlet asked. Rumors began to surface that Blackstone was considering replacing me as CEO if it won the battle with

Silver Lake and me. Two possible successors kept getting mentioned in the news. One was Mark Hurd, known as an operational wizard, who had formerly been CEO of Hewlett-Packard and was currently president of Oracle; the other was Michael Capellas, the former CEO of Compaq, now on the board of Cisco. And around that time—and unbeknownst to me—Chinh Chu, senior managing director of Blackstone, went with Capellas to meet with Jeff Clarke in Austin.

They came on very strong—full of bravado, Jeff remembers. They told him they were serious about wanting to take over Dell. “But Michael may be out,” they said. “And it may be us.” The way they said it, Jeff recalls, didn’t sound like maybe. If I was ousted, they asked Jeff, would he want to join them?

Jeff wished them luck and said he’d be honored to continue working with me wherever I was.

The talk about replacing me didn’t feel great, but not as far as my pride was concerned. It bothered me because it created uncertainty. I wondered how the rumors might change the way our employees and customers, and our partners and suppliers, would think about their relationship with the company. Which candidates were mentioned didn’t really matter—I felt the talk was just a ruse to change the dynamic in a possible future negotiation with me.

Maybe Icahn and Blackstone thought their scare tactic would somehow give them the upper hand in a negotiation with me. They had read our agreement with Silver Lake, which said that I was in control of the company and making the key decisions, and Silver Lake got to invest along with me. I could see how Icahn and Blackstone might say, “Well, we’d like to have more say in the matter.”

And there could’ve been scenarios where something like that might’ve emerged—if, for example, Blackstone had said, “Okay, we’ll partner with you at fifteen dollars a share, but we want XYZ governance rights.” If they were offering more to the shareholders, I would be compelled to find a way to reach some agreement with them. That may have been what they were angling for.

I never thought the threat of replacing me was real. I suspect most of the supposed candidates didn't either. Perhaps one or two of them bought it, but all that meant was that they'd fallen for the ruse.

In any case, the success of the company was and is more important to me than my position in it. I've always felt that if someone could do a better job as leader, I'd take on a different role to help the company. I did that from 2004 to 2007, and I was ready to do it again if the situation called for it. And of course, in a public company, those decisions are made by the board.

I also knew that at our prior shareholder meeting in July of 2012, I was reelected to serve as chairman and CEO with over 96 percent of the vote. Still, a lot had happened since then.

On March 25, Icahn announced that he was open to joining forces with Blackstone.

Two days later, March 27, *The Wall Street Journal* reported that Blackstone was open to keeping me on as chief executive. *Darn nice of them*, I thought. "Opening the door to keeping Mr. Dell as CEO may help the private-equity firm sway him to eventually side with its bid," the *Journal* said. *Good luck with that*, I thought. I had known Steve Schwarzman, Blackstone's cofounder, for decades, and I had great respect for him. But if siding with Blackstone's bid meant working with the guy who went behind my back to Jeff Clarke and tried to get him to sell me out, *Thank you very much but no thanks*, I thought.

But for the time being I kept my thoughts to myself.

As March turned to April, Icahn suddenly seemed to be making most of the noise. On the seventeenth, the special committee announced that it had made an agreement with the "billionaire investor," as the media liked to refer to him (I had my own names for him): Icahn pledged not to buy up, by himself or in league with any other shareholders, more than 10 percent of Dell's stock. In exchange, the committee would allow him to talk with other major stockholders about joining forces against Silver Lake and me. The agreement, the special committee told the press, maximized the chances of getting the best possible offer from Icahn but also protected Dell’s shareholders from the accumulation of an “unduly influential voting interest.”

Sounded good on paper. But Icahn wasn’t exactly promising to behave, either. In a statement—he was suddenly making statements all over the place—he said he retained the right to lead a shareholder rebellion against Dell’s board if the company continued to favor Silver Lake and me. He also said he was turning down the up-to-$25-million-due-diligence expense reimbursement the special committee had offered, so he could still wage a potential fight against the board. He was following his own playbook, doing again what he’d done dozens of times before: cleverly managing a PR campaign that made him look like the lonely crusader for shareholder rights rather than the greedy pirate he actually was.

Meanwhile, the Blackstone consortium, now four companies strong (Blackstone, Insight, Francisco, and Riverwood), was turning up the heat. In mid-April we had a huge due-diligence meeting with them at the Marriott Hotel next to our Round Rock headquarters. It was quite a scene: we needed a ballroom to fit everybody. They had hired every consultant you could imagine—there were at least fifty of their people and twenty of ours at long tables with microphones. Every few minutes a moderator would announce, “The next speaker is so-and-so.” They grilled us for what felt like hours about our finances, our shipments, our plans.

And then they dropped out. On April 18 Steve Schwarzman called me himself, sounding regretful but matter-of-fact. He said that while he had huge respect for Dell as a global company and me as its founder and leader, our recently released PC sales figures (down 11 percent during the first quarter—though PC sales worldwide fell 14 percent in the same period) and our declining operating-income forecast (down from $5.6 billion the previous July to $3 billion) made a buyout just too tough for Blackstone. The news went public the next day, and our stock fell from $13.95 to $13.40—the first time since early February that the share price had dropped below the price Silver Lake and I were offering. (This also meant that every share purchased, including those purchased by Icahn, had been bought at prices higher than what Silver Lake and I were offering.) Investors now seemed to be thinking that no higher bid would emerge.

Now it was just us against Icahn.

He was still saying loudly—he loved getting on TV!—that our offer grossly undervalued the company. “It’s really a travesty—it’s almost like something out of *Saturday Night Live*,” he told CNBC. He was telling all possible media outlets that he had all kinds of plans to keep part of Dell public. Then he announced he had a new ally. On May 9 his latest scheme emerged: ICAHN, SOUTHEASTERN ASSET MANAGEMENT MOUNT AN AGGRESSIVE CHALLENGE TO DELL BUYOUT, the headlines read.

It seemed like an inevitable pairing: Southeastern, with its steady drumbeat of disgruntlement about the supposed paltriness of our offer, and Pirate Carl, the Stockholder’s Friend. Together they owned 13 percent of Dell, and they—of course—had big plans for the company, a key component of which was their intention to oust me. They wrote a blistering letter to our board, accusing them of insulting shareholders’ intelligence by claiming to be focused on stockholders’ best interests while accepting Dell’s offer to buy the company for “far below what we consider its value to be.”

The letter went on: “You not only sanctioned Michael Dell’s offer, which amazingly allows him to purchase the company from shareholders with their own money,” it read, “but, to add insult to injury, you have agreed to give Mr. Dell a breakup fee of up to $450 million.”

This was vintage Icahn, doing the voodoo that he did so—I won’t say well, but I guess I could say effectively: voice a gross inaccuracy and repeat it often enough and loudly enough, and a lot of people are going to believe you. “Purchasing the company from shareholders with their own money” was just creative writing—his way of saying he and Southeastern felt our offer was too low. And as for that breakup fee of up to $450 million: that was money potentially due to Silver Lake, not me, should the deal fall through in favor of an alternative offer that was made outside the go-shop period. And the potential breakup fee if the deal were terminated for Icahn’s proposal was far lower—$180 million. It’s true that I would be out a lot of money if the deal fell through, but I had no need whatever for a breakup fee. Silver Lake, on the other hand, would have expended a great deal of time and substantial resources on the process, and would arguably be due appropriate compensation.

But naturally we were doing everything in our power to make sure the deal would not fall through.

And—all too naturally—Carl Icahn was doing everything in his power to make sure it would. And to make an enormous amount of money if it did.

Icahn and Southeastern proposed keeping Dell publicly traded and letting shareholders keep their stake in the company. They said they wanted to give stockholders either $12 per share in cash or additional shares. They wanted the Dell board to put their proposal before the shareholders, and if the board said no to that, they wanted Dell’s annual meeting, when new directors would be elected, to also include a vote on our (Silver Lake’s and my) offer. They intended to put up their own slate of director nominees at the meeting.

They promised to work “assiduously” to convince their fellow shareholders to reject our bid. “This company has suffered long enough from very wrongheaded decisions made by the board and its management,” they wrote. “Do not make another by putting the company through an unnecessary debilitating proxy fight. Allow the shareholders to decide for themselves which offer they choose.”

Icahn told CNBC he was confident he and Southeastern could persuade Dell’s stockholders to vote against our proposal. He said that if his board candidates were elected, he could guarantee I would no longer run the company. “It’s amazing what can be done once you do change the leadership,” he said.

I’d faced adversaries in the past, but none who would openly and repeatedly lie on national television. I was disgusted by Carl’s complete lack of moral fiber. His appreciation for honesty and truth was basically nonexistent—he was willing to do and say anything to achieve his objectives, and he’s quite skilled with his trickery.

I do believe that we all perform better in competition, whether it’s fair or friendly or not—though I certainly feel that fair and friendly competition is better. I’ve had plenty of competitors over the years—CompuAdd, IBM, Compaq, etc.—and I think it’s good to have an identified adversary to attack. Icahn made himself an easy target—he declared war on us, so it was easy to declare war back on him.

And this time, as the saying goes, it was personal.

6

YOUNG MAN IN A HURRY

I was sitting in the back of an Austin Police Department cruiser, wearing handcuffs. My crime: going 92 in a 55-mile-per-hour zone for starters, plus, once the officer ran my plates, a big enough pile of unpaid speeding tickets that a warrant had been issued for my arrest. The vehicle that had helped me earn all those tickets was a red Porsche 911, a beautiful machine that I'd bought after the BMW had died, due to lack of maintenance. Turns out it's a good idea to put oil in a car now and then—but I was too busy to pay attention to details like that, I guess. Also too busy to pay all those speeding tickets. I'd just turned twenty, and I was a young man in a hurry.

The 911 was an awesome car with incredible acceleration, but what I'd failed to take into account when I bought it was that red cars are cop magnets, especially if you're speeding, which I often was, and especially if you're twenty and irresponsible, which I definitely was. I loved driving fast, and the Austin police loved stopping me. They always said the same thing: "Did your daddy buy this car for you, son?" And I always answered the same way: "No, sir. I apologize, officer. I didn't realize I was driving so fast, sir."

It wasn't much of an excuse, and it never got me off the hook a single time, and now I was paying for it. The cop took me in to the police station, where I got fingerprinted but, very fortunately for me, was not put in jail. I was so embarrassed—I knew I'd done the wrong thing. I might've been a bit of a rebel where my parents were concerned, but when it comes to military service members, police, and firefighters, I've always had nothing but respect and admiration for the hard work they do. It was time to pay up and slow down—plus buy a less attention-getting car. I traded in the 911 for another Porsche, a black 928, which I also loved. And tried to drive a little more responsibly.

(Years later, when I told this story to Susan, she said, "Awesome! So I'm married to a gangster?")

It was September 1985, and Dell Computer Corporation, d/b/a PC's Limited, was prospering. We'd generated over $6 million in sales in our first nine months of operation (that number would turn to $33 million at the end of our first full year on January 31, 1986), and we were growing fast. We were still selling customized PCs to doctors and lawyers and architects around Austin, but thanks to national advertising in the computer magazines, we were also selling to doctors and lawyers and architects around the country. And more: we'd started to land orders from some fairly big companies, like Texaco, Ford, Monsanto, and many others. We'd gone far beyond writing up orders by hand and putting them on clotheslines—now I could afford to hire a guy to create an order-entry system that our salespeople could use on their PCs. Did I mention that our salespeople now had PCs? The only hitch was that our company computers weren't networked, so at the end of every day each of the salespeople would give me a floppy disk containing the orders he or she had taken that day. I would then load each of these into our order database.

It was all just a little bit Make It Up as You Go Along. Maybe more than a little bit.

Did we know what we were doing? Yes and no. My entrepreneurial boyhood notwithstanding, I had never run a business before, so there was that learning curve to climb. But it wasn't just learning to run a business; it was learning to run a business that wasn't like other businesses—even though on the surface, PC's Limited looked like many other computer businesses. The mid- to late 1980s were a boom time for start-ups in our sector. There was a monthly magazine back then called *Computer Shopper*

—it grew to hundreds of pages over the course of the decade, roughly half of it editorial content and tech articles and the rest advertisements from literally hundreds of new companies that, if you squinted your eyes, all looked pretty similar. We were one of them. And yet of all the many companies trying to imitate us by making build-to-order PCs and getting them out the same day, plus offering free technical support by phone, we were the only one that thrived and succeeded.

We didn't start building to the customer's order because we saw some massive paradigm in the future. We started that way because we didn't have the capital to mass-produce. It turned out to be a pretty lucky handicap. And many of the biggest lessons we learned in the company's formative years came about in the same seat-of-the-pants way. We experimented and improvised our way to success.

PC's Limited was like a rocket ship hurtling skyward, but with a wobble in the trajectory. Our development was uneven. On the one hand we had this lights-out, rock-the-universe business model: selling direct to customers, giving them the exact computers and peripherals they wanted at prices that beat the marked-up goods in retail stores by a mile. We were unique—and so under the radar that our biggest competitors, IBM and Compaq, failed to notice us. To them we were just a mail-order company. They didn't think we were doing real engineering. Didn't think we really had a supply chain. Didn't think we had a business model that was superior. And so they didn't have to worry about us. But of course, we just kept growing and growing and growing. Being underestimated by IBM and Compaq was a powerful motivating force.

Our sales were growing by the week, as was our ragtag band of mercenaries and buccaneers. On the face of it, it made no sense. Here I was, twenty years old, a college dropout with a capital base of $1,000, saying: "Hey, who wants to come work in this company?" We were in a B-/C+ industrial park in not the nicest part of Austin, where the rents were low. We weren't exactly an employer of choice. So we picked up whoever we could pick up, and we were scrappy as scrappy could be.

I’d signed up VPs for manufacturing, sales, tech support, marketing, customer service, and procurement. I’d created some financial discipline by hiring a CFO and a chief accounting officer, a married couple, let’s call them Bill and Betty Bolton. Perhaps most significantly, I’d hired an assistant, Kaye Banda, a fortyish woman who kind of became my Austin surrogate mother. Kaye was a smallish person with a huge heart and big smile; she exuded positive energy whether you were in her presence or talking with her on the telephone. She had a magical way of making anyone who interacted with her feel comfortable and important. She was also skillful and subtle about making sure I was taking care of myself and not doing too many stupid things. More on that in a bit.

There were about sixty of us now, and we’d outgrown the building on North Lamar and moved into a new facility, a 30,000-square-foot building at 1611 Headway Circle, with colorful horizontal stripes painted on the outside. I thought that was the biggest building I’d ever seen—there was no way we were going to fill that up. We filled it up quickly.

I was working sixteen-hour days to keep it all going: I had a bed in the back of my office so I could grab a little sleep on the nights I was working nonstop. But back in Houston, my parents were worried sick about me, scared out of their brains that I was in over my head. And it wasn’t just me they were fretting about—I had all these people working for me, some of them married with children, people whose livelihoods depended on me. What if this house of cards I was building just fell down?

Right around then, a funny thing happened: my mom’s parents, Rubin and Hilda Langfan, went to Houston to see my mom and dad, then came to Austin with my parents to visit. My grandfather was a successful entrepreneur: he worked with his brother in real estate investing in New York City. And when I proudly showed him the controlled chaos that was our headquarters, with the engineers upgrading PCs and the salespeople taking orders as fast as they came in and our office staff doing their best to keep track of it all, he started laughing and laughing, so hard that I could barely get him to stop.

“What is it, Poppy?” I asked. “What’s so funny?”

“Michael!” he said. “You’re a businessman!”

It was the highest praise he could have given me.

We were doing very well by improving IBM’s product and undercutting them on price—way undercutting them. In June of that year (1985) we’d introduced our first name-brand computer, the Turbo PC, with an Intel 8088 CPU, 640K of RAM, and a 360K 5.25 floppy drive. It sold (by mail order or phone order only) for $795. A similarly configured IBM PC retailed (in stores only) for between $1,500 and $2,500. Compaq’s version would set you back at least $1,500. When I first told Kelley Guest about the Turbo PC, its specifications and its price point, he said, “Michael, if you can do that, one day you’re going to own the world.” Well, we didn’t own the world yet, but we were sure selling a ton of those Turbo PCs. Even so, though, I had my eye set on bigger things.

The previous year, IBM had introduced the PC AT, with an operating system based on the Intel 286 microprocessor. One day while I was leafing through one of my favorite tech magazines, *EE Times* (*Electrical Engineering Times*), I saw a story about a company called Chips and Technologies that had designed a series of five ASIC chips—application-specific integrated circuits—that could be used to build an Intel-based 286 microcomputer compatible with IBM’s PC AT. I thought, *Man, I’ve got to get me some of those right now.*

Chips and Technologies was run by a guy named Gordon Campbell. So I called him up. “Hey, I heard what you guys are doing,” I said. “I’m really interested. How do I get some of these chipsets?”

Campbell said he’d be glad to sell me three. “Do you have a reference design?” I asked. Typically, when a company has a chip that they want to sell you—or in this case, a set of chips—they’ll give you a reference schematic that tells you how you connect the chips with the microprocessor, with the memory chips, with all the other chips you need to connect them to in order to make a 286-compatible computer.

I sent Campbell a check and got the chipsets and the reference design in the mail. I took one chipset out and put it on my desk alongside the schematic. I looked at the chipset; I looked at the schematic. I thought, *What the heck do I do now?* I had hit the limit of my technological expertise.

I phoned my Intel salesperson. “I want to design a 286-compatible computer, and I need an engineer. Do you know any good ones?”

He started rattling off names—“Okay, this guy over at Texas Instruments, these guys over at Compaq, IBM, Data General, Motorola”—as I grabbed a pencil and paper and started furiously writing them down. There were a dozen in all, and I contacted every one of them. Some of them didn’t want to meet with me; some of them met with me but didn’t want to do it. But one of them, a guy named Jay Bell, was different from all the rest.

Jay was a singular man. Tall and gaunt, with a brushy mustache and a piercing gaze behind thick-lensed glasses, he talked fast and thought fast—he was fizzing with energy and ideas. And confidence. He’d designed some microprocessor-based computer systems for Xerox that had worked out very well, and he wasn’t shy about saying so. When I showed him the chipset and the schematic, he quickly said, “Oh yeah, that’s easy—I could build you a prototype in a week or two.”

I gave him a funny look. Really? A week or two? How are you going to do that?

“What’s this going to cost me?” I asked.

He thought for a second. “I can wire up a motherboard and give you a prototype for a thousand dollars,” he said.

That took me by surprise—I would’ve thought he’d ask for a lot more. “Tell you what,” I said. “I’m going out of town for a couple of weeks. I’ll give you a thousand now. When I come back, if you’ve got a working prototype, I’ll give you another thousand.”

Meanwhile, I was thinking, I don’t really know if this guy can do this or not, but it’s only a thousand bucks, and he’s had enough success with small computer systems design that maybe he’s not bullshitting me. And probably the prospect of getting another thousand dollars is enough to motivate him to finish the job. I didn't think he was just going to take my money and vanish. So we shook on it.

I was actually leaving town for three weeks. It was a long time to be away from the helm of my ship, but I had important business to do. Our own little corner of the computer market was doing well, but to keep growing quickly we needed to establish direct relationships with the suppliers for all the principal components. Any economies we could find would insulate us from trouble, and I knew the supply chains for the parts we were ordering were full of markups that I could radically reduce if I went straight to the source.

My lightbulb moment had come when I examined some of the printed circuit boards we were buying: every one of them, I found, had a tiny copy of the manufacturer's logo on the underside. Only we weren't purchasing them from the manufacturer. I was tired of dealing with distributors and dealers and middlemen and agents; I wanted to go to the factories where these things were made. And almost all of them—along with the factories that made practically every other part we were buying—were in the Far East.

I'd found out that every fall there was a kind of circuit of electronics shows in Taiwan, Japan, Korea, and Hong Kong. So I got on a plane and flew out there.

I was twenty years old, full of energy and curiosity, with no strings tying me to Austin except the business, and with the momentum we had, I was confident that my department heads could hold down the fort while I was gone. I could call every few days to check in.

I was excited—my God, I was excited. There was a whole new world out there, just waiting for me to discover it. I'd been overseas just once, when we visited Steven in London. This was *way* overseas.

I loved the whole trip. I loved wheeling and dealing at the shows in Taipei and Hong Kong and Tokyo and Osaka and Seoul, talking to the people from Samsung and Kyocera and Sharp and Sanyo and Sony and

Panasonic, handing out and collecting business cards, making friends when I asked about the hundred-thousand-unit price and the million-unit price, and saying, “Send me a sample”; seeing people’s eyes light up when I told them about my business.

I loved how at my hotel in Seoul there were only three things on the dining-room menu: Kimchi #1, Kimchi #2, and Kimchi #3. This was truly a different part of the world.

Really, being in the Far East and discovering the inner workings of how the whole supply chain world worked, where I’d only seen parts of it before, was like peeling an onion and going all the way to the center. Ever since I was thirteen I’d been taking computers apart and examining the pieces inside; now I was actually visiting the plants where these things were being made. I was wearing protective bunny suits and walking around factory floors with the guys who ran the factories, and they were showing me their whole process. I couldn’t possibly have gotten any closer to the action.

Some factories were much more focused on worker safety than others, and that concerned me. One Taiwanese plant I went to had an open gutter with chemicals running right through the middle of the concrete factory floor. *That’s not a good idea*, I thought. At Dell we had a simple philosophy, one we still have today: No one should ever get hurt working at Dell.

I was learning every minute. I was seeing how the Taiwan and Hong Kong suppliers could wheel and deal with the best of them, but the Japanese were a little more formal and protocol bound. I was talking about how many power supplies or monitors or keyboards you could put in a 20- or 40-foot shipping container, then calculating how often I’d need to have a container full of these things shipped over and what would be the unit cost to ship each one, and could I get the supplier to give me terms or would I have to post a letter of credit . . . ?

And every moment I was calculating the possibilities, because the difference between the cost of the components at the source and the cost back in the States, at the end of the supply chain, was enormous.

By the time I flew back home, it felt like I'd jumped ahead several levels in the game. I had commitments from many new suppliers to ship to us direct, saving us millions in product cost. It was a big leg up on our competition—and it was an advantage we sorely needed, because there was a lot of competition.

I returned to find Jay Bell still hard at work on our 286 prototype but—he said—close to a solution. It turned out that the schematic that Chips and Technologies had provided had all kinds of errors in it, and the only way to find the errors was to wire it all up and correct the circuits one by one. Jay was in the process of writing by hand exactly how to make the thing work, and it was an extremely laborious process.

Jay had been working from home, but I wanted him nearby when he finally succeeded—and I knew he was going to succeed. So I installed him in a kind of secret office in our building (no one knew he was there; there was no name on the door) and made him promise not to speak with any PC's Limited team members. It was crucial to keep the project under wraps until we were ready to go public with it.

The better I got to know Jay, the stranger I found him. I think he might've been manic-depressive: he would get these huge bursts of energy and work for thirty-six or forty-eight or seventy-two hours straight, then crash. Daytime or nighttime meant nothing to him. One time, soon after I got back from Asia, my phone startled me out of a sound sleep: it was three in the morning, and it was my old friends the Austin Police Department on the line. "Sir, it appears that somebody has broken into your building," the officer said.

"Well, that's not very good," I said. "I'll be right over."

I pulled into the parking lot to find a totally surreal scene, illuminated by the flashing red and blue lights of several police cruisers: Jay was inside the building, holding his driver's license up to the window of the employee lunchroom while a half dozen cops stood outside with their guns drawn.

“It’s all right, Officers, I know him,” I said. “It’s totally fine—don’t worry, everything is going to be fine.” It turned out Jay had just been working after hours and opened some door that triggered an alarm.

In the meantime, though, I wanted to throw every possible resource into the 286 project. I hired a group of Indian engineers with both hardware and software expertise to consult with Jay. They had been working on a 10 MHz (processor speed) 286 computer system; they were also said to have an AT-compatible BIOS: I wanted to look into buying that from them.

I picked these guys up at the Austin airport myself. There were five of them, but only one—his name was Subramonian Shankar—could speak much English. They hadn’t been in the States long, and everything they saw still amazed them. I installed them in a garden-apartment complex that was just across the street from our headquarters: three guys in one apartment and two in another right next door. I eventually convinced the apartment manager to tear down a wall so it could just be one big apartment: the engineers both worked and lived there.

None of them drove, so once a week I would take them to the HEB supermarket to stock up on food. The first time they walked into HEB, their jaws dropped: they’d never seen anything like the insane bounty of an American grocery store.

The Indian engineers got right to work on a review of the Chips and Technologies chipset’s capabilities at CPU speeds of 8 MHz and 10 MHz. Now and then I’d drop by their apartment to see how the work was going, and I was struck by two things: first, the overpowering smell of curry, and second, the fact that these guys, smart and hardworking as they were, would drop everything to watch wrestling whenever it came on TV. They were just obsessed with wrestling.

By early December Jay had a partially working prototype, and in mid-January, after hundreds of hours of work, both alone and in collaboration with the Indian engineers, he’d confirmed the design. We found an Austin company that designed circuit boards and hired their best board router, a middle-aged woman who smoked like a chimney while she worked. I braved the clouds of tobacco smoke to lean over her shoulder and watch with fascination while she created a circuit-board layout. Designing the optimal routing of the circuits, one that uses the minimal amount of space on the board yet doesn't juxtapose circuits that could create electronic interference if placed too close together, was a process that combined art and science.

But she did it, and that circuit board became the basis of the 286 computer that we introduced in March 1986, which was an instant hit. In quick succession we rolled out three new PCs: a low-cost computer operating at 8 MHz a 10 MHz machine that was faster than any other IBM AT compatible on the market, and a 12 MHz version that eclipsed all competitors, including Compaq and IBM.

In short order we would introduce a 16 MHz machine that would rock the personal computer world. "If you've ever daydreamed about climbing into the computer equivalent of an F-18 jet, punching the throttle, and blasting straight up into the clouds, sit yourself down in front of one of these," *PC Magazine* would write, breathlessly. "After a few hours at 16 MHz, a lumbering IBM AT feels like a dusty relic from a computer museum."

Our ramshackle little company was poised to rule the personal computer world that spring. It was super exciting: we were growing much faster than the industry, even though we were really small at the time. PCs were just becoming a big deal—tech people, engineers, and hobbyists, rather than the general public, were buying them. I remember my mom came to a Comdex show in Atlanta, where we demonstrated our new 16 MHz 286 computer—she was proud to see what her son was doing. As crazy as it seems, though, our hot little company was also in big trouble.

Two major factors were working against us. The first was financial, and it was grave. Despite the new business relationships I'd forged in the Far East and the vastly improved parts supply lines I'd established, I was operating with letters of credit drawn on the day of shipment. Shipments were often by air, and air shipments were expensive. And though our sales were booming—we were looking at over $52 million in sales for the current fiscal year—our finances weren't. We had just over $300,000 in cash that spring. Almost all the revenue that came in went right into payroll and parts, and our bank credit in Austin was stretched very thin—in reality, far thinner than I knew.

The state of Texas was in the midst of a severe recession that spring, and the capital city was having its own problems. State-government layoffs were imminent, and Austin's tech boom of the late '70s had now gone bust. Real estate prices were plummeting; local businesses were suffering. I'd been able to open a $600,000 credit line with a bank in town called MBank. Six hundred thousand was a paper-thin margin for the business we were doing, and there appeared to be no prospect of increasing the line. In fact, unbeknownst to me, MBank was seriously considering closing my account —because (unbeknownst to almost everyone in Austin) MBank itself was in dire financial straits.

And that was just the beginning of our bad news.

The big hammer that came down on us that spring came courtesy of the Federal Communications Commission. Personal computers, it seemed, emitted radio-frequency interference unless they were properly shielded—which many PC clones were not. And so the FCC had begun a crackdown on personal computer manufacturers, as we found out courtesy of a cease-and-desist letter we received in April. "It has come to our attention," it said, "that you're building these devices, and you don't have the required Class B FCC approval." We were to cease manufacturing operations immediately, the letter said. We were also ordered to pay nearly $10,000 in fines.

For me this came straight out of left field. What the heck was the FCC? At twenty-one, I didn't know the FCC from the DMV.

I phoned Kelley Guest.

Kelley turned out to be good luck for us, and not for the first or last time. It seemed he was friends with a guy named Dick Wiley, who had been chairman of the FCC in the 1970s. After leaving the commission, Wiley had gone into the consumer-advocacy business, fighting against overregulation.

So we hired Dick Wiley, who went to the FCC and essentially said, “Hey, these are a bunch of kids; they’re trying to do the right thing.”

We tried because there was no other choice. Every day for two weeks that April and May, with no product going out and ever-diminishing revenues trickling in, we—Jay Bell, a couple of our other engineers, and I—went to a test range owned by a lab in San Antonio to try and engineer one of our 286 machines into compliance. Every day we played around with different configurations of components to try and get the emissions profile to a point where it would repeatedly pass the FCC’s test. And every night as I put my head down on the pillow, with our business stopped in its tracks, I thought about all the people who worked at the company, some of them with families, people whose livelihoods I was responsible for.

We solved the emissions profile inside of two weeks, and it was a lucky thing we did. If it had taken much longer, PC’s Limited would have been PC’s Terminated.

The company was doubling in size every year. That in itself was amazing and highly unusual. It was doing very well as far as young start-ups go, but I knew we needed help. We were outgrowing everything: our buildings, phone systems, order management systems, suppliers, banking relationships. Nothing could keep up with our meteoric growth. In a certain way, I couldn’t, either.

In the few hours when I wasn’t working, I was devouring books about leadership and management, learning about all the things I didn’t know. I was twenty-one—a curious and ambitious twenty-one, to be sure, but there was a lot I didn’t know. To date I’d tried to hire the best people I could: people who could help the company grow, people who knew more about their area of expertise than I did. Otherwise, why hire them? I did make some hiring mistakes, but I was pretty fast to correct them and move on.

But it was now dawning on me that the biggest mistake I’d made wasn’t someone I’d hired but someone I hadn’t hired yet.

To a great degree I was flying solo at PC's Limited. I was chairman and CEO and owned 100 percent of the stock of the company, which was unusual. There were no other founders and—unlike at Compaq, 150 miles down the road in Houston—no venture capitalists or board of directors. I had this layer of vice presidents of key departments, but it now struck me that the management structure of PC's Limited was missing a crucial piece at the top.

I needed someone with the kind of experience running a company that I didn't have.

Several people around Austin had mentioned the name Lee Walker to me. The consensus seemed to be that he was a special and unusual guy, someone who'd done a lot and knew a lot. That was about all I knew. Remember, this was years before the internet—you couldn't just Google someone. So when an acquaintance of mine named Jim Seymour said he could put together a dinner with Walker plus a guy I was thinking about hiring as my president, a Timex executive, my curiosity was piqued.

Seymour was an interesting guy himself. A supersmart and thoughtful early commentator on the personal computer industry who just happened to live in Austin, he'd established himself as kind of a guru, writing columns and reviewing new products for *PC Magazine* and *PC Week*. He could be caustic, but so far he'd been friendly to me and the company. He also happened to be the biggest man I've ever seen—he must have weighed four hundred pounds.

Jim told me that Lee had played basketball and majored in physics at Texas A&M—already an unusual combination—and, to pile on the incongruities, was fluent in Russian and had an MBA from Harvard Business School. He'd gone to work for Union Carbide but found early on that the corporate life wasn't for him, and he instead turned himself into a very successful entrepreneur. He had a shortening company in Chicago; he had a nuclear metallurgical laboratory that made americium dioxide pellets for smoke detectors; he had a specialty valve company and a medical products company. And now, at age forty-five, he was tapping the brakes a little, about to spend the summer in the south of France. Maybe, Seymour said, I could catch him before he left, retain him as a temporary adviser. Lee sure knew a lot, Seymour said—and Jim wasn't one to throw around compliments idly.

The four of us met one May evening at a Chinese restaurant called Beijing Imperium, and the first thing I noticed was that Lee Walker was huge himself—vertically: he stood six foot nine. It turned out he'd played center for the Aggies. And it further turned out that that was far from the most interesting thing about him.

It was an odd evening, three guys in their forties and me. I remember doing a lot more listening than talking; I also remember Walker going on and on about some Brooklyn Dodger I knew about vaguely from my baseball-card-trading days, Carl Furillo. We didn't get around to much in the way of business talk. But in an off-the-wall way that also felt instinctive, Lee Walker impressed me far more than the guy from Timex. That guy seemed like a corporate functionary and not much more. Walker, on the other hand, seemed like much more. His kind nature and intelligence struck me immediately. He was authoritative but warm, articulate but quirky. He certainly didn't seem to be looking for a job. I liked him—which also meant that I felt in my gut that I could trust him. And for all my business reading, it was clear he knew a ton more about business than I did.

A couple of days later I took a chance and drove up to Lee Walker's house on Cat Mountain in the hills northwest of Austin. I hadn't called first; it was a drop-in pure and simple—not something you'd do with just anybody. But I figured that if I'd read Walker correctly, he was the kind of guy that wouldn't mind.

He didn't. He looked a little surprised when he opened his front door, but then he smiled and asked me in. He was just having lunch, he said; was I hungry?

We sat down over tomato soup and tuna sandwiches at his kitchen table, and I got straight to the point.

"Would you like to be president of my company?" I asked him.

He smiled again and shook his head. “I’m headed to France in a week,” he said. “I’ll be there all summer, maybe longer.” We ate in silence for a little while. Then he said, “Why don’t you tell me about your company? How’d you get started?”

I told him everything I’ve told you about how I got into business, going way back to my family’s fascination with finance and markets, my early forays into entrepreneurship, trading stamps at stamp shows and then by catalogue, hitting it big selling subscriptions, all against a background of my passion for computers. He was easy to talk to, because I felt he was really listening to everything I was saying, processing it on some deep level.

“Let’s take a walk,” he said.

We went outside and Lee led us down a trail through the woods, and because I felt he was really interested in what I was saying, I kept talking. I told him about taking apart the Apple II and moving on to upgrading IBM PCs, about starting a little business selling them, which turned into a not-so-little business. He laughed when I told him about my PC arbitraging days and the fly-and-buys. And then I was off to Austin and UT, the apartment with my friend and hiding all the computer parts in David’s bathtub when my parents came to visit. It was funny: as I recalled how disappointed and angry my mom and dad had been when I told them I was giving up college and a future as a doctor to work on this crazy start-up, all those emotions came back to me—a whole mixture of sadness and pride and defiance and love for my parents, as upset with me as they were. I knew I had it in me to make them proud.

And then on to North Lamar and then Headway Circle and building my scrappy little company new hire by new hire, one a week, to where we were today. He nodded as he listened, and his brief but thoughtful responses made me realize that this was the first person I’d ever encountered who could understand the business, really understand it, at an intellectual level. He got it. He instantly grasped our supply-chain advantages and disadvantages, our entire business model. I felt so strongly that we could succeed where others were failing, I told Lee; I just needed help from someone who knew the kinds of things that I didn’t know. I needed to be able to delegate those things to that someone while I focused on creating new products and growing customer relationships and keeping the growth going. We could divide and conquer, I said.

The trail had circled back around to his driveway. As we came out of the woods, Lee smiled a little sadly and shook my hand. “You’re an extraordinarily impressive young man,” he said. “But I can’t help you. I’m sorry.”

7

THE END IS NIGH?

For all its sound and fury, the Icahn-Southeastern proposal had a logical flaw at its center: Icahn kept claiming that because my transformation strategy for the company was working, Dell was worth far more than Silver Lake and I were offering. But he was also saying the company's leadership needed to be replaced. In effect, he was praising me and threatening to oust me at the same time.

But I didn't think he wanted to take over the company at all. I thought he was just pulling some warmed-over greenmail techniques out of his playbook to try to pressure us into sweetening our offer—and making Carl Icahn richer.

And there were those who agreed with me. On May 11, under the headline WHY MICHAEL DELL STILL WINS, *The Wall Street Journal*'s Holman Jenkins wrote, "Mr. Icahn threatens a proxy war if Dell doesn't adapt his leverage-up strategy, but he won't bid for the company so he can put his strategy into effect himself. He doesn't want the risk. He just wants Mr. Dell to pay more for the risk—which Mr. Dell has refused, with considerable cold-bloodedness, to do. The end is nigh."

Not nigh enough, as it turned out.

On May 13, the special committee wrote Icahn a letter asking him to explain his plan in more detail. And for the next week, he kept popping up all over CNBC and Bloomberg News and in any financial journal that wanted to talk with him—and they all wanted to talk with him: he was great copy, a ratings magnet! Again and again he trotted out the same message: Dell shareholders should get a bonus. The company should stay public. Leadership should be replaced.

This was not the kind of explanation the special committee was looking for.

So on May 20 they wrote to Icahn again, telling him that they wouldn't talk to him unless he presented a "superior proposal" to ours. "Unless we receive information that is responsive to our May 13 letter, we are not in a position to evaluate whether your proposal meets that standard," the committee told him. And: "It is not clear to us whether you intend to formulate your transaction as an actual acquisition proposal that the board could evaluate."

I was pretty sure I knew why it wasn't clear. Icahn had no plan for Dell. Icahn was just trying to make his shares more valuable by any means necessary.

Right around then I got a crazy idea: Why not just ask him about it face-to-face?

We'd never met, but we'd spoken once, about five years earlier, when he called out of the blue to ask me a few questions about Motorola, where he was about to get into his latest proxy battle. I didn't really remember the conversation, but I did remember the battle—it was messy. Icahn bought a ton of shares and got a few people onto the company's board, then lost a load of money when Motorola stock tanked. Did he care about Motorola as a company? Nope. To Icahn the whole thing was just a poker game. He was a gambler, and gamblers know they have to fold 'em now and then. I just wanted to ask him what made him think he was going to win with me.

At first it was just a vague notion, but the more I thought about it, the more intriguing it seemed: Why not ask him in person?

My schedule had other ideas.

Memorial Day, Monday the twenty-seventh, was a family day in Austin, where Susan and I cheered our son Zachary on as he competed in his first triathlon—an impressive feat for a seventeen-year-old. (Zach was following in his mother’s fast footsteps: Susan competed in cycling, marathon, and triathlon races—including the Ironman World Championships in Kona, Hawaii—from the time she was in college through her late forties. Clearly Zach got his athletic ability from his mom!) He finished the event with an excellent time, and we were very proud of him.

On Tuesday the twenty-eighth it was back to the office, where I had to prepare for our annual industry-analyst conference on the twenty-ninth, an all-morning meeting with hundreds of analysts from firms like Gartner, IDC, 451 Research, Forrester, and others. For about six hours I would have to spend every minute giving analysts an upbeat view of our transformation and politely fending off what were sure to be persistent questions about the go-private negotiations.

On the thirtieth I was to go to Toronto to meet with customers and our team in Canada. The next day I was to head to Washington, DC, to get together with our daughter Kira, who was doing an internship there. I would spend Saturday the first with her, then fly that night to Bangalore, India, where I was to meet with our team on June 3 (you lose a day traveling East). Then it was off to Beijing on the fourth; Chengdu, China on the fifth; then back to Austin on Friday the seventh to prepare for a Lieberman family reunion (Susan’s family) over the weekend.

Then, on the twenty-eighth, a family emergency cropped up.

One of our children was having a medical problem, and we needed to meet with that child and the attending doctors right away. My business was very important to me and this was a critical time during the go-private, but nothing would ever be more important to me than the needs of my family. The industry-analyst conference couldn’t be called off, but if I left Austin early Wednesday afternoon, I could fly up to New York and have the family medical meeting on Thursday morning before heading to Toronto.

It was in the car on the way to the airport that it suddenly struck me: I was going to be in Manhattan for eighteen hours. Maybe there’d be time for a face-to-face with Carl Icahn.

And so I did something uncharacteristic. Without consulting my lawyers at Wachtell Lipton or even talking to Egon, I decided to simply call Icahn myself. Confront the adversary head-on.

I dialed his cell number, and he picked right up. “Hey, Carl! This is Michael Dell. How are you doing?”

There was a slight pause as he processed this strange turn of events. Finally he spoke. “Fine, Michael—how about you?” He sounded surprised, to say the least, but he also sounded kind of excited that I was calling.

“Great!” I said. From the tone of my voice, I was anything but a guy in the midst of traveling the world to defend the company I’d started; from the tone of my voice, I might’ve been a guy relaxing on the beach in Hawaii. “Hey,” I said. “I’m headed up to New York for a quick visit—I’m just going to be there till midday tomorrow. I had the idea that maybe we could get together and chat about this thing. I’d love to hear your thoughts on it.”

“Well, that’d be just terrific, Michael,” he said. “Just terrific. I’d love to do that.” Unlike me, I don’t think he was feigning anything. He sounded genuinely enthusiastic. I could practically hear the gears turning in his mind: *Maybe I’ve got Dell where I want him. Maybe he’s going to offer me fifteen dollars a share for my shares.*

“I got a great idea!” he said. “Why don’t you come over to my place tonight for dinner? You have plans?”

“Let me take a look,” I said. I pretended to consult my calendar. I looked over at Susan, seated next to me and texting with one of our kids. “Nope, tonight’s good,” I said.

“Great!” he said. “Listen, there’s just one thing—I’ve got to apologize in advance. My wife really loves to cook, and between you and me, she is just a terrible cook.”

“No problem,” I said, even though it sounded anything but enticing. “We’ll talk and it’ll all be good,” I said.

“That’s great, Michael. I’m looking forward to it.”

“Me too. See you tonight, Carl.”

I ended the call and smiled at Susan. “Who was that?” she asked.

“Carl Icahn,” I said. “I’m having dinner with him tonight.”

Her mouth fell open. “You’re *what*?” she said.

It was a beautiful spring evening in Manhattan, so I decided to walk from the hotel over to Icahn’s place in the West Fifties—not just because it was lovely out but because I didn’t want my driver, or anybody, to know where I was going. As strange as it seems, there could have been considerable corporate or financial ramifications if I was spotted dining with the enemy. The whole thing was funny and serious at the same time: I couldn’t help thinking of one of my favorite movie characters, Peter Sellers’s Inspector Clouseau, as I popped on my sunglasses and strolled across town to Icahn’s apartment tower.

I didn’t know what to expect when I rang his doorbell, but when the door opened, I saw an old man with a sparse gray beard and stooped shoulders, wearing a sports coat and pressed trousers. He smiled as we shook hands, then, shuffling a little, led me across his apartment, pausing for a moment at the kitchen doorway to introduce me to his wife Gail, who was indeed cooking. Whatever it was smelled OK enough. She gave me a friendly hello, then Carl led me out to a terrace with a view westward to the Hudson River. We sat down and he offered me a glass of wine.

“I’m good,” I said.

He shrugged and poured himself a glass of wine.

“Nice view,” I said.

He smiled as he sipped his wine. “Best in the city,” he said.

Small talk was fine for me. *We’ll get down to the nitty-gritty soon enough*, I thought.

First, though, came his life story. We were now seated across from each other at his dining-room table, eating our salads; Mrs. Icahn was still busy in the kitchen. Carl seemed very proud about having grown up in Far Rockaway, a middle-class neighborhood in Queens, and gone to public schools. “I don’t come from money,” he told me, in his strong New York accent. His father, he said, had aspired to be an opera singer but wound up being a cantor at their temple—which was ironic, Carl said, because he was an atheist. Carl's father seemed to loom large in his life, and not in a good way. It was clear from what Carl said that his dad hadn't treated him well, that he never felt good enough for his father. When it came time for young Carl to go to college, he was accepted to Princeton—a big coup for a Jew in the mid-1950s, when there were still restrictions at some of the Ivy League schools. But his father said, "Why don't you go to City College? You'll be closer to home." The point mainly being that City College cost just a fraction of what it cost to go to Princeton.

But Carl was adamant about Princeton, he said, and his father finally agreed to pay half his tuition. At this point in what I suspected was a well-polished story, Carl grinned. "I paid the rest with my poker winnings," he said. "Showed those preppie rich kids a thing or two."

And, of course, showed his dad too.

I smiled like the world's best listener as he continued.

He majored in philosophy, of all things, and—shades of my parents' expectations for me—went to NYU Medical School for two years before dropping out and joining the army. He began working as a Wall Street stockbroker at twenty-five, he said. "And seven years later I bought a seat on the New York Stock Exchange." He smiled proudly. "Worked my ass off."

By this time, Mrs. Icahn had brought us what she'd been cooking—it resembled meat loaf—and joined us at the table. She didn't say much, just smiled as her husband recounted all his successes. Somehow, though, his monologue then turned to his son, who was working for him. And Carl's proud smile disappeared.

"These kids today have it too easy," he said. "Everything on a silver platter. My kid's portfolio is loaded with Netflix and Apple, and he's minting money! Does he deserve it? I don't know."

At this point, as a father myself, I felt compelled to say something. "Carl, he's your *son*," I told him. "If all goes according to plan, he's going to outlive you—don't you want him to do well?"

Icahn shrugged. "Eh," he said.

“Last time I checked, living in New York City is really expensive,” I said. “Aren’t you happy he can pay his own way?”

He made a dismissive gesture. “Riding on my coattails,” he said.

Wow, I thought. *What a dad*. I cut my meat loaf and ate a bit. Carl hadn’t been far off about his wife’s cooking. And I hadn’t been far off in my estimate of him as a human being. We ate in silence for a little while, then Gail took our plates into the kitchen. It was time to get to the point.

“So what’s your plan?” I asked him.

He looked genuinely flustered for a moment. “What do you mean?” he said.

“What’s your plan?” I repeated. “You’ve got an offer to take control of the company. What’s your strategy? Who’s going to run it? Who’s going to be the management?”

That’s when something strange happened: for just a brief flash of a second, Carl Icahn looked scared. If we were playing poker, this would’ve been his tell. “Oh, I’ve got people,” he finally said. “I’ve got candidates. A lot of people are interested.”

“Is that right?”

“Oh, yeah. Sure.” He dabbed at his mouth with his napkin. “Listen. Michael,” he said. “Maybe we can do a deal, you and me. Maybe at the right price I’ll offer you a deal.”

Mighty big of you, I thought. “And what might that right price be?” I asked him.

He seemed delighted. He seemed to think that we were actually bargaining, right there at his dinner table. “Oh, a little north of where you guys are now,” he said.

“How far north?”

“How does fourteen a share sound?” he said. “You could make a lot of money on this, Michael.”

“And your plan for the company would be—?”

“Oh, you know. Economies of scale. Offloading unproductive acquisitions. There’s all kinds of things to be done.”

It was time to lower the boom. I looked him in the eye. “You know what, Carl?” I said. “I don’t think you have a plan. I think if you want to buy the company for fourteen dollars a share, you should go right ahead. I think you’re going to totally screw Dell up, and meanwhile I’ll just go to Hawaii and take six months off, lose twenty pounds, then come home and buy it back from you for eight dollars a share. That’ll be an excellent deal—for me.”

He looked gobsmacked. He wasn’t a guy who’d naturally come across as being insecure or fearful, but right now he looked like a guy holding a seven-high poker hand: nothing. The fear had returned to his eyes. What was he afraid of? That I might really walk away, leaving him with this giant thing he’d paid $14 a share for, this giant thing he was totally clueless about, and the team around him would probably leave as well. That he’d be left holding a very big bag.

But just then his wife returned to the table carrying a plate containing something that looked like pie.

“Carl, Gail—I’m really sorry,” I said. “I’ve got an early meeting tomorrow.” I stood. This was the truth. It was also after 9:00 p.m., and as a rule I turn in early and get up early. Icahn was famed for rising at eleven a.m. and pouring himself the first martini of the day. Not exactly my style. “Thank you very much,” I told them. “This was a great dinner, but I have to go.”

His wife looked a little taken aback. Now Carl was putting his hand on my arm. “Why don’t you stay a little longer, Michael?” he said. “We’ve got a lot to talk about.”

I was friendly but firm. “Sorry, my wife’s expecting me,” I said. “Thanks again.”

If you’d seen me walking back to my hotel that night, you’d have seen a man who’d had a load taken off his shoulders. I was breathing easier, standing taller. *Wow*, I thought. *This guy has no idea what Dell does.*

Doesn't know whether we make French fries or nuclear power plants. He knows nothing, he's got nothing, he's just a circus clown. He's done.

But of course he wasn't done—not at all.

Two days after my dinner with Carl came welcome news: Dell's board of directors unanimously recommended that shareholders accept our offer, asking them to approve the deal in a special meeting to be held on July 18. All stockholders who held their shares as of June 3 (the so-called *record date*) would be entitled to vote. In an open letter to the shareholders, the special committee called our plan the best option, offering certainty and "a very material premium"—some 37 percent over Dell stock's average closing price in the months before the rumors broke.

It was great to have the board's seal of approval. Whether we could get the backing of a majority of the stockholders was another question, and one that turned out to be a lot more complicated than I'd anticipated.

Southeastern countered the board's letter to the shareholders with one of its own: "We are a long-term investor in Dell and [like you] we care about our investment," it said.

> We urge you to refrain from signing or returning any proxy card voting for the Management Buyout Proposal (or, for that matter, any proxy card sent to you by Dell).
>
> We, along with Icahn Enterprises LP, believe that substantially greater value can be realized for Dell stockholders than what is reflected in the Management Buyout Proposal. In the near future, we will make our own proxy statement available to stockholders.
>
> After you have received and reviewed our proxy statement, together with the proxy statement sent to you by the board of directors of Dell, we will ask you to consult with your financial advisor and join with us in opposing the Management Buyout Proposal.

As for Icahn, maybe he was still smarting from the remarks I'd made at our strange dinner together. Maybe he was mad at me for refusing to play along—whatever playing along would've entailed. In any case, he quickly went on the offensive again, throwing out a juicy new tidbit that the business media ate right up. He and Southeastern, he said, were now short-listing potential candidates to succeed me as Dell's CEO! He mentioned Cisco Systems director and former Compaq CEO Michael Capellas, former IBM services head Michael Daniels, Oracle president Mark Hurd, and Hewlett-Packard PC boss Todd Bradley.

Things were getting messy.

It was strange. It was embarrassing. It was unsettling. Not only did the company I had started and guided to global success seem up for grabs, but so did my place at the helm. None of it felt respectful to Dell's achievements and aims and values.

Did I imagine for a moment that Icahn could or would actually take Dell over and install new leadership and a friendly board of directors? The chances of that happening, I believed, were infinitesimal—but not zero. I'll freely admit that that teeny, tiny chance of an awful outcome caused me to lose some sleep that spring and summer. But mainly I worried about the rippling effects of Icahn's self-serving theatrics.

On a very practical basis, I was concerned about our run-rate business—the day-to-day workings of Dell. We'd already lost customers because of all the uncertainty, and we stood to lose more. Imagine being one of them: let's say I'm a decision maker inside one of these companies, and I happen to be watching Bloomberg one day, and I see all this *mishegoss* going on. Do I decide to go with Dell, or with one of our competitors?

But I was even more worried about what our thousands of team members, in Round Rock and around the world, were thinking. I thought about all the good people making $50,000 or $80,000 a year going home to their spouses; I thought about all those spouses saying, "So what's this thing I saw on TV about how you're going to have a new CEO? Who's in charge over there? Is this really a good company for you to be working for?"

That was horrible. That was the worst possible thing—worse than the personal embarrassment to me, which was real. Yes, I could handle it. I could stand up in front of 1,000 of our people in Montpellier, France—or Chengdu or Bangalore or Beijing—looking at me like, "Hmm . . . is he going to be the CEO or not?" I could deal with dispensing all those tightly scripted reassurances. Still, this was not the way chief executive officers of major corporations were supposed to traverse the world.

There was even a really weird period that spring when the board told me not to talk to any executives in the company. This was unprecedented. I don't think it had anything to do with the current business of the company; I think the board members were concerned that other executives and I might drift into the subject of the go-private, and I might color their thinking.

This didn't last a long time, but it was long enough. I remember wondering, "Am I supposed to go to the office or not?"

Right around then I got a call from Brian Krzanich, the CEO of Intel. "Hey, Michael," he said, "I just want you to know I've read all these stories, and I'm thinking about you. You're a really important customer of ours, and if there's anything we can do to help, just let me know."

I thanked Brian sincerely. We didn't need any concrete help from Intel, but the emotional support meant a lot. And there were other calls and messages of encouragement—notes and emails from friends and acquaintances and colleagues. I appreciated every one. But I'll always remember that spring and summer as a time when just keeping an even keel required all my concentration.

The proxy statement the Dell board sent to the SEC in support of Silver Lake and me spoke of the considerable business and transaction risks that a buyout would shift from the company to us. It spelled out in detail—yet again—the deteriorating industry dynamics for our PC sales, and the resultant decline in our key financial metrics. The stockholders would do best by cashing out now, the board argued.

On June 18 Icahn fired back. In an open letter to our stockholders, he announced that he was buying half of Southeastern Asset Management's stake in Dell, 72 million shares. This would bring his stake in the company to over 150 million shares, second only to mine. Surprisingly, the purchase price was only $13.52 per share, below our deal price and far below the $23.72 per share that Southeastern had argued was Dell's true value. Responding to the board's proxy missive, Icahn said, "We are amazed by these statements by the Dell Board. In what other context would the person tasked with selling a product actually spend their efforts negatively positioning the very product they are trying to sell? Is that how the supposed 'go-shop' was conducted? Can you imagine a real estate broker running advertisements warning of termite danger in a house each time a prospective buyer seems interested?"

Then he went on TV for the umpteenth time to press his case further. "Don't you think that the stock will be worth more than fourteen dollars?" he asked Bloomberg News, rhetorically. "Especially since the fourteen billion dollars spent in non-PC acquisitions haven't really kicked in yet? The company has put out these dire scary statements about its future. In a totalitarian state, propaganda of this type works. However, luckily for the shareholders, in our country, there can be someone to counterbalance the propaganda."

On June 24 he announced he was teaming with his financial adviser, the investment bank Jefferies & Co., to raise $5.2 billion in loans to back his $14 per share offer. He said he was confident the financing would be in place in time for the July 18 stockholders' meeting.

Super Carl to the rescue!

Or not.

If you looked through all the smoke Icahn was blowing, you quickly realized that his so-called financing was just . . . more smoke. As a piece in the online technology journal *All Things Digital* said:

> Of the $5.2 billion, Icahn and his affiliates have put up $3.4 billion, with $1.6 billion more from investment bank Jefferies and

> Co. An additional $179 million comes from fourteen other parties, including pension funds and institutional investors with names like the Public Employees Retirement Association of New Mexico and the Manulife Floating Rate Income Fund. It's a relatively short list, Reuters said, suggesting that Icahn had trouble attracting interest, but on the other hand, there are signs he didn't want much participation from third parties in the first place. Confusing? Yup.
>
> Here's another thing: Icahn doesn't get the funding unless Dell shareholders elect the full slate of twelve director candidates he and his partner, Southeastern Asset Management, nominated on May 13. Without that the funding is "unlikely to take place."

The unavoidable conclusion, yet again, was that Icahn didn't really want to buy the company at all. He was just trying to force us to raise our offer—and make his shares worth that much more.

But while Carl was spinning every reporter in sight, two big things went our way. On June 26, Chancellor Leo Strine of the Delaware Chancery Court—Delaware was where we (like many other companies) were incorporated, and the state's chancery court would ultimately rule on the deal—dismissed a raft of suits that had been brought by Icahn and Southeastern. In essence these breach-of-fiduciary-duty suits charged that I had a controlling interest in Dell, that I was working both sides of the deal, and that I was exerting improper insider influence. (In several of his many interviews, Icahn had even accused me of secretly being in cahoots with the special committee!)

Yet Chancellor Strine held that my 16 percent ownership didn't put me "anywhere close to the level of stock ownership that's ever been considered a controlling stockholder." If anything, Chancellor Strine said, Icahn and Southeastern together might be a more controlling force than me, since I had pledged to vote my 250 million shares in favor of a higher bidder, should one come along, and Icahn/Southeastern were under no such obligation.

Chancellor Strine noted that contrary to the class-action suits' claims, the special committee had exhausted every possible option in seeking a richer offer than Silver Lake's and mine, and that I had satisfied every legal criterion for cooperating with the committee. The result, he said, would be a comparatively lenient judicial standard when the Management Buyout Group's offer (ours) went to trial.

I liked this guy!

Chancellor Strine's opinion was a big blow to Icahn. But then came another.

On June 21 I went with Brian Gladden, our CFO, to Gaithersburg, Maryland, to try and persuade the good people at Institutional Shareholder Services (ISS) that our deal was the best one possible for the owners of Dell stock. ISS, the premier proxy advisory firm, is paid by shareholders to assess the kinds of proposals Dell stockholders were now looking at. The firm's assessment was going to matter a lot, and I took it very seriously—particularly because back in April ISS had issued a report that took a skeptical view of our buyout offer. "The overarching question," it said, "does not appear to be: 'How do we get this deal done?' But, rather, something with a much further horizon: 'If this is the best M&A valuation available, do we really want to sell at all?' "

I kept thinking of the meeting as the Battle of Gaithersburg. For a few mornings I'd been getting up extra early to study every possible angle of our proposal and to put together the strongest case I could muster. I came up with a list of arguments:

1. This is the company I started twenty-nine years ago and have guided ever since. It's crucial now to keep it on the right path and I care what's going to happen long after I'm gone.
2. I've seen the pace of our industry accelerate, and keeping up with it is critical. It's essential to control Dell's transition from hardware to software, services, and solutions; to mobile and the cloud. Transforming as quickly as possible is urgent: Change or die.

3. The changes we're in the process of making will provide the stability our customers want and the flexibility the company needs. But the risks we're undertaking will make the road forward a bumpy one, with inevitable setbacks—probably too uncertain a scenario for our public stockholders' tastes.
4. Transformation is rate limited for a public company.
5. The five new areas we're moving into and the investments required to make them successful will lower earnings in the near term. Many stockholders won't like this.
6. From the start of this process last August, I've made it clear that I'm willing to join with whoever offers the best outcome for our shareholders. And I've recognized that whoever offers that outcome may or may not include me in their plans.
7. A no vote on our proposal would be a vote of no confidence for the board, our management, and the transformation strategy, and would cause extreme disruption to the company.
8. Icahn and Southeastern say the company is worth more than our offer, but they've proposed no realistic alternative—it's all smoke and mirrors. They have not offered our shareholders even $.01 per share more than our offer. They've overstated their available cash by $4 billion. They have no real way to guarantee a $12 dividend.
9. Their so-called new management team is also an illusion. Both Capellas and Hurd have said they're not interested. Todd Bradley said he was never contacted about the job. Mike Daniels has a noncompete agreement with IBM.

The meeting went well. And on July 8 ISS announced its decision: it was going to recommend that Dell shareholders vote in favor of the deal. (A couple of days later, Glass Lewis, another proxy advisory firm, also recommended For. In a way, Icahn gave us both recommendations by creating an alternative so bad that ours was the obvious choice.) This was a major shot in the arm. At the same time, I still wondered—and worried—

could we get the votes? My uncertainty centered on a rule the special committee had set down at the beginning. In addition to getting approval of a majority of the outstanding shares, including mine, we also needed the approval of a majority of the outstanding shares that were not owned by me or Dell affiliates. In this second vote, my shares wouldn't count but Icahn's and Southeastern Asset Management's would. And abstentions and shares that didn't show up at all would effectively be counted as "No" votes. If the share price rose on good news (like the ISS decision) prior to the July 18 meeting, large blocks of stock were bound to be sold—and as the rules stood, the new owners of the stock, because they hadn't held their shares as of the June 3 record date, wouldn't be allowed to vote. But the former owners of those shares, having sold their holdings, would have no interest in voting—and their failure to vote would be counted as votes against our offer.

This voting standard was known as "majority-of-the-minority-outstanding"—minority referring to unaffiliated shares, those not held by me or my family and other insiders, and outstanding meaning all shares, whether voted or not. It was an extraordinarily stringent rule, but it was of a piece with every move the special committee made. From the beginning they had bent over backward to avoid any hint of collusion with me.

Three days later, Icahn sent out another one of his open letters. It was a masterpiece of wheedling. "Dear Fellow Dell Stockholders," it began, chummily.

> On rare occasions in investing, one comes across situations that are "no-brainers." In these situations the odds are greatly in your favor of making a profit while taking very little risk, and in some very rare situations, you can make a profit while taking no risk at all. Strangely, in my experience many investors miss the opportunity to take advantage of these situations.

He was like a snake charmer (or a snake-oil salesman) in a carnival sideshow: Free money! No risk! All his fellow Dell stockholders had to do, he continued, was vote No at the July 18 meeting, then, if the merger was approved anyway, claim appraisal rights. And what were appraisal rights? Under Delaware law, if a cash merger goes through, shareholders who voted against the deal or who didn't vote have sixty days to decide whether to accept the deal or go to court for an appraisal. If this happened with us, and the Delaware Chancery Court ruled in its discretion that Dell stock was worth a higher price, the purchasing entity—Silver Lake and I—would have to pay the stockholders that much more. But the court could also determine that the stock's value was lower, and in this case shareholders who claimed appraisal rights would get less. In addition, anyone claiming appraisal rights would have to wait for the process to play itself out, which could take years. Icahn was just flat-out lying to say there was no risk.

What he wasn't saying, moreover, was that he had no intention of claiming appraisal rights himself. While appraisals are being resolved, it's as if the owners of those big blocks of stock are loaning the company the value of their shares! This was just another misleading proposal on Icahn's part, the transparent reality of which was that he was—yet again!—only trying to pressure Silver Lake and me to raise our offer to prevent those big shareholders from voting No.

And if you were paying close attention (and believe me, I was), the reality of Icahn's July 11 letter was that he'd basically given up on trying to buy the company himself. If he could get his higher share price from us, he could cash out and declare victory.

But neither Silver Lake nor I was inclined to be pressured by Icahn. To strengthen our cause in the week leading up to the shareholder meeting, I did some more traveling, flying around the country to meet with some of our biggest shareholders, like Franklin Mutual and BlackRock and State Street and Pentwater, to tell them why I thought our proposal was fair. And my lobbying got results: as the big meeting approached, BlackRock, State Street, and the Vanguard Group all switched their No votes to Yes.

The morning of Thursday, July 18 was a typical midsummer one in central Texas, the temperature headed for the mid-90s. Not a great day to be outdoors, though the pack of TV reporters with their cameras clustered outside our Round Rock headquarters didn't have much choice in the matter. Inside, at the appointed hour of 8:00 a.m., Larry Tu went to the front of the big conference room, looked around at the couple of hundred people gathered there, and said, "Welcome to the special meeting of the stockholders. As general counsel, I declare the meeting adjourned."

Just like that. Everyone was looking around like, "What just happened?" What had happened was that we simply didn't have the votes we needed to have our offer accepted under the majority-of-the-minority-outstanding standard on which the special committee had insisted. An email from MacKenzie Partners, the proxy solicitation firm, said that the count now stood at 539 million shares for the transaction and 541 million against. By the voting standard in place, we needed half of Dell's 1,476,288,661 unaffiliated shares plus one to declare victory: in other words, a total of some 738 million Yesses—which was about 198 million more than we actually had. Some 27 percent of all shares—over 398 million—had not voted, which meant that they were counted as No votes, by the majority-of-the-minority-outstanding voting standard. As long as shares not voting were counted as Nos, the numbers were overwhelmingly stacked against us.

That was a rough day. Egon had flown to Austin for the meeting, and when it was over he and I went back to my house and watched a big-screen TV, unable to look away from this 27-minute car wreck of an interview with Carl Icahn that CNBC kept running. Icahn and *Fast Money Halftime Report* host Scott Wapner were seated onstage at an Institutional Investors conference, and Carl, with his white whiskers and red tie and Queens accent, was in full nutty-grandpa mode—by turns defiant, shy, jokey, menacing. He often covered the lower half of his face with his hand, like a poker player with the world's worst poker face. His smile was strangely kindly. And the interview was vintage Carl: a weird, rambling mash-up of megalomania, hostility, complaint, and just plain free-associating. At one point Wapner listed some of the many companies Icahn had recently taken major positions in—Dell, Chesapeake, Netflix, Navistar, Biogen, Transocean, Herbalife, etc.—and asked, “Are you having, like, a midlife crisis at seventy-seven?”

Icahn grinned like the proverbial kid with his hand in the cookie jar. “Well, lemme ask you—what else do I have to do?” he said. “My wife watches me like a hawk—you know, she doesn’t let me go out. . . .”

This got a big laugh from the audience.

Getting to the point, Wapner asked: “Do you think that Michael Dell will raise his bid amid reports that he will not?”

“You know something? I don’t know,” Icahn said. “And I will tell you honestly—I know you’re not gonna believe it, but I don’t care a hell of a lot. I would like to own the company. Okay? I own a hundred-fifty million shares—I’m in it to make money, obviously. But I would like to own this company, ’cause the real money I’ve made—you know, I was a kid from Queens, tough neighborhood, we never had anything, and here I am, so I love the country, I mean, sounds corny, but I’m really motivated to make money. But the most money I’ve ever made is when we control these companies. When we get into ’em.”

He sure seemed to want to get into Dell. He was talking about fighting a proxy battle, installing a whole new slate of directors. And of course, a new CEO. “And here’s why I think I can win,” he said. “Because I honestly would say, if you’re an institution, why do you want this guy still running the company? He’s brought the stock down from forty to this number. So he mismanaged it; this board went and froze him out—you know, there’s an old saying: ‘Fool me once, shame on you; fool me twice, shame on me.’ So if they go for [Michael] Dell again, then shame on them.”

Wow—was it something I said (or didn’t say) about his wife’s meat loaf?

All of Icahn’s takeover blathering would’ve been funny because it was so absurd, but what wasn’t funny at all was the effect the chaos he was sowing was having on our stock price: in early July shares slipped under $13 for the first time since April; then, in the aftermath of the adjourned meeting, they stayed in the twelves for a week, then eight, nine, ten days in a row. The market was giving its verdict on the chances our deal would happen, and the chances didn't look good.

On July 22 I met with the special committee at the Manhattan offices of my lawyers, Wachtell Lipton. Alex Mandl was there with the committee's lawyers and financial advisers; people from MacKenzie attended as well. I spoke—and I spoke passionately because I felt strongly. As it stood, I said, the rule that counted shares that didn't vote as votes against the deal made the voting standard blatantly unfair, allowing a minority of shares to override the majority, based on those voting. The appearance the special committee had been trying to avoid—that they and I were somehow in cahoots, conspiring against the stockholders—had long since been contradicted, both in the financial media and the outpouring of open letters to our shareholders. We, Silver Lake and I, had clearly butted heads with the committee on any number of occasions. The lines were clear. It was time to make the fight fair.

And we found ourselves butting heads yet again. Alex told me that the special committee might—might—consider changing the voting standard if, and only if, Silver Lake and I raised our offer to at least $14 a share.

Meeting adjourned.

The next morning, after a long talk with Egon, I phoned Alex and told him that Silver Lake and I would increase our offer to $13.75—if and only if the special committee would stop counting shares that didn't vote as No votes. This was our best and final offer, I said. After conferring with the rest of the committee and all their advisers, Alex told me they needed some time to think about it. Accordingly, the shareholder meeting scheduled for July 24 was postponed yet again, this time to August 2.

Another bells-and-whistles Icahn missive, this one from him and Southeastern and sent to the special committee on July 23:

Ladies and Gentlemen:

In our years in business we have witnessed many unconscionable boards. But, we think that the ongoing "Desperate Dell Debacle" stands out as one of the most startling examples. Amazingly, through it all, the Special Committee continues to remind us just how much <u>*they believe*</u> *that they are* <u>*taking care of us, watching out for us and protecting us. We have a number of questions*</u> *for these self-congratulatory champions of Dell stockholders.*

<u>*WHY FREEZE OUT DELL STOCKHOLDERS?*</u>

Why is the Special Committee so committed to <u>*forcing loyal Dell stockholders*</u> *out of Dell so that our company can be sold to Michael Dell/Silver Lake at what we believe is a bargain price?*

How long can boards push out and change meeting dates and hide behind the "business judgment rule"?

The answer, my friend, is "Blowin' in the Wind". . . .

<u>*WILL THE SPECIAL COMMITTEE KEEP ITS PROMISE?*</u>

On July 16 the Special Committee told us that it has ***"taken extraordinary measures to ensure Mr. Dell's neutrality and to leave the final decision with the disinterested stockholders."***

If you believe the Special Committee did not take ***"extraordinary measures to ensure Mr. Dell's neutrality and to leave the final decision with the disinterested stockholders"*** *when they postponed last Thursday's vote, then we urge you to vote AGAINST the Michael Dell/Silver Lake transaction. . . .*

And so on and so forth, ad nauseam.

And on the following day, Icahn took the fight to Twitter, with one of his first tweets: "All would be swell at Dell if Michael and the board bid farewell."

Bob Dylan, he wasn't.

But did it get attention? Icahn always did.

Sayings don’t create success, but we do have a saying at Dell: Failure is not an option.

We know great strategy and execution are what creates success. We were at the end of the go-private process: it had taken too long; it was disruptive; it had created confusion and uncertainty. And my allies and I were all—I wouldn’t say exhausted, but we were very ready for it to be over one way or another. If the shareholders wanted a deal, we would find a deal and make it happen; if they didn’t want a deal, we’d just go back to what we were doing. If shareholders voted for the deal they would receive some of the rewards of our potential success without having to bear any of the risks of the transformation. Silver Lake and I were taking all the risk.

In hindsight it’s easy to point out that it worked, but it could’ve failed.

The same day Icahn sent his missive I sent out an open letter to our stockholders, breaking my silence for the first time in a few months about the battle of the past year. This was me declaring, Here’s the deal, take it or leave it.

Dear Fellow Shareholders:

You have undoubtedly read many stories about our efforts to take Dell private. I wanted you to hear directly from me.

I believe that taking Dell private is the right thing to do for the company. We need to transform, and we need to do it quickly. The transformation is not without risks and challenges, and I believe that we can do what we need to do better as a private company than a public company.

When I came to the Dell board last August to ask if the board would consider the possibility of a going private transaction, I understood that the independent directors would control the process, and I made clear that I was ready to partner with whoever *would pay the highest price. I encouraged every interested party to pay the highest price they could.*

After one of the most thorough processes in history, the highest price that any of the parties was willing to pay was $13.65 per share. Although no other party has offered to pay more than $13.65 per share, Silver Lake and I have now increased our offer to $13.75 per share, an increase to public shareholders of approximately $150 million, which is our best and final offer.

I believe this offer is in the best interests of the company and our shareholders. Certain other parties have been proposing alternatives such as leveraged recapitalizations, sales of assets and other steps that I believe would be destructive to the company and that I do not and will not support.

The decision is now yours. I am at peace either way and I will honor your decision. Our agreement requires the vote of a majority of the unaffiliated shares—your shares—to approve the transaction. Unfortunately, our agreement also provides that shares that do not vote count as votes against the transaction. Currently, over 25% of the unaffiliated shares have not voted. This means that even if a majority of the unaffiliated shares that vote on the transaction want to accept our offer, the will of the majority may be defeated by the shares that do not vote. I think this is clearly unfair.

When we offered to increase our bid to $13.75 per share, we also asked the Special Committee of the Board to change this unfair vote standard and allow the will of the majority of the unaffiliated shares that vote on the transaction to control the outcome. Particularly given the efforts of others to promote alternative transactions, and the ability of those parties to vote their shares when my shares do not count, it makes no sense whatsoever to skew the playing field even further by counting shares not voting as if they supported the opposition group. If the Special Committee agrees to our increased bid of $13.75 per share, and agrees to create a fair and level *playing field in which you can decide, I will look forward to your decision.*

Sincerely,
Michael Dell

Two days later, July 26, I went to Alex Mandl's house in Easton, Maryland, to try to convince him to accept our offer. I spent ninety tense minutes arguing to Alex that Icahn's bombastic broadsides were playing havoc with the stock price, that the continuing uncertainty about what was going to happen was corrosive to the company. That the bending-over-backward-to-be-impartial voting standard that counted shares not voting as votes against was obscuring the real opinion of real voting stockholders. Alex frowned and nodded, nodded and frowned. He heard me, but he never spoke a word of agreement. His own belief, he finally said, was that if Silver Lake and I were to increase our offer to $14 a share, the tide would turn without any need to change the voting standard. I said I'd discuss it with Silver Lake, but I wasn't optimistic.

Meanwhile, our stock continued to languish, and somewhere offstage (but not for long!) Carl Icahn was rubbing his hands.

8

UP, UP AND AWAY

Lee Walker changed his mind. And to this day I don’t fully understand why.

What made him give up a summer in the beautiful south of France to stick around hot and humid Austin, Texas, and help get a little computer company off the ground? I’ve asked him about it more than once. In his shy and modest way, he’ll mumble something about having once been in the same spot himself.

When Lee was a young entrepreneur in the early ’70s, he made a heavily leveraged purchase of a Buffalo, New York, steel fabrication business. Soon after he came on board, the company sold a metal-recycling furnace, a big-ticket piece of equipment, to a Florida customer—only to have the customer refuse to pay after the Florida Department of Environmental Regulation (DER) banned the use of the machine. The lost payment put Lee’s fledgling company, operating on the thinnest of margins, in danger of going under, and Lee himself on the edge of personal bankruptcy. Out of sheer desperation, he flew to Florida and made a personal appeal to the DER—which, to his amazement, gave the machine a variance. Lee got paid, his company survived, and his entrepreneurial career went on to flourish. So he knew a thing or two about narrow escapes, and over the years he’d learned a number of hard lessons about corporate finance: an area where, in the spring of 1986, I was still learning on the job.

In certain ways, PC's Limited was doing amazingly well, given our fiscal limitations. Because I'd started the company with only $1,000 of invested capital—as contrasted with the almost $100 million that Compaq, our rival down the road in Houston, had raised from investors by late 1983—I had to figure out how to stretch the limited capital we had to the max. I got pretty good at it.

Our initial sales were usually by credit card. This meant that we got paid exactly when we shipped out an order. That was a good thing, but at first we often had to pay for materials ahead of time—hard to do when you have limited cash on hand. As we grew, however, we were able to convince suppliers to sell to us on terms, meaning we would pay them thirty days after we received their product.

In addition, by selling directly to customers and not having to build finished goods inventory, we could keep our parts inventory very low: if you know exactly what the customer wants to buy, you only need the parts required for those orders. By contrast, companies that build finished-goods inventory in multiple configurations and stock it in multiple locations find their inventory mounting up—and aging—quickly. By having fresher inventory, we benefited from the latest costs—and as material costs were almost always coming down, this gave us another advantage.

Credit card sales, paying suppliers on terms, stripping parts inventory to the bone: all these things kept our cash conversion cycle—the time it takes for cash to be converted into inventory and accounts payable, through sales and accounts receivable, and then back into cash—far lower than most other companies'. This was very good.

On the other hand, our fastest growth was selling to companies, government agencies, and education and medical institutions—entities that were not going to pay us with credit cards. We needed to extend them terms, which meant that we needed more credit. A lot of it. And that was something I definitely needed help with.

That spring I was so busy running my own new company that I had no idea how close to real financial trouble we were. But Lee found out just before he joined us, when an officer of MBank, our backer, took him to lunch and advised him to stay away from PC's Limited. CompuAdd, an Austin company with a business similar to ours (though they were more component- than systems-oriented and had opened several retail stores), was the horse to bet on, this banker told Lee. As for PC's Limited, the banker said, MBank had decided to freeze our credit line at $600,000.

"I did some mental math," Lee later recalled. "I remembered Jim Seymour had told me that Michael's sales were about a hundred thousand dollars a day. That meant MBank was financing only about six days of sales. My rule of thumb gleaned from hard years of experience was that you need funding for at least twenty-four days of sales. Six days, six hundred thousand dollars was impossible. MBank had decided to put its boot down on Dell's financial windpipe. Michael's suppliers had to be way past due in getting paid. And they must be kicking down his doors, screaming for money."

It wasn't quite that dramatic, but money was sorely needed, and Lee Walker knew where and how to get it. Luckily for me, this extremely tall, very thoughtful, and knowledgeable guy suddenly reversed his decision not to be president of PC's Limited, and from the day he walked in the door we shifted into a brand-new gear.

My legal adviser Kelley Guest had already briefed Lee for the semi-chaos he was about to face. "The first thing you have to do," Kelley said, "is get rid of that CFO and the chief accounting officer. The fact that they're married to each other is just the beginning of the problems with them."

I didn't care that they were married. What bothered me about Mr. Bolton was that every time I told him we needed more working capital, he threw up his hands and told me how tough it was out there.

But when Lee told Mr. and Mrs. Bolton that it was time for them to go, they made an interesting demand. "We want fifty thousand dollars to not hit the destruct button on this business," Mr. Bolton said. It wasn't an idle threat. The couple had all kinds of buttons they could push and levers they could pull to make PC's Limited go away for good.

What PC's Limited didn't have was $50,000 lying around to pay off the Boltons.

But our new president quickly established his value, bringing his expertise, his track record, and his business connections to bear. Lee had recently helped usher a failed Austin computer company called Balcones through Chapter 11, making sure the company's financial backer, Texas Commerce Bank, got back every penny of the $1.5 million it had lent the start-up. Frank Phillips, the president of TCB and a friend of Lee's, was so grateful—and so impressed that Lee had thrown in his lot with us—that he happily extended PC's Limited a new line of credit.

The Boltons went away, and Lee added CFO to his title.

Meanwhile, despite the desperate economic climate in Austin, PC's Limited was growing. Explosively. The Austin downturn worried us less and less: when we started, all our business was local, but three months later half of it was out of town, and three months after that, 90 percent of it was outside of Austin.

And it seemed everybody wanted to work for us. While other companies were taking on water or starting to go under, people were banging on our door, looking to join the hot new outfit in town.

We were scrappy and lively and filled with team spirit. Lee and I set the tone, with an always-open door between our adjacent offices. We were constantly walking back and forth from my office to his, conferring, joking, planning—striking sparks off each other. (We were also the entirety of PC's Limited's two-man board of directors.) Lee was the yin to my yang, and not just in balance-sheet matters: where I was all forward motion and decisiveness, he was all thoughtful deliberation. But we had similar senses of humor, and we had fun together. We were an excellent team. And the collaborative spirit at 1611 Headway was contagious. Engineers would pitch in when the manufacturing line needed additional help. Manufacturing people would answer phones when the salespeople couldn't handle the volume.

But all the camaraderie in the world wouldn't have helped if we hadn't had a unique business model. There were other PC manufacturers—

Compaq, 150 miles down the road in Houston, was a serious competitor, as was IBM, of course—and there were other mail-order and phone-order tech companies, but absolutely nobody else was building blazing-fast computers custom-tailored for consumers' needs and shipping them out on a lightning-quick turnaround. Our competitors were building one-size-fits-all machines and selling them through retail outlets like CompUSA and ComputerLand and Circuit City or through name-branded stores like Gateway. And as I'd discovered back in my PC arbitraging days, selling retail nearly always meant feast or famine: too much inventory sitting around, or not enough.

Our volume was amazing, but rapid growth was creating some pretty big challenges. One of the biggest was quality control. In September 1986 we got a phone call from a furious customer in Des Moines, Iowa, claiming that a computer we'd sold him had burst into flame in his house, causing grievous damage to his home-based business. He was going to sue us for all we had and then some: "Treble damages for interstate fraud!" he screamed. Unfortunately he wasn't the only customer this had happened to. And there were quite a few other quality complaints as well. Quality complaints meant returns, and repairs meant slowdowns in production. And if we didn't get the manufacturing right, as Lee Walker would later say, we were screwed.

Oddly enough, it was another irate communication that led to a solution.

This one was a cease-and-desist letter from a guy named Bob Swem, the manager of Tandem Computers' North Austin terminal plant. Swem claimed we'd been pirating some of his best employees, a charge that was half true: we did no recruiting, but we certainly had been fielding a lot of job requests from local tech workers and hiring more than a few of them.

Know your adversary is always a good rule, and in doing some research on Swem and his factory, Lee discovered that the plant manager had devised a brilliant system, run by fault-tolerant Tandem computers and software, that assured his production line was never down. Part of the system was bar coding each and every part that went into every terminal the plant manufactured. If, say, the failure of a 50-watt capacitor somewhere out in the field had caused a terminal to break down, Swem could easily track which other terminals out there contained that same capacitor, alert those customers that a replacement was needed, and get one to them before trouble started.

Pacing back and forth between our offices, Lee and I came up with a proposal for Bob Swem: let us copy his Tandem-based system for our production line, and we would refrain from hiring any more of his employees. What's more, we would tell anyone who asked how Tandem had contributed to our greatly improved manufacturing capabilities.

Swem agreed, and our quality control kicked up a notch.

But better quality control didn't mean perfection. Our computers out in the field would sometimes go wrong, as computers will, developing problems that even proactive part replacement and free phone support couldn't solve. In a way, this solution revealed an even graver problem.

IBM and Compaq held 50 percent of the PC market. We were trying to shoulder into a crowded field, to differentiate ourselves as a company. Product performance, features, and quick order turnaround were a good beginning, but one critical component was missing. We were turning out an excellent product—*PC Magazine* had recently called our 286 model "one of the first real potential 'IBM killers' . . . astoundingly fast"—but our corporate identity was limited, to say the least. We were an Austin mail-order outfit, and mail-order meant down-market. Stepping up would mean selling in quantity to big companies, companies like Exxon, Boeing, Ford, Citibank, and General Motors. We were hiring salespeople to court the business market, but while we could offer those customers an excellent product, what we couldn't afford to offer was the kind of service and support system that major companies demanded. We were getting a lot of turndowns from those big companies. And if we couldn't show potential investors that we were doing business with major companies, they wouldn't be interested in us.

We were caught in a double bind. Destined for smallness. A minor player in a major industry.

Unless . . . ?

At a corporate brainstorming retreat in California's Russian River Valley in the fall of 1986—a trip we could barely afford, but a break we needed badly if we were to come up with a plan to raise our game—the facilitator asked the ten of us present to engage in an imagination exercise. If we could make a wish that would come true, he asked, what wish would we make for our service and support problem?

A young salesperson named Kim Roell, part of the team that was trying to sell big companies on PC's Limited, was with us. Kim was great: super outgoing and enthusiastic, and—unlike most people—totally unafraid to speak up. "I wish I could tell my customers we would fix their problems right away," she said. "We would have a technician on their doorstep the next day."

"Sounds great," the facilitator said. "Anything else?"

"And I wish it were free," Kim said.

There was a collective *Whoa—cool* from all of us present, but cold reality almost immediately set in. How would you *pay* for that?

Then again, breaking through limited thinking was the goal of the retreat, and we wound up with two other possibly achievable dreams besides free service and support: I wanted to expand internationally, and we needed to step up our efforts to sell to big companies.

Six months later we'd achieved the first two goals and were well on our way to realizing the third—when IBM, whose lunch we'd been eating, decided they'd prefer to eat our lunch instead.

Ever since they'd introduced the open-architecture personal computer in 1981, International Business Machines had seen PC clone makers like us proliferate and flourish. Their (perhaps defensive) public stance was that personal computers were a minor part of their business. Then—maybe all the success of hot young companies like us had gotten under their skin—they suddenly seemed to change their mind. On April 2, 1987, IBM introduced a new, closed-architecture PC, the Personal System/2—PS/2, aka Micro Channel Architecture. It was hard to see PS/2 as anything other than a way to kill off the clone makers. Big Blue wanted to put the genie back in the bottle, so it could rule the PC business the way it owned the mainframe market. It was an *Empire Strikes Back* moment.

And I was really scared that this would be the end of Luke Skywalker—I mean PC's Limited. We got right to work on developing our own Micro Channel clone, but that would take time, time in which IBM might be able to put us out of business.

But over the next months, a funny thing happened. As IBM tried to sell its customers on switching to PS/2, Compaq and its close partner Intel began developing an advance on the Industry Standard Architecture that would become known as EISA—Extended Industry Standard Architecture. EISA had slots in the system that allowed clone-makers to build an expansion card that had additional capabilities based on the ISA standard. We got right to work on that.

And while some of IBM's customers went with PS/2, most of them didn't—and even some of the ones that switched soon changed their minds and went back to EISA. In the end, PS/2 backfired, because while it contained some technical innovations, it was designed more with IBM's benefit in mind than the customer's.

We'd dodged a bullet. But that wouldn't be the last we heard from IBM.

In June 1987 we officially became an international company, under a new name—or rather, a new old name. Just before we launched in the UK, Andrew Harris, the guy Lee and I had picked to head the operation, said, "Look—I can't call the company 'PC's Limited, Ltd.' That sounds ridiculous. So what should I call it?"

Back in Austin we were growing so fast that we didn't have a moment to contemplate such minor matters. We basically said, "We don't know, we're busy—you figure it out."

After a few days, Andrew called back. "Look, you guys won't tell me what to call the company, so I'm just going to call it Dell Computer Corporation, because really, that's your official name anyway."

"Okay, whatever," I said.

So for a couple of months we had a split personality: back in the US, everybody thought of us as PC’s Limited, but in the UK we were Dell Computer Corporation. There was a certain instability to the arrangement, but explosive growth is never about stability, and we were poised to go global.

The UK was a natural market for us, because lots of people there were buying not-very-well-made PCs from computer stores whose staffs knew little or nothing about servicing what they sold. Whereas we were not only turning out a superior product, but—thanks to a deal Lee Walker and Kelley Guest had signed a couple of months earlier—had just become the world’s first personal computer manufacturer to offer free on-site service.

Honeywell Bull, the recently merged information-systems arm of the international conglomerate Honeywell, was manufacturing mainframes then, and their global service operation made them a perfect partner for us. Under the terms of the contract Lee and Kelley had worked out, we would pay Honeywell Bull $30 for every PC we produced, and in return, they would provide free same- or next-day onsite service for any computer of ours that needed it, anywhere in the US or UK, We decided not to pass along the $30 to the customer—our calculation being that the guarantee of free on-site service would create enough new sales volume that the outlay would quickly pay for itself.

The calculation proved correct. This was a huge step up for us. We could now sell made-to-order PC’s Limited–branded computers to major corporations and the US government with the assurance of free on-site service—which meant that major corporations and the US government would no longer turn away our salespeople without listening to them.

And with a forty-five-year-old genuine grown-up and experienced entrepreneur as president and CFO, we now had access to all kinds of working-capital credit we couldn’t get before. Unlike the twenty-one-year-old CEO, Lee Walker could go to people like Frank Phillips at Texas Commerce Bank and say, “Look, Texaco, Exxon, Monsanto—all these companies, not to mention the US government—they all owe this company money. Give us a loan based on all these receivables." And the bankers would say, "Okay, Lee, we don't know about the kid, but we trust you."

Still, mere credit wasn't enough to take us where we wanted to go.

We'd gone from that $33 million in sales in fiscal year 1986 to being on track to do $60 million for FY '87. It wasn't so crazy to think that we could get to $100 million plus in FY '88—and after that, who knew? Yet crazily, we had just over $300,000 in cash on hand. Lee, with his hands firmly on the fiscal controls, had kept us in the black, but just barely. We needed real working capital, not just a line of credit, to do more research and development, to hire more people, to buy more and more of the best possible components. Taking the company public seemed like a natural progression—and was the only option to access the kind of capital we needed.

It was right around then that investment banks started to call.

There were a lot of suitors. We were a young, hot company—hotter every month. We were making a lot of noise, both for the business we were doing and what was behind it: a product that was high-quality, custom-built, and, because there was no retail markup, very competitively priced.

A half dozen of these bankers came to see us in Austin. They foresaw all kinds of greatness for us, and they told us all kinds of stories about how they were going to get us there. It was fun to hear these things, but after each of the meetings, Lee and I would look at each other and shake our heads. It's great being told exactly what you want to hear, but when the sugar high wears off you're left wondering if there was any actual nutritional content there.

We needed to get the straight story from the big players.

Lee and I went to New York City in the spring of 1987 to meet with some of the biggest investment banks in town. Curiously enough, the first two firms we went to were companies my mother had worked for in Houston. E. F. Hutton was famous for its TV commercials ("When E. F. Hutton talks, people listen"); little did we know that some of their stockbrokers were then under federal investigation for laundering mob money and that the company would soon be forced to merge with Shearson

Lehman American Express. Their office felt slow and sleepy—possibly because people there knew or sensed that the jig was up.

Paine Webber had its own popular ad campaign ("Thank you, Paine Webber") and a bright, shiny new headquarters on Avenue of the Americas, but there too, for whatever entirely different reasons, the atmosphere felt less than exciting.

Goldman Sachs was anything but. Their people—heck, even their office walls—radiated dynamism, intelligence, ambition. And success. They had an amazing track record with IPOs, and now they were pitching hard to be our Wall Street partner. Once again Lee and I looked at each other—but this time with that instant, intuitive click: *Yes.*

Goldman had just two caveats for us. The first was that Lee had to give up being CFO—being both president and chief financial officer didn't give him enough objectivity and would be bad optics for a public corporation. The second was that we had to have a real board of directors. A two-man board didn't cut it. We had to have at least five, Goldman said.

Lee and I conferred on this and, for starters, came up with the two best people we could think of in Austin. George Kozmetsky was a guy who had founded a couple of Fortune 100 companies and been the dean of the Business School at the University of Texas. He'd also founded a think tank for entrepreneurs called IC2—the Institute for Constructive Capitalism. I'd met him a couple of times and held him in high regard. The other was Bobby Ray Inman, a retired navy admiral and former director of the National Security Agency, also former deputy director of the CIA. He was currently running a consortium of top technology companies called MCC—Microelectronics and Computer Technology Corporation—to try to figure out how to out-invent the Japanese, who seemed at the time to be on the way to world technological domination. Lee and I thought both were superb candidates, and we told Goldman we'd try and persuade them to join us. We could come up with a third person in due course.

But Goldman also thought that we shouldn't go public just yet. The process was complicated and time-consuming, they said, and as we knew all too well, we had our hands full running the company. Instead, they recommended a private placement: twenty to thirty shareholders among financial institutions, high-net-worth individuals, and various funds. Goldman was absolutely confident about our marketability.

Then came Black Monday, October 19, 1987.

On that single day, the stock market lost 23 percent of its value—twice as much as it had lost on Black Thursday in October 1929, the beginning of the Great Depression. As Lee remembers it, when he came into my office to give me the bad news—he was convinced our private placement had gone kaput then and there—I was busy at one of my favorite pastimes, taking apart a competitor's computer to see how it stacked up against ours.

Maybe I should've been more concerned. Maybe he should've been less concerned. Lee was forty-six years old and inclined to worry; I was twenty-two and all forward motion. I'm convinced to this day that we could have gone on just fine without a private placement: our growth was just that spectacular. But Lee was the one who knew the realities of balance sheets and bankers, and sometimes those realities were grim enough to keep him awake at night. Meanwhile, excited about our future, I slept like a baby.

And as it turned out, the miraculous happened: out of literally hundreds of financings that were in process that Black Monday, ours was the sole survivor. As thousands of buyers bailed, ours stuck with us. Why? Because people believed in our business model and were excited by the opportunity to get in on the ground floor. (Among them were my mom and dad, who invested a half million dollars, a significant portion of their savings at the time.) Because there was no one quite like us across the whole technical landscape. And because you just couldn't argue with our underlying financials. If you got something that's growing at 100 percent a year, that's at least telling you that people like it. Unless you're doing something illegal. And what we were doing wasn't illegal, immoral, or fattening. It was just plain fun.

Shortly before the private placement went through, Lee and our sales and marketing leaders came to me and said, "Why don't we just call the company Dell Computer Corporation (which was in fact the actual incorporated name of the company) instead of PC's Limited? It's been working out great in the UK." This was something Lee had wanted to do for a while; we'd had several minor clashes about it. I knew he hated our generic-sounding name, and he knew I loved it: it represented my baby, the thing I'd started out with in Dobie 2713, now making millions of dollars in sales per month. If our customers liked it, why change it?

I was leery, too, about naming the company after myself—it could be seen as an act of vanity, and vanity really wasn't part of my makeup. And there was something else, something I couldn't talk to anybody about: what if our hot start-up cooled down? What if we went under, like so many computer companies in the mid- and late '80s? "Dell Computer Corporation" would have a whole different connotation then.

I kept thinking about a tech entrepreneur named Adam Osborne, who in the early '80s had come out with a portable computer called the Osborne 1. The machine was very popular for a while—until he announced the imminent release of an upgraded model, the Executive. The problem was that the release wasn't imminent enough. In anticipation of the new computer, people immediately stopped buying the Osborne 1, revenues stopped flowing, and with no new product in the pipeline and a lot of suppliers to pay, Mr. Osborne went bankrupt. To add insult to injury, business writers dubbed the fiasco the Osborne Effect. Not the way you want to be remembered. If my fledgling business went under, I didn't want to even imagine anyone talking about a Dell Effect.

But Lee and the others kept on me. "PC's Limited sounds down-market, it *sounds* like 'mail order,' " they said. "We're raising our game, taking it to IBM and Compaq—we want our name to sound like we're playing in the same league."

They wore me out. I also saw their point. Soon we were sending out computers emblazoned with my last name instead of "PC's Limited." It looked strange to me at first, but—and our still-skyrocketing sales didn't hurt a bit—it quickly came to seem completely natural.

I'd been happily working sixteen-hour days, eating at the office, sleeping at the office. My work was my life; my company was my second family. Anyone who says you can start a company and have work-life balance is lying. Was there something off about this? I had an enormous desire to succeed, but I was human, and I knew something was missing from my life. Still, there didn't seem to be much I could do about it.

I had a girlfriend after my first couple of months at UT, but that relationship quickly fell victim to the intensity of my work and travel schedule as I got PC's Limited up and running. So when a guy I knew named Buddy Patton—a salesman from Western Digital, one of our controller-chip suppliers—said, "Hey, my dad says you should meet this girl, Susan Lieberman," I said, "Buddy, I'm kind of busy here; I've got a lot going on."

Buddy's dad, David Patton, ran an Austin corrugated-box company called Capital City Container, which sold us the boxes we shipped our computers in. And David had done some business with this Susan Lieberman, an industrial leasing agent for the Dallas-based real estate giant Trammell Crow. David said to Buddy, "Hey, she's Jewish and single; your pal Michael Dell is Jewish and single—why don't we introduce them?"

"My dad says she's cute," Buddy told me.

"I don't know, Buddy," I said. "Is your dad's cute the same as my cute? I don't know. I'm really busy. Why don't you go check her out?"

Well, it turned out that Western Digital needed to lease some space, so Buddy had an excuse to meet Susan Lieberman. She showed him a location, it turned out to be just what Buddy was looking for, and they signed a lease. And Buddy came back to my office and said, "She really is cute, Michael." And he handed me a piece of paper with her phone number on it. But as soon as Buddy left I stuffed this piece of paper in this dictionary I kept on my desk and forgot about it.

My dictionary had a black leather cover on it, because the truth is, I was a little embarrassed to have a dictionary on my desk—maybe because I'd dropped out of UT, maybe because English had never been my best subject. But now and then I'd hear or read a word I didn't know the meaning of, and I was always curious about everything, so I'd look the word up in my secret dictionary. And one day not long after Buddy came by, I was looking up a word—"intrinsic" or "concomitant," or something like that—and I came upon the piece of paper with Susan Lieberman's name and number on it, and I decided, What the hell, and called her up and asked her to lunch.

We met at a little Austin bistro called Chez Fred, and I saw the moment she walked in the door that she was *very* cute. And blonde, and athletic looking. So that was nice. But once we sat down and started to talk, I found that she was also smart, and warm, and vivacious. Despite its reputation, the blind-date thing seemed to be working out just fine from my end. And from hers? As Susan tells the story, she was impressed by the fact that I wore a suit and pulled out her chair for her; she also liked that I didn't brag—apparently she'd been going out with a lot of braggy guys. But then I managed to throw a wrench into the conversation.

When Susan asked where I'd gone to school, I told the truth—that I'd gone to UT for a year and dropped out to start a computer company. But what she mainly heard was the dropping-out part, and what she thought at that moment—I could see it on her face—was, *Uh-oh*.

"How *old* are you?" she asked. Back in those days, with my chubby cheeks, big glasses, and mop of curly hair, I'll admit I was on the boyish-looking side. But I think Susan Lieberman may have thought at that moment that she was having lunch with a nineteen-year-old college dropout.

I told her that I was two weeks from turning twenty-three.

"Oh my gosh, you're just a baby!" she said.

It came out of me before I had a chance to think: "I'm not a baby—I've got my own company!"

"Which company?"

"PC's Limited."

The businesswoman in her made a connection. "Do you know Stan Sykes?"

"Yeah, he's my VP of manufacturing."

"What do you mean, your VP of manufacturing?"

"Well, he works for me."

"Wait a minute—are you that kid who has space in the industrial division and the office division?" She was talking about the warehouse and office space we'd leased from Trammell Crow. "So this is your company?"

I smiled and said yes. The rest of the lunch went fine.

I had to go to Europe for a week to visit our new UK office and look into the possibility of opening other locations on the Continent. When I got back I called Susan Lieberman again and asked if she'd like to go for a walk along the Barton Creek trail that Sunday. She said yes. We walked and talked, then walked and talked some more. The more we talked, the more we found we had in common. When we finally looked up, four hours had passed just like that.

That was Valentine's Day, 1988. Thirty-plus Valentine's Days later, we're still walking and talking.

That June, Dell filed to go public, and immediately after filing the papers we got the kind of mail a little company never wants to get from a big company: a certified cease-and-desist letter from IBM. "Dear Dell Computer Corporation," it read. "We have reason to believe you may be infringing some of our patents."

It was a shock, but it wasn't a surprise.

We'd been in business for four years, growing from a one-man company to a multimillion-dollar operation, and we had created all kinds of IBM-compatible machines—including, most recently (thanks to another brilliant new engineer, David Lunsford), our first 386 computer, which had recently beaten IBM, Compaq, and everybody else in a head-to-head competition. *PC Magazine* covered the test in their latest issue, calling our machine "fast enough to burn the sand off a desert floor."

That was very high praise. The certified letter from IBM wasn't.

What it said was completely correct. We'd simply been moving too fast and too single-mindedly to think about applying for patents on any of the products we were developing. Number of patents held by International Business Machines: approximately one gazillion. Number of patents held by Dell Computer Corporation: zero.

When Lee, Kelley, and I got on a plane and flew north to meet with IBM at the company's Armonk, New York, headquarters, it felt a lot like being called to the principal's office. Worse than that. At a point when we were desperate for money—the private placement's $22 million had gone fast, to suppliers, R&D, our ever-increasing payroll—a lawsuit from Big Blue could stop our IPO in its tracks, and maybe stop us in our tracks too.

Dell was now the seventh-largest manufacturer of PCs in the United States. The Austin real estate bust had allowed us to lease an entire nine-story stone-and-glass tower at 9505 Arboretum Boulevard; manufacturing was in a warehouse building in the Braker area of North Austin. Yet though we were big and getting bigger every week, we were still minuscule compared with IBM. Their huge campus of futuristic-looking buildings spread across acres of perfectly manicured lawns was intimidating, to say the least.

Even the interior of the building we walked into seemed cold, sterile, daunting. All the men (there were almost no women in sight) were wearing the uniform: dark suit, white shirt, and red necktie. Nobody had facial hair. A far cry from dress-down Austin.

But IBM's director of licensing, Emmett Murtha, couldn't have been friendlier. He smiled as we shook hands and sat down to afternoon tea, served by his secretary in elegant china cups.

Why shouldn't he have been nice? He had us totally over a barrel.

Still, from the first, Murtha tried to put us at ease. He didn't want to drive us out of business, he said; he was just asking us to pay a small fee for every computer we shipped, since we were clearly benefiting from the use of IBM technology.

"How small a fee?" I asked.

Mr. Murtha smiled. “Three percent,” he said.

Lee and I looked at each other. At that point we were making a profit of about five percent on each computer we sold. Three percent was a huge bite.

In theory, we could simply pass the three percent along to the customer. But if we did that, would we sell as many machines? And would all our competitors—there were about three dozen PC makers in the US at that point—be raising their prices too? Was IBM getting three percent from Compaq? Maybe Compaq had more patents than we had. (That wouldn’t have been hard.)

Probably Lee, Kelley, and I were all thinking the same thing. But what could we do? On June 6, 1988, we signed a licensing agreement with IBM, under which we were permitted to manufacture and sell computers compatible with IBM’s XT, AT, and PS/2 machines. In return we would pay them royalties on past, current, and future sales of machines containing technologies they had patented.

It was a big bite out of our profits, but we figured we’d make up the difference somehow.

On June 22 our initial public offering went through: 3,500,000 shares at $8.50 a share. We were now a public company, trading under the symbol DELL on the NASDAQ Exchange, and we could now breathe again.

Back in 1986, around the time Lee Walker came on board, I’d decided I wanted to buy a house. I’m not sure why; maybe it had something to do with Lee’s grown-up influence. I had enough money in the bank for a down payment, and I’d recently met a realtor, a nice, middle-aged lady named Sheila Plotsky, who’d sort of taken me on as a project. Sheila liked to drive me around on weekends to look at possibilities. And one Saturday afternoon she showed me a beautiful place north of town, looking over the hills in West Austin: the address was 5309 Valburn Circle.

It was a big, wide, modern house on a couple of acres, with a broad front lawn and a nice swimming pool in back. I moved in in the late spring and immediately set about making the place my own. Bachelor-pad furniture—think leather couches, deep-pile rugs, and beanbag chairs—and yes, plastic plants. (No real plant would've survived my general indifference to plants, not to mention my hours—sometimes I'd sleep at the office for days at a time—and my periodic business trips to Europe and the Far East.) My big-screen Sony TV and my stereo system with its massive Klipsch speakers went in the living room; one of the house's five bedrooms became a study/office, where I could work at a desk and manage my stock portfolio on my Quotron. I turned another bedroom into a home laboratory, filled with prototype computer equipment and parts. Sometimes I would sit there late at night, taking machines apart, switching out parts, de-soldering and re-soldering.

And sometimes I would socialize. On the Fourth of July I had a big party for all the engineers, a barbecue by the pool with a keg of beer and Rolling Stones, Jimi Hendrix, Doors, and Roxy Music blasting from those great big speakers.

It was a nice place to live in and a nice place to come back to. Once, headed to Asia on business, I was coming down the stairs with my suitcase when I spotted a scorpion on the living room rug. *Uh-oh,* I thought. I went to the kitchen and got a coffee cup, put it on top of the scorpion, and went to Asia. When I got back a couple of weeks later, of course I'd forgotten all about it—but there was the cup on the living room rug. I picked it up and the scorpion was still alive. Those things are pretty tough.

But everything changed once I started dating Susan Lieberman—and especially once she began staying over. No more keg parties, no more plastic plants, and no more scorpions. The only way I could talk her into moving in with me was by agreeing to get a cleaning person to come in every week—and changing the home lab into an exercise room, complete with StairMaster.

An odd thing started happening after I'd lived there a little while. My business success had drawn a good deal of attention, including in the local press, and now and then I began to notice cars driving by my house and slowing down to have a look. Sometimes someone would actually park in my driveway and ring the doorbell: all they wanted was to shake my hand and say hi. Everybody was very friendly and well intentioned—until one person wasn't. But that's a story for later.

That July, soon after we went public, someone else rang my doorbell, a neighbor I'd encountered a couple of times while I was out for a walk. Glenn Henry was a middle-aged guy who lived two doors down with his wife and teenaged son, and he worked for IBM.

That in itself wasn't remarkable; several people from Big Blue lived on the street. But Glenn Henry didn't just work for IBM; he was an IBM Fellow. This was a distinction of the highest order at one of America's most distinguished companies. Glenn was an assistant manager for IBM's System/36, a multiuser, multitasking system of minicomputers primarily used by small businesses. It was an important job, one that had made him well-off enough to be able to own a nice house in this nice part of town. (He later told me that when I first moved in, rumors had flown around the neighborhood that a twenty-one-year-old, probably a drug dealer, had just bought the biggest house on Valburn Circle.)

Why was Glenn Henry ringing my doorbell that July afternoon? It turned out that he'd just read about our IPO in the *Austin American-Statesman*. "I'd like to come work for you," he told me. I invited him in for a cup of coffee.

We sat down and talked. Glenn was an engineer, and engineers aren't prone to dramatic gestures, so offering to jump ship and work for me was a very big deal. He had a wife and a kid and a mortgage, and he had a very secure gig: he had been at IBM for over twenty years. His wife really wanted him to stay put. But as we spoke, I could see he felt trapped in the arid culture that I sensed so strongly when we had our meeting with Mr. Murtha in Armonk. As Glenn described it to me, all the other IBM Fellows, as well as IBM management, looked down their noses at the PC. His boss, a vice president at the company, thought the PC would make a great terminal to a mainframe. Period.

Glenn, on the other hand, saw the personal computer as a game changer. At the time there were maybe a couple of million PCs in the world; he saw that number growing to billions. As did I. The more we talked, the more I saw how closely aligned Glenn Henry was with our goals. By the time we finished our coffee, I'd invited him to come join our merry band of renegades—now close to a thousand strong—and head up our research and development team.

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158 MILES TO OPPORTUNITY.

That was the cheeky caption on the billboard we put right outside the Houston headquarters of our archrival, Compaq. Under the caption, to drive the point home, was a big arrow pointing west toward Austin, and to seal the deal, our corporate logo.

And a number of their people were following the arrow and, like Glenn Henry, coming to join our rebel band. Many more new hires came from Compaq to us than the other way around. Just the way I liked it. I loved the competition in our field, whether it was versus Rod Canion at Compaq, or Bill Hayden at CompuAdd, or Ted Waitt at Gateway.

Play nice but win.

Especially versus Compaq. They'd started out a couple years before us, with a venture-capital investment of $25 million from a guy named Ben Rosen, as contrasted with our—my—$1,000. They had a great, democratic corporate culture—there were no reserved parking spaces, even for the CEO, at their Silicon Valley–style campus in the woods outside Houston. They had supersmart engineers, powerful R&D, and a special partnership with Intel: every advance in microprocessors (where Intel enjoyed a virtual monopoly) went to Compaq first.

Yet Compaq had no price advantage. Their operating costs were 36 percent of revenue, as contrasted with our lean and mean 18 percent. They sold through retail stores only, and though their PCs were famously well-engineered and reliable, they were also expensive. We knew we could beat them on price, and with our build-to-order model, on flexibility. Our field-service operation allowed us to go head-to-head with them on reliability as well.

We’d really established a place in a crowded field: we were the cheeky outsiders with the killer business model. I didn’t mind it a bit when *Business Week* called us “the hottest little computer maker in Texas.” And our sassy ads reflected the David-versus-Goliath theme.

Advertising was crucial to us. I knew from personal experience how much attention tech people paid to the ads in *PC Magazine* and *PC World* and *Info World*. Our early advertisements, created by a small local agency and beginning with Austin newspapers then branching out to national outlets, were very straightforward: Here we are, PC’s Limited; we make good stuff, please buy it.

But shortly before the private placement, just after we changed our name, we decided it was time to lose the down-market mail-order image for good. Hiring a world-class ad agency would be expensive, but Lee and I deemed the expense to be worth it.

In February 1987 we signed with Hal Riney & Partners, the feisty San Francisco agency that had created attention-getting national advertising for Bartles & Jaymes wine coolers and Gallo wine. We set an ad budget of $5 million with Riney, and they did some nice spots for us, but ultimately we were a mismatch. From the beginning, Riney wanted to create a folksy corporate identity for us—cowboy-Western, since we were in Austin—that felt limiting, if not just plain wrong for the world market we’d entered. We didn’t wear ten-gallon hats and Tony Lama boots to work, and we didn’t want our customers to think we did.

When we parted ways with Riney, we knew there was only one agency for us: the award-winning firm of Chiat/Day had created game-changing print ads and TV commercials for Apple, including the semi-infamous (but highly effective) “1984” spot that ran during the ’84 Super Bowl. We more than doubled our advertising budget when we signed with Chiat/Day, but I think the results were very much worth it. A print ad they created for us in the fall of 1989 was headlined DELL’S OFFICIAL POSITION ON CUSTOMER SATISFACTION. Underneath were charts of two *PC Week* polls rating the leading PC manufacturers’ 386 and 286 machines on price, compatibility, and support. We stood at the top of both charts, ahead of Compaq, AST, Zenith, and IBM. “In all, these two surveys are quite an eye-opener,” the text read. “In fact, they surprised everyone in the computer industry. Except, of course, us and our customers. Besides winning these two polls, our 20MHz 386 System 310 has just been named Editor’s Choice by *PC Magazine*.”

This was taking it right to the competition—and our sales reflected it. We’d gone from $69 million in fiscal year 1987 to $159 million in 1988 to $257 million in 1989. Hundreds of millions were great, but with sales nearly doubling every year, it wasn’t so crazy to start thinking about the B-word.

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After launching in the UK, we opened subsidiaries in Germany and Canada (1988) and France (1989). Nineteen eighty-nine was a banner year for us by almost every measure, but it also contained a couple of noteworthy failures. Project Olympic was our first attempt at the server business, and it was a highly complicated technical development. We designed our own silicon chips for a storage system called a RAID array (Redundant Array of Independent Disks); we built servers with multiple microprocessors. But the project was way too ambitious, and it didn’t work.

We also had an inventory planning crisis that year: we’d designed a motherboard that lacked flexibility in its memory configuration. And when the industry standard for memory chips advanced, we were stuck with too much old inventory, as well as a product we couldn’t deliver profitably. A bad stumble.

But daring to fail is the only path to meaningful growth. As Eleanor Roosevelt said, “You must do the thing you think you cannot do.” Then and at every step along the way, every failure and setback made me and our company stronger and more resilient. Out of the flop of Olympic we developed a powerful engineering muscle, one that allowed us to quickly repurpose that server architecture into a new line of IBM-compatible computers. And the planning crisis taught us how to be much more agile and efficient in our inventory management.

And speaking personally, 1989 contained my biggest success of all, one that resonates to this minute.

As our company grew, I'd become friendly with both Bill Gates (with whom, of course, we did a lot of business) and Steve Jobs—both about ten years older than me, and both guys for whom I had great professional admiration. But Bill and Steve shared one key characteristic that I didn't want to emulate: both were (then) single, seemingly married to their respective businesses. I really didn't want to wake up in ten years and find myself without a wife and family.

And so on October 28, 1989, with my whole family and many of my coworkers present, and with Lee Walker as my best man, I married Susan Lieberman and began the happiest and most meaningful journey of my life. I've achieved some pretty big things in business, but they all pale in comparison with the achievement of marrying Susan and raising our four children together.

The rosy glow I was feeling extended into the beginning of 1990, when *Inc.* magazine named me its first Entrepreneur of the Year, a great big honor for a not quite twenty-five-year-old. Lee Walker said some very nice things about me for the accompanying piece—and knowing that Lee was as tough-minded as he was warmhearted, I understood that he meant every word. "What Michael Dell does," he said, "is so natural to him and flows so spontaneously from him that it [looks] as if he takes a low-key approach. He has so clear a vision of where he is headed that he can rise above the background noise and avoid the pitfalls that typically take entrepreneurs down."

Lee was also being modest: he was responsible for getting us past any number of said pitfalls.

But as winter turned to spring, he told me it was time for him to go.

"Being president of Dell Computer had been a five-to-nine job," he later wrote.

> It required hard personnel decisions, financial attention, trade-offs, strategic direction, country-by-country implementation, and endless domestic tactical operational issues.
>
> I had forgotten that I hadn't wanted to do this in the first place. I got caught up in the richness of a multidimensional puzzle, got swept up in the competitive fray of defeating IBM and Compaq. I forgot that once upon a time great clumps of my hair fell out and my back ached terribly when I was starting my own business. . . .
>
> Michael and I were such different personalities. He was one of those business people who thrived on the stress of international high-tech competition. I was not. That impossibly complicated arena gave him energy. It had beaten me down to the point that I wasn't physically or emotionally strong enough to continue.

Lee's tipping point was international travel. Over the last couple of years he'd gone to Canada, England, France, Germany, and Sweden to help get our overseas subsidiaries up and running, in addition to his responsibilities at Dell US. In March 1990 he went to visit our UK and German operations, then spent eleven hours flying home to Austin, and immediately he began experiencing excruciating pain in his lower back. Somewhere in his travels he'd picked up a hard-to-treat form of meningitis.

It was time for him to let go.

There were tears from both of us when Lee said goodbye. We'd been through a ton together; we'd accomplished a ton, too. I'd also done a lot of growing up in those four years. And though I knew going on without him would be difficult, I felt more than confident that I could take it from there.

9

REDEMPTION

The last days of July 2013 were looking like the end of the line for our buyout proposal.

On July 30, with the August 2 shareholder meeting swiftly approaching, the special committee said it would accept our offer of $13.75 a share, and they were OK with our proposal to set a new, later record date. As we saw it, moving the record date forward would allow the hedge-fund arbitrageurs that had recently bet on the buyout to vote their shares for our side.

But.

The committee was still holding firm on the strict voting standard: no-shows equaled Nos. The committee would accept our bid only if a majority of outstanding shares voted Yes on the deal, and by the rules Silver Lake and I had agreed to with the special committee back at the beginning of this roller-coaster ride, those 300 million shares that hadn't voted were weighing heavily against us.

DELL'S BUYOUT TEETERS AS IT REJECTS VOTING CHANGE, Reuters reported on July 31. "Dell shares fell more than 4 percent to as low as $12.28, their lowest level since news of the takeover broke on January 14, highlighting uncertainty among shareholders about the deal's prospects."

In fact, the deal was perilously close to falling apart. The special committee had let us know in no uncertain terms that if we still didn't have the votes, it would not adjourn a third time.

On the same day, Carl Icahn sent yet another open letter to our board and stockholders, imaginatively titled:

LET THE DESPERATE DELL DEBACLE DIE

It urged the special committee to spurn Silver Lake and me finally and absolutely:

> By negotiating an undervalued freeze-out merger, pushing relentlessly to have it approved by even going so far as to try to waive one of the most important stockholder protections in the Merger Agreement [the voting standard] . . . Michael Dell has revealed all we need to know. And to be honest, we fear to what end he will go to keep Dell under his control if and when his freeze-out merger is finally allowed to be rejected. Specifically, will he try to purchase additional stock to further increase his 15 percent position in the company in an attempt to ensure he keeps control of the company at the Annual Meeting? The Dell Board must consider this question seriously and should prevent Michael Dell from buying votes by buying shares. What we view as the ill-effects of Michael Dell's influence have been broadly felt. Since Michael Dell returned as CEO, the stock has dropped from $24.22, to this morning's price of $12.46. The freeze-out merger was his idea all along and it has been shown to be an unpopular one.
>
> The Board should not aid him by permitting him to increase his influence at Dell.

This was a red herring. Icahn would have known that beginning on February 5, I and all the other affiliated stockholders (including Susan and everybody else in my family) had been under a standstill obligation: we'd agreed not to buy any more Dell shares during this negotiation. But in mentioning the voting standard ("one of the most important stockholder protections . . ."), he was zeroing in on the sticking point between the special committee and me and encouraging the committee to hold fast on the issue. And if they did hold fast, one of two possible outcomes would be assured: either (1) Silver Lake and I would somehow have to increase our “best and final” offer in order to get the committee to budge, thus increasing the value of Icahn’s shares, or (2) we would simply lose the vote and the deal would die. Now, if this deal died, Dell stock would probably plunge, severely decreasing the value of Icahn’s shares and making the company vulnerable in all kinds of ways. With our annual shareholder meeting and board elections coming up in October, Icahn’s threat to replace the board (and me) would have real teeth. Meanwhile, our second-quarter earnings had fallen by 72 percent.

Did Icahn really want to kill the deal at his Dell shares’ expense, just to gain control of a devalued company? Unlikely. I thought he was bluffing, trying to get us to raise our price by raising the specter of his old company-stripping ways.

In any case, uncertainty was hanging in the air like a bad smell.

On the morning of the thirty-first Egon and I phoned the special committee. Alex Mandl had to attend to a family matter, so we spoke with Ken Duberstein, whom Alex had deputized. “What’ll it take to make this happen?” we asked.

“A higher offer,” Ken said.

That was easy to say but not so easy to do. Every penny added to our offer meant $15 million more, and while Egon was all in, his partners had drawn the line: $13.75 was as high as they were willing to go.

Now, at this point you may well be thinking, *Well, Michael’s a rich guy—why couldn’t he just pull a couple of hundred million out of his pocket and set this thing to rest at last?*

A couple of reasons.

From the beginning—that is, from the infancy of this idea Egon and I first talked about as we took that walk in Hawaii, I knew that it was crucial for me to have a partner on the go-private. For me to have set the price on a buyout of Dell all by myself would’ve been innately conflictual: I needed a partner, as well as a special committee of independent board members, to make sure the stockholders got the best deal possible. So for me to simply throw in a bunch of extra money as the buyout was coming down to the wire would be bad optics, to say the least. It would make Silver Lake suddenly look like less than a full partner.

In addition, my own credibility was on the line. I had gone on television and said that $13.75 was our best and final offer. To suddenly say, “Okay, here’s our new best and final offer” would not be a good look.

Yet Silver Lake and I also knew that whether we bought the company for $13.75 or $13.85 a share really wasn’t going to matter five years from now. In five years the company would be worth either substantially more or substantially less: a few cents’ difference today wasn’t going to affect that outcome.

Egon and I conferred, and what we came up with was this: we would add a special dividend of eight cents to our offer, bringing it to $13.83 a share, by reducing the price of the shares I was rolling into the deal. In addition, if the whole deal fell through due to a new alternative transaction, Silver Lake agreed to accept a reduction in its breakup fee from $450 million to $180 million.

But in return for those concessions, we said, the special committee would have to accede to changing the voting standard.

We called back with our revised proposal. Ken said they would talk about it and let us know in a couple of hours.

Duberstein phoned us that evening. “Raise the dividend to thirteen cents and you’ve got a deal,” he said.

“With a new voting standard?”

“With a new voting standard.”

I looked at Egon. He nodded. We were both smiling.

“This is a mitzvah, Ken,” I said. *Mitzvah* is Hebrew for a truly kind, considerate, ethical deed.

“Thank you,” Duberstein said. “We’re pretty happy about it too.”

Icahn sued us the next day.

On August 1, he filed a lawsuit in Delaware's Chancery Court claiming that the members of the special committee had breached their fiduciary duties by making a deal with Silver Lake and me. Icahn sought to have the shareholder vote on the buyout fast-tracked from September 12 back to the original August 2, and the original voting standard restored.

He also wanted our annual meeting to be held on the same day as the buyout vote, reasoning that if the rule changes were reversed, he could win and get a new board voted in immediately. He knew that if the special committee's acceptance of the buyout terms stood and the annual meeting was held a month later, his chances for winning the vote would wither on the vine. Icahn charged that under Delaware law, a company's annual meeting had to be held within thirteen months of the previous one—and our previous meeting had taken place in July 2012.

The old greenmailer was up to one of his oldest tricks: making a big enough nuisance of himself that his target, in this case Silver Lake and I, would be forced to buy out his shares at a premium to make him go away. If the court didn't find in his favor, he told the press—which of course was listening eagerly, hoping the slap-fight between Carl and me would go on for as long as possible—Dell stockholders (and of course, especially Carl Icahn) would "suffer irreparable harm" because, as the renegotiated record date and voting standard now stood, our buyout was "nearly certain to be approved through an unfair vote."

It was pure, self-serving BS, but it stirred up just the kind of chaos he relished.

"It's possible," *The New York Times* wrote, "that a Delaware judge could rule in Mr. Icahn's favor by either overturning the change in voting rules or compelling an annual meeting to be held sooner than October. That could thrust Mr. Dell's takeover bid once more into the murk of uncertainty."

I pinned my hopes on the judge who had taken the case, Chancellor Leo Strine, who had previously praised the special committee and expressed healthy skepticism about Icahn's proposals.

Still, Icahn wasn't giving up. "The war regarding Dell is far from over," he declared on August 2. (That day, our stock rose 5.5 percent, showing that even if some stockholders were unhappy with the deal, a lot more thought it was good news.) Three days later, Icahn disclosed that he had bought an additional 4 million shares from Southeastern, bringing his personal stake in Dell to almost 9 percent. He continued to attack the special committee, citing "their self-granted imperial status," charging them with trying "to ram through a going-private transaction."

But Chancellor Strine refused to be hurried, and he didn't look kindly on Icahn's suit. At the August 16 hearing he described Carl's charges against the board as "an adjectival assault that doesn't have nouns and verbs that add up to colorable claims."* And in a twenty-six-page opinion Strine reviewed the special committee's conduct very favorably, commending its stringent deal protections: the go-shop period with its aggressive marketing, the expense policy that had offered to reimburse Icahn for his due diligence, the committee's complete readiness to turn aside my offer if a superior bid emerged, the reasonable (and later reduced) break fee. The judge also noted, devastatingly, that he looked with some skepticism on Icahn's big purchase of Southeastern's shares, noting that he had never actually made a superior bid to buy Dell, instead holding out smoke-and-mirrors promises of a leveraged recapitalization while the special committee did the heavy lift of extracting an additional twenty-three cents a share from Silver Lake and me. (If Icahn had actually come up with a superior offer, Chancellor Strine said, it would've caused the committee to "dance in the streets.")

Could Icahn, as some insiders hinted, have bullied Southeastern into selling him their Dell shares at a loss, threatening to walk away from the battle if they refused? Owning a big block of discounted stock would give him a nice insurance policy if we won, especially because most of his previous purchases had been above the deal price.

For good measure, the judge said that he wasn't inclined to move up the date of our annual meeting from October 17. "I find it difficult to understand," Chancellor Strine said, "how the court would order a meeting much in advance of the one the board has already set. The court is not going to be drawn into a tactical game whereby it tries to advantage one party or another.”

I told you I loved this guy!

“For the Dell buyout, this is truly an end to the litigation threat,” the *Times* wrote. “This essentially leaves everything with the shareholder vote. Mr. Icahn, Southeastern Management and the other buyout opponents will have to fight this battle based on the new rules the Dell board has negotiated. The tide is against them though the vote is still likely to be a nail-biter.”

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I don’t bite my nails, but I do pace. I do my best thinking on my feet, and I put some mileage on my shoes throughout this whole period. Susan was still the only person outside Dell and Silver Lake I could talk to about what was going on, and—just like at the beginning of our courtship— we walked and talked. At home in Austin or at our ranch on Lake Austin, we’d go out for a two- or three-hour hike and hash through everything that was going on with our family and the go-private. When it came to business, Susan was far more than a sounding board, she was a businesswoman herself, and I conferred with her at every turn in the road in this sixteen-month process.

And when it came to our family, she was and is my life partner, my other half. Our four children were all at different stages of their development, with different joys and problems, so there was a lot to discuss there too. “You’re only as happy as your least happy child,” the cliché says, and just because it’s a cliché doesn’t mean it’s not true.

And then there was my mother. In the summer of 2013 it looked like it was only a matter of time before we’d lose her, so Susan and I would go to Houston to see her as often as we could, which in the thick of my business situation wasn’t as often as I would’ve liked: only every other weekend or so. My mom and Susan had an exceptionally close relationship, and Susan had thrown herself into the project of making her as comfortable as possible —and we were fortunate to have the resources to do a lot for her right in my mom and dad's house: round-the-clock nursing, state-of-the-art hospital bed and medical equipment, a chef.

But cancer is a relentless force no matter how many resources you throw at it, and sometimes the idea that we were doing all we could for Mom wasn't consoling enough. Though a big business victory was in sight that August, any sense of imminent triumph I might've had was thrown into the shade by deep and powerful forces I was unable to control. My compartmentalizing skills were really getting a workout during those days.

On September 9 Icahn conceded, in a final (could it really be?) open letter to our shareholders. It was pretty bitter ("State laws dealing with corporate governance often favor incumbent corporate boards and management and are weak in many areas. While we must abide by these laws, we believe that they can and must be changed"), and as usual, pretty creative. ("The Dell board, like so many boards in this country, reminds me of Clark Gable's last words in *Gone with the Wind*, they simply 'don't give a damn.' ")

Speaking about the adjourned July 18 and July 24 meetings, he said:

> We won, or at least thought we won, but when the board realized that they lost the vote, they simply ignored the outcome. Even in a dictatorship when the ruling party loses an election, and then ignores its outcome, it attempts to provide a plausible reason to justify their actions. Andrew Bary at *Barron's* wisely observed, "In an action worthy of Vladimir Putin, Dell postponed a vote scheduled for last Thursday on Michael Dell's proposed buyout of the company when it became apparent that there was insufficient shareholder support for the deal.". . . . The board simply relied on the usual "business judgment" catchall and Delaware law to uphold their actions. We jokingly ask, "What's the difference between Dell and a dictatorship?" The answer:

> Most functioning dictatorships only need to postpone the vote once to win. . . .
>
> We have determined that it would be almost impossible to win the battle on September 12. We have therefore come to the conclusion that we will not pursue additional efforts to defeat the Michael Dell/Silver Lake proposal, although we still oppose it and will move to seek appraisal rights.
>
> I realize that some stockholders will be disappointed that we do not fight on. However, over the last decade, mainly through "activism" we have enhanced stockholder value in many companies by billions of dollars. We did not accomplish this by waging battles that we thought we would lose. Michael Dell/Silver Lake waged a hard-fought battle and according to Chancellor Strine, the actions by Dell were within the Delaware law. We therefore congratulate Michael Dell and I intend to call him to wish him good luck (he may need it).

The charge that the board had acted dictatorially was another Icahn invention. By the time of the first adjournment, July 18, the special committee had decided our offer was best for the company—and, crucially, had not received a superior offer from Carl. The same was true on July 24, when the second shareholder meeting was adjourned due to lack of supporting votes. The committee had exerted all its strict controls and was operating entirely within the rules established at the beginning of this process. Its refusal to adjourn a third time proved its impartiality.

But I'll say this for Icahn: he really did call.

"Michael, it was a hard fight, but you won fair and square," he said, conveniently forgetting all the times he'd insulted my leadership—and by extension, me personally, accusing me, in the most public ways possible, of sheer incompetence, not to mention all kinds of corporate finagling and malfeasance.

“Thanks,” I told him, though what I was really thinking was, *You came after this company, the thing that means more to me than anything in the world except my family, and you lost, pal. Thanks for nothing.*

“I really do wish you tons of luck in your new phase,” he continued. “I’ve said from the beginning of this that I think you’re doing some very exciting things at Dell.”

I thanked him again, still wondering if he had any idea what our company really *did*. I listened for a few more minutes as he went on and on about God knows what—the prospects for IBM and Hewlett-Packard; how undervalued he thought Apple was (in a move that reeked of déjà vu, he’d just bought a $2 billion stake in the company and was already giving Tim Cook a hard time); his son’s investments; the weather. Whatever. I was really only half listening, throwing in a *yup* or an *uh-huh* from time to time.

And then Carl was congratulating me once more, and our one-sided conversation was over. I sincerely hoped never to see or hear from him again. Then again, with Carl Icahn, you never knew.

The one thing he was happy about, Icahn wrote in that letter, was that all his efforts had managed to squeeze a higher price for Dell stockholders. He was too modest to mention that as the biggest unaffiliated stockholder of all, he had squeezed out a very nice chunk of change for himself. Among the many lies Carl told along the way was this claim that he would seek appraisal rights. He knew full well that doing so could hang up his shares in adjudication for years. And so the moment our deal was done he cashed out immediately, making a profit in the tens of millions. That would be a lot of money to most people, but I’m sure it left Icahn feeling bitter and angry at the thought that he could have made so much more.

September 12, 2013, was a great day in Round Rock. With the absent shareholder votes now merely absent rather than counting against us, the special meeting took all of fifteen minutes to come to a verdict: 65 percent of the shares voting on the deal, not including shares I and other affiliates owned, voted in favor of our buyout. Afterward everybody who'd been working so hard to make this happen was jubilant. "We're the world's largest start-up," I told the press. It was a line that just popped out of my mouth, but the more I thought about it, the truer it seemed. Egon compared the buyout to a "*Pulp Fiction*–like adrenaline shot to the heart."

"The outcome was expected," *The Wall Street Journal* said (conveniently forgetting all the discouraging comments about the buyout and me it had run), "but it followed months of angst."

Well, that part was true enough.

There were still doubters. Standard & Poor's cut our credit rating to junk status, on concerns that the almost $20 billion in debt we'd taken on would reduce our ability to invest in our various new businesses. But CFO Brian Gladden reassured analysts that our revenue streams would be more than sufficient to pay down our obligations.

(And debt as an integral part of corporate transactions isn't always completely understood, even by sophisticated business commentators. Yes, debt on your credit card and spending beyond your means can leave you with expensive payments for years—that's bad. But when used thoughtfully to finance the purchase of productive assets, debt is an important and necessary part of how the economy works, and it can create tremendous growth and opportunity.)

I don't often read the comments section on *The New York Times* website's DealBook page, but at this dramatic moment I couldn't help taking a look. There were some interesting exchanges. One JGNY, of Patchogue, NY, opined: "Michael Dell should run and keep his billions. This is ego plane [*sic*] and simple. Dell, like HP is in the toilet with PC's and they have no real benefit to jump on the tablet at this late point. They are still fairly large with Business PC's but that pool is shrinking with a continual smaller economy and no real expansion in the private sector."

But Craig from Texas had a sharp reply:

> Tablets? You're not following very closely. Dell may continue to bring forward products like PC's and tablets, but the whole point of the go-private initiative is to take the focus OFF of those products and allow more investment into enterprise software and hardware. Consumers that buy things like iPhones are clueless (typically) about what it takes to run all the back ends in the "cloud" to which their apps connect, and how they connect, and do it securely, and remember their identity, etc. That "back end" is where Dell already has a considerable foothold and is already growing. Many of the largest cloud data centers are already running Dell servers. The buyout will lead to them much more quickly filling in the gaps of their product portfolio and reducing their dependence on the shrinking PC market.

Not sure whether Craig from Texas was one of our team members, but he was pretty much on the money.

—

A couple days earlier I'd sent out an invitation to our Executive Leadership Team (ELT) of about a dozen people, our board of directors, the key Dell contributors to the deal process, all the partners at Silver Lake, and all the lawyers and bankers who'd helped advise us on the deal—around 125 people in all. It read:

> In recognition of your contributions and hard work over the past several months on the proposed transaction to take Dell private, I'd like to invite you to join me at an informal Texas BBQ at my home on Thursday, Sept. 12, 5:00–8:00 p.m. Though we aren't done yet, I'd like to make sure we take the time to recognize your efforts and celebrate our accomplishments so far.

Though the temperature hit a September-in-Austin high of 97 that Thursday, by 5:00 p.m. it was a pleasant 85 at my place in the hills, and the atmosphere was joyful and festive: everybody knew that while the deal wasn't truly done until the acquisition was legally complete, a process that would take weeks, it would get done. It was a great party.

But there was a much bigger party a week later, a global town-hall meeting to let the whole company, all 110,000 of us, celebrate. Six hundred team members gathered in an auditorium in Round Rock; live watching parties met in thirty-plus Dell locations around the world—places like Panama City, Panama; Porto Alegre, Brazil; Casablanca, Morocco; Cherrywood, Ireland; Bangalore, India; Sydney, Australia; and Montpellier, France.

And it was a heck of a party. The hall in Round Rock was filled with blue and white balloons; Dick Dale's surf guitar blasted as I walked through the happy crowd, high-fiving team members right and left, then took the stage and looked out at a sea of bright faces. I sometimes say that I'm an introvert who gives a convincing imitation of being an extrovert, but that day, as I addressed thousands of our great people, I felt genuinely thrilled and very proud.

"Wow, what a day," I said, and the crowd audibly agreed. "Thank you all very much! To everyone joining us around the world, and here in Round Rock—welcome to the world's largest start-up!"

It was still a good line.

"I don't have to tell you this was a hard fight," I said. There were some laughs—it really had been a bruising year, not just for me, but for everyone who believed in our company.

"But we won," I said. "And it was absolutely, totally, one hundred percent worth it. And I want to thank all of you for fighting alongside me, shoulder to shoulder—you all showed incredible dedication and commitment and focus, on our customers and what's important, and I was inspired by your comments, by your support, and also by the outpouring of support from our customers and many friends all along the way."

There was a big round of applause, and I felt the little hairs on the back of my neck stand up. I thought about the ordeal of the last seven months, one of the hardest parts of which was the impossibility of discussing with anyone outside of a small inner circle what was really going on. It was easy to feel alone during those months. I thought of all the times I stood before similar crowds of our people here in Round Rock and around the world, trying my hardest to reassure them without saying too much, asking tens of thousands of our team members to have faith that everything would turn out all right. They had trusted me, stuck with me, and now I wanted to tell them all how very much that meant to me. I wanted every last Dell team member to feel as excited as I felt about where we were going from here.

I also wanted them to meet our partner, who shared our excitement. I introduced Egon, who spoke by video from Silver Lake headquarters in California.

"This isn't really a transformation," he said. "You've already done the transformation—that was the risky part. Now is the part where you've got to grow and be on offense. Which over time will create more opportunity over a longer period. We don't look at things through a short-term lens but rather what's the fundamental intrinsic value of what's been built and created here. And it's irreplaceable. It's not like owning beachfront property; it's like owning the island."

Going forward, Egon said, we in the team would have all kinds of ideas—and a lot of them would turn out to be bad. But that was great! The important thing was, we now had the freedom to try things we'd never tried before.

We then traveled by video to three of our worldwide locations: Panama City, Panama; Cherrywood, Ireland; and Bangalore, India. Each stop found a regional leader introducing a big roomful of excited team members: waving, applauding, jumping up and cheering. Amit Midha, in Bangalore, said, "In truly Asian style, without food and without sweets, we can't have a celebration, so we have a cake." And the camera zoomed in on a big white sheet cake decorated with a blue sugar-glaze PC. "We'll make sure," Amit said, "to have a slice sent to you overnight."

Laughter and cheers in Bangalore and Round Rock.

"Look," I said, after a moment. "This is all about growth, it's about innovation; it's about getting back to the culture of accepting and taking risk; it’s about changing our focus from just the short term to much more medium- and long term and making the investments that we need to make. You know, we’re not opening a can of whup-ass here; we’re opening a whole whup-ass factory.”

They got it. And they loved it.

Over the pounding beat of a rock band, the beginning of a message appeared on the multiscreens behind me—

In a world with a changing market

and as the music pulsed—

one company looked at its future and took control.

Comments from some of our team members and some of the influencers who follow Dell started to flash on the big screen. The song was “Uprising,” by the band Muse:

They will not force us
They will stop degrading us

Then another message appeared . . .

Goodbye, Wall Street

. . . and an image of a pair of hands bursting off handcuffs, and another caption—

“Icahn admits defeat.”—*Forbes*, Sept. 9, 2013

Then a portrait of Carl appeared above the quote! A red circle formed around his face—and then a red diagonal slashed across it.

The Round Rock audience cheered.

And the music kept pounding:

They will not control us
We will be victorious

A day or so after the vote I tweeted this quote, which I love:

> It is not the critic who counts: not the man who points out how the strong man stumbles, or where the doer of deeds could have done them better. The credit belongs to the man who is actually in the arena, whose face is marred by dust and sweat and blood, who strives valiantly, who errs, who comes up short again and again, because there is no effort without error and shortcoming, but who does actually strive to do the deeds; who knows the great enthusiasms, the great devotions, who spends himself in a worthy cause; who at the best knows, in the end, the triumph of high achievement, and who, at the worst, if he fails, at least fails while daring greatly, so that his place shall never be with those cold and timid souls who know neither victory nor defeat.
>
> *—Theodore Roosevelt*

I was also thinking but did not say:

> *I am grateful for your trust and confidence and proud that while our shares were available to public investors during the last twenty-five years they appreciated over 13,500 percent.*
>
> *Perhaps at some point in the future, our firm will offer shares in some or all of the company again.*

I don't know if we will be able to offer returns of over 13,500 percent as we did before, but you can be sure we will try.

Goodbye to the legions of whiners, backseat drivers, curbside experts, rearview-mirror thinkers, and second-guessers.

Love and Kisses,
Michael

I was thrilled that it was finally over, but I knew that it was just the end of the beginning. I thought about everything we wanted to do; I was super excited to get going. We had closed the door behind us; the legions were shut out. We had a great plan of action. Now all we had to do was make it work.

PART TWO

Private Back to Public

10

GROWTH, AND OTHER HAZARDS

Lee Walker's 1990 departure was the end of our first beginning.

After Lee left, the rocket that was Dell Computer Corporation kept rising, but our trajectory kept wobbling.

That year we ran a two-page ad in *PC Magazine*: the left page showed two of our servers, the 433TE and the 425TE, under the headline UNBELIEVABLE PRICES. The right page showed Compaq's System Pro 486-33 server, under the headline UNBELIEVABLE.

Our servers were priced at $11,799 and $9,599, respectively; Compaq's was listed at $24,698.

The ad copy hit Compaq with two hard punches: service and price. "Can you stomach spending an extra $10,000 for a PC network or UNIX workgroup server when the big extra is dubious service?" it began. It went on to describe our servers' many virtues: whisper-quiet 300-watt power supply; built-in password protection; software-controlled reset switch; efficient cooling system; our exclusive, built-in SmartVu diagnostic display, capable of identifying problems even if the monitor went down; more. Then the ad went straight at our nemesis, in bold type: **"Servicing servers is beyond most Compaq dealers."**

We, of course, weren't selling our servers through dealers but direct from the home office in Austin. And as always, direct was our brand, in sales and service. We had a special advanced-systems hotline, the ad continued, and: "On those rare occasions we can't fix it over the phone, Xerox technicians will come to your office with the solution or part in hand."

The ad wound up with a brilliant tagline, also in bold: **"Above and beyond the call."**

And Compaq kicked our ass.

Why did this early attempt at entering the server market fail? At the time I just couldn't figure it out—it was incredibly frustrating. We had all these great engineers; we were creating superb products. On paper our server initiative looked foolproof.

But over time, I realized what we'd done wrong. Our business was skyrocketing not just because of the excellence of our products, but also because of what had driven our success in the first place: our direct connection with our customers, from the sales experience through delivery, and afterward, technical support. And in this case we'd fallen down on the job. The 433TE and the 425TE were superb machines, so we thought our name alone, the reputation we'd built as a brand, would have customers clamoring for them. But the customers who were buying this class of product—medium-sized and big corporations; banks and government agencies—didn't trust us yet *when it came to this product*. Everyone knew we were very good at making PCs, but where servers were concerned, we had almost no track record. And that fact emphasized the second problem: the price difference between our servers and Compaq's seemed suspiciously big. We were charging too little! As one customer said, "Well, what if you left out something?" We hadn't left out a thing, but it didn't matter. Compaq had beaten us to market and established reliability—and as always, their high price signaled high quality.

We would have to come back to this fight later, and better armed.

In 1990 we also made a fundamental change to our business model: selling our PCs in discount retailers and superstores. There were arguments among our managers for and against the move: those opposed argued that retailers could never deliver the kind of service and support consumers had come to expect from Dell. What's more, the doubters said, dealer markups would either cut into our profit margins or force us to raise prices ourselves.

Those in favor cited the big rise in PC sales at discount retailers and superstores like PriceClub and Sam's Club, and the possibilities of reaching the many household and small-business consumers who shopped at these stores. People liked to buy computers they could look at and touch. Breaking into this market, some among us argued, could quickly build our brand name—and bring in $125 million in annual revenue. With an eye on those numbers, we signed agreements with CompUSA, Staples, and PriceClub to sell our PCs and peripherals.

And for the next two years, it looked as though the doubters had been wrong: our revenues just kept climbing. By fiscal year 1990, our revenues had risen to $389 million. Our ever more successful sales strategy of targeting big institutional customers—Fortune 2000 companies like Exxon and Dow Chemical and GE and Citibank, as well as state and federal governments, along with educational and health care institutions—had a lot to do with our rapid growth.

In 1991 we entered the Fortune 500, at number 490, with sales of $546 million: a very proud moment for me personally and for the whole team. We'd been in business for just seven years; I was twenty-six. Could I have imagined such a thing as a kid perusing those big, thick copies of *Fortune* that came to the house every month? Okay, I'll admit that I could have. I always did dream big. But I don't think even my ambitious younger self could've foreseen the threshold where we stood on January 31, 1992, when our sales for FY 1992 hit $890 million, and the fabled billion-dollar barrier seemed reachable, even breachable.

My ambitious younger self certainly couldn't have foreseen my reaction when our first child, Kira, was born in January 1992. I was smitten with her, and with fatherhood, from the moment she arrived. I remember holding her in her room a day or so after she got home from the hospital and thinking, *Wow—this is a total game changer.*

But I don't think I understood the plight of people with kids until I had my own.

As all parents learn quickly, having a lot of new stuff to worry about is part of the deal. I certainly learned this lesson fast—when we brought Kira home from the hospital and she started turning blue.

Your first thought is, *Should we call 911*? But the baby was breathing fine; she was just blue. So we called my mom.

“Why don’t you wrap her in a blanket?” Mom said.

We wrapped Kira in a blanket, and the blue went away—turned out she was just cold. Who knew babies turn blue when they’re cold? Mom did. Now we did too.

That was easy. But not everything was.

The spring of 1993 saw our ninth anniversary as a company; Susan and I had been married for just two and a half of those nine years. Susan was a businesswoman, so she understood my laser focus on the company, my frequent distraction: if you want to win Olympic gold, you have to be fanatical. And if you want to have a successful relationship, you have to have love, trust, respect, and commitment. My wife and I both felt all those things, deeply—but that didn’t make the inevitable imbalances between my work life and my home life any easier.

And life always has a way of taking unexpected turns.

One weekend when Kira was sixteen months old—it was mid-May of 1993—Susan and an old friend both celebrated belated bat mitzvahs. We had all of our family and many friends in town. Apparently someone found out about it and assumed we might not be home that evening.

We left the baby with her nanny, went to the celebration, and had a nice time.

After a while, Susan called home to see how things were going. But instead of the nanny, Officer So-and-So from the Austin Police Department answered the phone.

Quite understandably, Susan began to freak out.

With my compartmentalizing abilities in full deployment, I was able to calm her down enough after a few moments to take the phone and talk to the police officer. “Sir, there’s been a break-in at your house,” he said.

My heart dropped down an elevator shaft for a second. “Is anybody injured?” I asked.

“No sir, everybody’s fine,” the officer said. “Your daughter and the babysitter are fine.”

Needless to say, we got home fast.

What happened: behind our backyard on Valburn Circle was a steep slope with a 20-foot retaining wall, to keep the house from sliding off the hill. It turned out that some guy had an accomplice with a dirt bike drive him up to the foot of the wall, then got off the bike, scaled the wall, and broke into the house through a window in the exercise room. We had an alarm system, but the only time we ever turned it on was when we all left, so it was off that night. We did have some cameras, but this guy apparently knew where the cameras were, knew the layout of the house, and knew exactly where he wanted to go to get whatever he wanted to get—mainly jewelry.

The babysitter heard a noise, and with Kira in her arms, went to our bedroom to see what was going on—and saw a guy dressed in black and wearing a mask. Somehow the guy didn’t see her, and somehow she had the presence of mind to take Kira into our dressing-room closet, turn off the light, and hold her quietly. After the burglar got what he wanted and left, she called the police.

We’d thought the perils of my being a local celebrity in Austin were limited to the goofy drive-bys: the cars that tooled slowly past our house and the occasional well-wisher who felt it would be a good idea to come up the walk and ring the doorbell. But this took things to a whole new level. On the advice of Mort Meyerson,* I called Ross Perot, who was said to know a thing or two about security, and good old Ross snapped right into action. “Here’s what we’re gonna do,” he said, in that crisp Texas accent—and he did it. He sent over the head of his security team, and we put a whole new system into place, with a guard in a gatehouse and 24-hour monitoring.

It was a scary incident, but it was also a very inexpensive wake-up call: what had happened could have been much, much worse. The episode was an end to some kind of innocence—I’d thought, like most people, that we could just live our lives and everything would be fine, but that turned out not to be the case. Fame is overrated for sure. But from that point on, things changed. Fortunately, in 1991 we'd bought a piece of land in the hills west of Austin and started designing a new home. It was time to put a little more space between us and the complicated world in which we were living.

We had expanded across Europe as far as it was possible to go—Russia wasn't really open at the time—and now we were turning our focus toward Asia, where two-thirds of the world's population lived. It was clear that our corporate logo, just a bunch of characters in an alphabet not used by much of the world, needed updating.

In early 1992 our new logo, designed by the New York design firm of Siegel + Gale, made its debut on our annual report for the fiscal year that ended on January 31. The new logo contained a seemingly minor change that would grow to have enormous importance to us: by tilting the E of DELL back 30 degrees, the designers had transformed a run-of-the-mill word on the page into a powerful and universally recognizable visual symbol, one that fit our growing identity as a world-class company.

As Siegel + Gale put it, "The new graphic identity . . . embodies the company's irrepressible spirit that stood the PC industry on its ear by selling directly to the customer." Or as I like to put it, "The *E* is pointing upward for continual growth and progress."

We sure had the growth part down.

On January 31, 1993, Dell breached the fabled billion-dollar barrier—and then some. When the results for the latest fiscal year were announced, we'd posted sales of not one billion but two billion dollars: $2.014 billion, to be exact.

It's said that companies hit the wall when they get to a billion dollars in revenues: the systems and tools required to run a billion-dollar company are very different from those needed to run a $100 million company. Well, we hadn't exactly hit the billion-dollar wall—we'd jumped right over it. And things were falling apart.

We were simply growing too fast. The different parts of the company each believed they were making their plan, but when you rolled up the results you had a big problem—in reality, there wasn't one part of the company that was fully capable of supporting the level at which we now found ourselves. We were outgrowing everything: our abilities, our systems, our people. And our capital structure. This new giga-sized Dell was consuming much more capital. One of the most important hires I made in that period was Tom Meredith, who joined us as CFO in November 1992 from Sun Microsystems, where he'd been the treasurer. I gave Tom a nickname soon after he arrived: The Alarmist. I was only half joking. Tom was deeply concerned about the rate at which we were burning through capital: our mantra, he said, was Growth, Growth, Growth when it ought to be Liquidity, Profitability, and Growth. In that order.

Change was going to be hard—we realized we would have to intentionally slow down our expansion and build more capability. One of the big challenges was hiring and nurturing the talent that could manage what was clearly going to be a multibillion-dollar business. We could see a path from $2 billion or $3 billion in sales to $10 billion. We actually had a plan to grow from $3 billion to $12 billion over the next couple of years. But how would we do it and who was going to take us there?

Our rapid expansion had meant lots of new hiring in every department: engineering, sales, manufacturing, technical support, finance, IT, marketing, human resources, everything. (We'd also increased the size of our board of directors from five to seven: in 1991, on Mort Meyerson's advice, we added Tom Luce, a prominent Texas lawyer who'd worked closely with Ross Perot; and in 1992 Claudine Malone, a Black woman who'd been a business professor at Harvard and Georgetown University, joined the board. I felt that diverse perspectives would help our growing company and wanted to make sure we had as many different outlooks as possible.)

Between 1988 and 1993 we went from 650 team members to almost 5,000, and we were adding dozens of new people by the week. But though we had talent on board—and in Jay Bell, Glenn Henry, David Lunsford, and others, we had really amazing talent—in those early days, with everything moving so fast, we hadn't yet been able to attract a solid core of people who could scale the business (to ten times its present size? fifty times?) with the stability and predictability it needed.

I was just beginning to realize that the people who got us from point A to point B might not be the same people who could get us from point B to point C.

We'd just barely survived our early financing crisis; we'd weathered the FCC certification crisis and the IBM patents crisis and the memory-chip inventory crisis. But now we were running into personnel crises, and they weren't pretty.

In the late '80s I'd hired a guy—call him Sam—to head up all our sales and marketing. Sam had a stellar résumé: he'd been in charge of IBM's sales and marketing and had built Big Blue's reseller program with great success. He then went to help Tandy Radio Shack rebrand its image and had done an amazing job there as well.

Sam came to Dell with a lot of impressive new ideas about our strategy of selling to big corporations. I put a bunch of younger executives under him, and he hired a bunch more. And Sam did some very good things for us—and then there were other things. One day I was walking down the hall, and behind a closed conference-room door (this was before we had open offices) I heard yelling and screaming going on. I thought: *Hmm, that's kind of odd—we don't usually yell and scream around here.*

So I walked into the conference room, and saw Sam, his face bright red, really tearing into a couple of the younger guys on his staff. The second he saw me, he kind of went from sixty down to zero in a second. "So what's going on in here?" I asked.

"Well, we're having a bit of a discussion, Michael," Sam said.

"Okay," I said. "Could you guys maybe keep it down a little bit?"

It turned out that Sam had a serious drinking problem. There was a hotel next to our offices, and the hotel had a bar, and every night he would go over there and get smashed, then get in his car and weave his way home. Pretty bad. For all I knew, he was getting loaded at lunch too.

Some of the other executives and I did an intervention with Sam and got him to go to a treatment program. But he didn't last long there, and he didn't stay with us long either.

Around the same time, we hired a senior VP of human resources—call him Ted. Ted came to us from Motorola, where he'd been very successful, and I thought he was a great guy. One day, after he'd been with us for a couple of years, another one of my vice presidents came into my office and said, "Michael, you're going to have to sit down for this one."

"Okay," I said, and sat down. "What's up?"

"We have a problem with Ted," he said.

"Is he okay? What's the problem?"

"Well," this VP said, "Ted has hired somebody on the second shift in IT."

"Okay, he's in charge of human resources—that's his job. What's the problem?"

"Well, we don't have a second shift in IT," the VP said.

"That sounds a little unusual," I said. "Have you asked him about it? What does he say?"

"It's actually a little more complicated than that," he said. "She's a stripper."

It turned out that Ted, who was married and had kids, had given a no-show job to his girlfriend the stripper. And the girlfriend decided she wanted more money, so she came to the company and said she'd need a good chunk of change to go away.

Needless to say, it was Ted who went away. What he'd done didn't just reflect very poor judgment on his part—of course stealing from the company meant he was immediately gone, no further discussion needed.

We were growing so fast—the number of people in the company was increasing almost as fast as our revenues—and growth covers up a lot of sins. It's sort of impossible to insulate yourself from the possibility of some inappropriate thing happening. But this was another one of those innocence-lost moments. I found it to be such reprehensible behavior—I didn't understand why someone would risk destroying his most important life relationships. I was probably naive, but I was also focused on growing the company. I would've never imagined that anything like this would occur.

I knew that it was my job to set the tone, that the tone at the top really mattered a lot. From that time forward, we instituted a policy that went something like this: If you're a VP or above, don't do anything that would reflect negatively on the company. If you're a VP or above and you're thinking about going to a place where women aren't wearing all their clothes, just don't do it.

Ted had failed the Dell IQ test: he was too stupid to work here.

With new products there are often many prototypes and iterations before a winner emerges. We test these products by previewing them with a small group of customers: starting small helps improve our batting average. Then once we actually introduce a product, we quickly learn from customer feedback at scale how well it's going to do. We take those lessons and keep improving. Each new product takes lessons from the prior generation in all areas: design and features, manufacturability, serviceability, etc. And the same process occurs in the company at large: in sales, services and support, supply chain, etc. The Japanese call it *kaizen*, or continuous improvement.

But for every company, Dell included, kaizen is an ideal rather than a reality. Success is not a straight line up. It's fail, learn, try again, then (you hope) succeed. How successful you are is really a function of how well you deal with failure—and how much you learn from it. Many people don't reach their greatest potential because they fear failure. In avoiding failure, they deprive themselves of a great teacher. Many others fall short because of lack of opportunity, capital, knowledge, or skills. Persistence is an all-important quality on the road to success. (And success presents its own challenges, avoiding complacency being the first and biggest. Which is why, along with kaizen, PBNS—pleased but never satisfied—has been part of our culture since the beginning.)

I've always kept mementos in my office, some of them personal—family things and such—and some that remind me of the company's high points and low points along the way. The low points matter a lot: though it's nice to remember successes, it's important to remember failures too. We've had some products that failed so badly we never even introduced them. One memento that I kept for a long time was a prototype for a mobile computer from the early 1990s.

It's hard to imagine today, but thirty years ago the truly portable computer was an elusive ideal. The first portables, back in the early '80s, were massive things known as luggables—they didn't have batteries; you had to plug them in. They were essentially portable desktops. The technology advanced, but for tech companies across the board, Dell very much included, the first several years of making notebook computers were not pretty. There's a video from 1990 in which Glenn Henry and I proudly tease our new 212N and 320N notebooks: there I am with my baby face and big glasses, solemnly ticking off the machines' great specifications: "World-class functionality; standard VGA display; full-function keyboard. . . ." And a weight of 6.34 pounds! At eight-and-a-half by eleven inches and two inches thick, those things were hefty little slabs of early-'90s technology—a comparison with our 2021 XPS 13, 7.8 by 11.6 inches and a mere .58 inches thick, weighing in at just 2.7 pounds, and with so much more computing power that it's hard to know where to begin to describe it, doesn't really seem fair.

As senior vice president of our product group, Glenn built our engineering staff from seven to several hundred people, oversaw a product portfolio that grew from three to over forty products, and, with a brilliant engineer named Terry Parks, established a big and bustling patent program. (Terry was brilliant, but *extremely* quiet: if he ever said a word, I never heard it.) Glenn was a great engineer himself, but I think it's fair to say that managing people wasn't his passion. He'd just sit in the conference room with a pile of spec sheets, drinking this wretched stuff called Tab and eating rice cakes, while his engineers streamed in to try to talk with him: every once in a while Glenn would look up from his paperwork and say, "No, no, you got this wrong," and send them off to fix it.

I was proud of all our products, but in the early ’90s it was painfully clear that our notebooks were our technological Achilles heel. For a major campaign to revamp this key part of our business, I felt we needed new leadership as well as new ideas.

I didn’t have to look very hard to see who was doing it better. After a rocky start with laptops, Apple had partnered with Sony to introduce its PowerBook in 1991, and they had a huge success with that machine from the jump, quickly turning it into a billion-dollar business and capturing 40 percent of all notebook sales. And the head of the team of engineers that had created the PowerBook was a stocky, funny, thirty-four-year-old extrovert named John Medica.

John was very, very good at what he did: one of his top skills besides electrical engineering was building and motivating corporate teams. He was a big personality who refused to take himself very seriously: his business card listed his title as Big Shot. Attracting him to Dell was a major coup. John accepted our generous offer with one condition, which I didn’t know about till I walked into his office one day to find him sitting at his desk while this loud clanking—*CLANK, CLANK, CLANK*—was coming from underneath.

“What’s going on here? Is everything okay?” I asked.

John smiled. “Oh yeah, I’m fine,” he said—and then I saw the very large dog sitting by his feet, wagging its tail against the desk, *clank, clank, clank*. John’s condition for joining us, I learned on the spot, was that he be allowed to bring his English sheepdog, Maggie Mae, to work with him every day.

A couple of months after John came to work, we added another key player from Apple: Eric Harslem, a vice president of Apple’s Macintosh division, became the senior VP of our product group, succeeding Glenn, who took the new post of chief technology officer. Eric’s assignment was to oversee development and marketing for our entire product line. He and John, and especially John, shook things up as soon as they arrived—and in 1993, they really needed shaking up.

In the first quarter of fiscal year 1994 (from February till early May 1993), our growing pains became painfully apparent: with our earnings down by 48 percent—our first quarterly loss since we'd gone public—and cash scarce, we'd had to withdraw a secondary stock offering due to Wall Street's lack of interest. Between January and June, our stock fell from a historic high of $47.75 in January to $15.87 in July. We warned investors that things might not turn around again for two more quarters.

We were going to have to make some big-time changes, and a lot of those changes were going to hurt.

Our notebook business was an especially sore point. Because our thriving PC business was taking up so much of our bandwidth, we'd simply failed to keep our eye on the ball where notebooks were concerned. The other major PC manufacturers were now getting 20 percent of their revenues from notebooks; for Compaq, the figure was 30 percent. For us it was 6 percent. Our challenges in notebooks also meant that we were late to market with a portable with the new Intel 486 processor.

John Medica's mandate was to make us a player in notebooks, and he hit the ground running. As soon as he arrived, he took a careful look at our current product lineup and the new models on our drawing boards and found both sorely lacking. The machines we'd been selling, the 320SLi and the 325SLi, were not only underpowered but had a design flaw—a capacitor that might crack under physical stress and overheat, possibly posing a fire hazard. And John concluded that the new computers, by the time we could get them to market, would be old news technologically. That October, he instituted a recall of seventeen thousand notebooks, put an embargo on selling any more 320SLi's and 325SLi's, and killed the new lineup completely. The financial cost to us, between repairing the old machines and spiking the new ones, was over $20 million. The effect on our morale was even more painful: for months to come, while John oversaw the development of a new line of notebook computers, we would simply be sitting on the sidelines of the fastest-growing segment of the PC market.

The costs of our notebook hiatus, along with the costs of improving our internal processes, were going to add up to a charge of between $75 million and $85 million. Maybe more.

In 1993 it seemed every piece of news I heard got worse and worse and worse. And I didn't tell anyone except Susan, but for a long time that year I was in a state of slowly rising panic.

Then a new year dawned—the year of Dell Inc.'s tenth anniversary—and with it came more help, and hope.

We'd hired the consulting firm Bain & Co. to help us navigate this crisis, and one of their partners, Kevin Rollins, especially impressed me. Kevin was a strategy guy more than a product guy—his experience was mainly with aerospace companies—and from the beginning he understood our business more deeply than anyone I'd ever worked with before. And there was one piece of our strategy that he immediately homed in on: our now three-year-old decision to sell our PCs through big-box chain stores like Sam's Club and Walmart. Kevin felt strongly right away that the dollars these retail sales added to our revenues weren't worth the trouble. He argued that with the resellers effectively acting as a barrier between us and the people who bought our computers in stores, a vital line of communication between Dell and these consumers was lost: we could learn nothing from those buyers about what they thought of our products' performance. *Direct* was our brand; this kind of indirectness threatened to undermine everything we'd built.

And so we stopped, just like that.

Some business journalists and financial analysts said—loudly—that the switchback made us look indecisive. But people are always going to say things, and there are worse things for a company than temporarily looking bad. We were in serious need of regrouping, and it was important to ignore the yapping dogs and stick to the plan.

Which was . . . ?

We were the fifth-largest computer company in the world. We'd made it past the $2 billion barrier, we were closing in on $3 billion, and we intended to go to $10 billion. I was all for meeting that ambitious goal, but part of me was also thinking, *Okay, now we're going to go to $10 billion? Seriously? This is getting to be a big damn company. There's a lot of stuff we don't know how to do here.*

I thought we needed some more help, so I contacted Heidrick & Struggles, the recruiting firm. "Go find me somebody who can partner with me in growing this business from $3 billion to $10 billion," I told them. "Somebody who has broad international experience and expertise in supply chain and technology."

Heidrick & Struggles asked: "Well, what's their role going to be?"

"We don't know yet," I said. Truthfully.

They started sending me résumés. I had a pretty quick gut reaction to most of them: "No, no, no." But some of them (far fewer) made me say, "Yes, yes, yes." Those were the candidates I met with. And the biggest Yes of the bunch was Mort Topfer, of Motorola.

Mort was fifty-seven years old; he'd been with Motorola for twenty-three years, eventually becoming president of their Land Mobile Products sector—aka walkie-talkies. This was just before the cell phone business blew up; Motorola's mobile products had multiple uses in industry, law enforcement, and the military, among other areas, and Land Mobile Products was the company's crown jewel, a $3 billion international division at a time when Motorola was one of the most esteemed companies in the world. Mort ran manufacturing and sales and marketing: he pretty much had the whole package.

And I liked him immediately. He was Brooklyn-born, and there was a lot of Brooklyn still in him, and I don't just mean his accent: he was warm and tough at the same time, and supersmart. He had broad experience in technology, and I also liked the fact that he wasn't itching to leave Motorola—he was happy there, and justifiably proud of his achievements. He and his wife had recently built a retirement house in Las Vegas and were planning to move there for good after Mort had worked a few more years.

He also checked another box for me. We needed to bring in someone at a very high level—someone who, in essence, could work side by side with me to lead the company to the next big milestone. If that person were forty-five or fifty years old, all the people below him would inevitably think, “I’ve lost my chance.” But Mort (I thought but didn’t say yet) could be a kind of wise hand or elder statesman: someone who wouldn’t really intimidate anybody, someone who was just here to help.

Mort and I first met in January 1994, and we got together several times afterward, just to keep talking about how running a $10 billion global business would work. He wasn’t auditioning; he was just advising me, and everything he said made a lot of sense.

Yet after we met a few times, I kind of saw something click in him—I could tell he was getting interested in the challenge of helping us rise to the next level. So I made him an offer, and came up with a title I thought everyone, especially Mort, could live with: vice chairman. Soon after he joined us we formed what we called the Office of the Chairman—the OOC—to emphasize the fact that he and I were working together.

Mort immediately went into operating mode, helping where we needed help. We needed help. One of our biggest needs was something he knew a lot about: we were going through a rapid expansion internationally, particularly in Asia. We were setting up a factory in Penang, Malaysia, and laying the groundwork for going into China, and getting going in Japan. And we were expanding production dramatically in Ireland (and in Texas). We weren’t only building the business—we needed much stronger operational discipline, and Mort brought that, which helped quite a bit. He also confirmed my sense that Kevin Rollins, with his brilliant strategic understanding of our company, had become a de facto (and crucial) part of our senior management team, even though he was still officially employed by Bain.

It was an odd arrangement: on weekdays Kevin was working with us in Texas; on weekends he flew back to Boston to be with his family. Bain wrote his paycheck. But once a week Kevin and Mort and I would have a dinner meeting together, and Kevin would set the agenda—and have a say in all our decisions: on personnel, new investment areas, new products.

We rolled out an important new product that year, the notebook computer that John Medica and his team developed. We called it the

Latitude. As I'd expected, John and his crew had come up with a beautiful machine: solid, well designed, and with great attention to detail. Memory storage cards were easy to remove; the floppy-disk drive could be taken out and replaced with a second battery for longer running time. Battery life was a big selling point with the Latitude—a breakthrough, really. Both the base model and the higher-end XP version could run for eight hours without recharging. (The XP used a lightweight lithium-ion battery, a new technology at the time.) And as always, our prices were supercompetitive: $1,400 for the base model, $3,200 for the XP (as compared to $2,474 for a base-model Compaq Contura notebook and $4,055 for the tricked-out Contura 4/25CX). It had been painful to sit on the sidelines and watch as the notebook market boomed, and it wouldn't be easy to win our way back in, but we felt quietly confident that we could. We thought we had a winner on our hands, and time would prove us right.*

There was another product opportunity we had to attend to.

In November of 1993 we had a board meeting in Paris, and Kevin (still a Bain consultant) and I gave a presentation about why we needed to go into the server business in a big way—and why if we didn't, it could be real trouble. At the beginning of the meeting, the board's attitude was, "Why the heck are you doing this?" At the end, it was like, "Well, why haven't you already done it?"

We'd been thinking for a long time about reentering the server market in order to target enterprise customers, and in the early '90s certain events coalesced that decided the question for us: software developers like Novell and 3COM and Banyan (along with Microsoft, which had recently introduced Windows NT) were making server operating systems that allowed companies to create client-server-based network systems, which were beginning to spring up all over the place in large and small corporations. And Compaq, our archrival down in Houston, had an early lead with its SystemPro Intel-based server.

One of the most striking things about the server market was how profitable it was: these were complicated machines, and the margins on them were much higher than those on PCs. Compaq was offsetting the small profits it made from selling its PCs—at a high price point and through retailers—with the rich profits its server business brought in. But even if our machines were less expensive and ultra-dependable, and our service organization was the best around, getting companies to switch from Compaq's servers to ours was going to be a tall order. If I was a systems administrator who'd already learned how to use the SystemPro, and somebody came along and said, "We want to buy this other server," I'd be likely to say, "No, I'm already used to this one." With PCs, it was relatively simple to switch from one brand to the other. With servers, it wasn't.

On the other hand, we calculated that if Compaq was left alone in the server sector, they would have so much profit that they could use it to attack the PC market and put us out of business.

That got our attention.

There were three smaller server companies that we looked at acquiring: Sequent, Tricord, and NetFrame. But in the end we concluded that it would be easier to create a dedicated team of engineers and just make our own machines. In early 1994 we introduced the PowerEdge line, with (at the start) two models: the SP, for small to medium-sized network environments, and the XE, for midsized to large networks. That same year, we brought in Larry Evans from Sequent to be vice president of server engineering, and a couple years later we hired Mike Lambert, Compaq's vice president of marketing for servers, to run our server business. Pretty soon we were giving Compaq a run for their money.

In addition to seeing the possibilities of servers, we decided around that time to attack on another front: what was then known as the professional workstation part of the industry. In contrast to PCs, workstations were specialized machines with superpowerful graphics and displays used for computer-aided design and simulation by chip designers, architects, and others requiring advanced capabilities.

Sun Microsystems (itself later acquired by Oracle) and HP, which had acquired Apollo Computer, an early leader in workstations, were then dominating this field. Both companies were vertically integrated—they produced several of the components other corporations outsourced, even designed their own microprocessors—and both made significant profits on these products, which also helped fuel their efforts in servers and storage.

We felt strongly that given the rapid advances in microprocessors from companies like Intel, and improvements in Windows, we could create a workstation powerful enough to run these specialized applications and offer far greater value to customers in the process. If we succeeded, we could lower prices to a level where we would earn a profit but Sun and HP could not. The total amount of profit in the workstation space would likely shrink, but if we were successful we would end up with a significant part of it.

This was Jeff Clarke’s first big opportunity. He had shown tremendous talent as an engineer since joining Dell in 1987 and was now ready to lead this important new part of the company. In 1997 we would introduce our first workstations. The initiative was not without its challenges, but Jeff succeeded magnificently, eventually leading us to a number-one share position. A few years later Sun would exit the workstation business altogether, and HP would evolve to a strategy that tried to emulate ours.

In 1994 there were just over 2,700 websites in the world—up from a mere 130 the year before, and only 10 the year before that. There was still no Google, no Wikipedia, no YouTube or Twitter. But starting that year, there was a www.dell.com.

Ever since my teenage experiments with a Hayes modem and the Computerized Bulletin Board System, I’d been fascinated with the limitless possibilities and the network effects of online communication. As the World Wide Web got up and running, it seemed to me (and to many other people) that its potential was infinite. In the web’s early days, the excitement was all about information: an ever-increasing amount of data was coming online week by week in the early to mid-1990s. Back at the start, our website was also about information: early adopters and tech-savvy users (those were pretty much the only kind of users then) could visit and get technical data about our products and an email address for tech support.

In 1995, as the number of worldwide websites jumped up to 23,000-plus and the internet grew more sophisticated by the hour, our site got more sophisticated too: users could get technical information, and potential buyers could configure their ideal computer, and its exact cost, online. Nineteen ninety-five—the year a little thing called Amazon got started—was also when I began to get seriously interested in taking our direct-sales model to the internet.

The evolution of e-commerce lagged behind that of online data retrieval for only one reason: the means for securing online purchasing were just being developed, and consumers, unaccustomed to buying this way (strange as that seems now!), were leery about putting their credit card numbers out there in the ether, where God knows what might happen to them. But as methods evolved for securing websites, browsers, and servers, e-commerce began to catch on. We wanted to be as far ahead of the curve as possible.

The way I saw it, online purchasing and our direct sales model were a perfect marriage. In the early ’90s I presented this approach to our board of directors, saying that selling online would allow customers around the world to access information about our products more quickly and efficiently (and less expensively) than they were currently able to do by phone or fax. Online, a potential buyer could configure his or her ideal machine, access technical information about it, make the purchase, and then follow its progress as it was built and shipped. E-commerce would also create economies of scale on our end, making our sales teams and the whole sales process vastly quicker and more efficient.

Our website began selling PCs and notebooks in June 1996; that December we also started online sales for our PowerEdge servers. At the end of that year, we hit another landmark: our online sales volume reached $1 million a day.

Late 1996 was also when Mort and I finally convinced Kevin Rollins to formalize his de facto arrangement and join us as a senior vice president. A couple of weeks after Kevin officially began working for Dell, I put him in charge of our operations in North and South America, a business unit that accounted for roughly 70 percent of our revenue.

In 1995 *Fortune* had run a piece on us with a cheeky headline: THE RESURRECTION OF MICHAEL DELL: HOW A BUNCH OF OLD GUYS GOT MICHAEL DELL TO GROW UP AND RUN HIS COMPANY LIKE THE BIG BUSINESS IT HAS BECOME. That was certainly one way of looking at it. The way I saw it, I'd sought the counsel of a series of older, more experienced executives—Lee Walker, Mort Meyerson, Mort Topfer—at various stages of the company's growth and evolution, and each had been very helpful in his own way.

But though I'd just turned thirty, which made me the youngest member of our executive team by a good bit, nobody had to push me to grow up. I was a husband and father. I'd now been in business for over a decade and had the battle scars to prove it. And the team in place to go a lot farther. During our super-high-growth years of 1994 to 1996, one of the keys to successful expansion was adding all the talented people we needed around the world. Julie Sackett, our VP of HR, proved up for the challenge, helping us to double the size of our team from about 6,000 to 12,000, laying the foundation for the next phase of growth. With Mort and Kevin, Tom Meredith, Eric Harslem, John Medica, Jeff Clarke, and many other talented executives and thousands of passionate and dedicated team members by my side, I felt $10 billion—and beyond—was very achievable.

By the end of 1996, it seemed as if the sky was the limit.

11

BODY AND SOUL

Back in November 1988, a few months after we went public, I wrote a statement of values for our new corporation, an attempt to codify our culture. It was a one-page, dot-matrix-printed document, passed out to our little motley crew of two-hundred-odd team members for their perusal. And I wanted them to peruse it, because I meant every word and felt deeply about every part of what I'd written.

The headlines:

1. PROVIDE HIGH-QUALITY PRODUCTS AND EXCELLENT CUSTOMER SERVICE: THE BUSINESS
2. TREAT PEOPLE WITH RESPECT: THE PEOPLE
3. EMPLOYEES WILL LEARN AND BE GROWING AT ALL LEVELS: THE PROCESS
4. BE THE BEST AT EVERYTHING WE DO!: THE STANDARD

And the message (turning off the all-caps to make it easier to read):

1. Dell Computer Corporation's mission is to provide high-quality computers directly to end users with a high level of customer service.

   We are committed to being very responsive to our customers. Our one-on-one relationship with our customers is key to our success because it provides the framework under which we respond to the ever-changing needs of the customer.

The company will strive to satisfy the legitimate claims of all parties that have a stake in the business: customers, employees, suppliers, special-interest groups, communities, and shareholders.

2. Treat people with respect:

   The company will encourage and reward initiative, teamwork, responsibility, and excellence among employees. We will provide high-quality products with responsive and courteous service at a good value. We will always observe the highest legal and ethical standards in all dealings.

   People are the greatest asset of the company. We will provide an environment that attracts, motivates, and retains the best people in our industry. Employees will participate in decisions that affect their own work and receive the rewards that come as a result of their efforts. We will always reward superior performance.

3. Learning always:

   Flexibility, change, and responsiveness are the key characteristics that the organization will embody to succeed forever.

   We should always maintain a learning attitude in which we constantly anticipate and understand changes in the competitive environment and create strategies that will capitalize on new opportunities. We will apply what we have learned and always challenge the assumptions that the business operates under.

   A manager will empower others and remove the obstacles that prevent others from being fully productive.

4. The company will be the best at everything we do!

Michael Dell
November 2, 1988

I was twenty-three when I wrote that, and my ragtag little start-up was just one of several hundred computer companies around the country—one that was having some success but also, as we've seen, came pretty close to going out of business at several junctures. Today I'm in my mid-fifties, in charge of a global organization with over 150,000 team members, and everything I wrote over thirty years ago still holds true. We've held on to those values on every step of our path: without them we wouldn't have become the company we are today.

As Dell grew in the '80s and '90s, I got to know both Bill Gates and Steve Jobs pretty well: Gates as a collaborator and business partner whose company made the operating systems our computers ran on, and Jobs as a fellow founder who wanted to be a business partner, and ultimately became a friend. During his exile from Apple, from 1985 to 1997, Steve started NeXT, a company whose computers and software he tried to make the big new thing for higher education and large corporations. But unlike our PCs and servers, the NeXT workstation, while a beautiful object, was too expensive to gain a foothold in the market, especially at colleges and universities, so in 1993 Jobs transitioned to software development exclusively. As we developed our website in the mid-90s, one of the tools we used was a piece of software called WebObjects—which NeXT had developed.

Steve came over to my house a couple of times that year and tried to convince me to use the NeXT operating system on our PCs, arguing that it was better than Microsoft Windows and that we could also use it to attack the Unix workstation market that Sun Microsystems was leading. While there was some merit to his idea, there were almost no applications ported to his operating system and even fewer customers asking for or interested in it.

He was nothing if not persistent, though, and in early 1997, soon after he returned to Apple, he made me another business proposal. He and his team had figured out how to port the Mac operating system to the Intel X86 computer architecture that we were using on our machines—and Steve came to me and said, “Hey, look, this thing is running on a Dell PC.” His idea was to license the Mac OS to us, so that we could offer computers with either Windows or the Mac operating system. I was intrigued. But his business proposal to us was preposterously bad.

I said to Steve, “Okay, for every machine we sell with the Mac OS, we’ll pay you a licensing fee.” But he was concerned that if we sold our machines with his operating system, it would eat into the Mac computer market, because we had way more scale—sold many more machines than Apple did—and our cost structure was very efficient.

Steve’s counterproposal was: “Okay, you sell tens of millions of these PCs every year; pay us a royalty on every single one and then you don’t have to think about whether you’re going to install Windows or Mac OS—you can put them both on all the machines and let the customers decide which to use.”

The problem was simply this: the royalty he was talking about would amount to hundreds of millions of dollars, and the math just didn’t work, because most of our customers, especially larger business customers, didn’t really want the Mac operating system. Steve’s proposal would have been interesting if it was just us saying, “Okay, we’ll pay you every time we use the Mac OS”—but to pay him for every time we *didn’t* use it . . . well, nice try, Steve! (Another problem with his proposal was that he would not guarantee us access to Mac OS in future years, even on the same bad terms. This meant we would create many more users but would have no way to ensure we could support them going forward.)

Steve and I would remain mutually respectful and friendly at a certain distance. His birthday, February 24, was one day after mine, and for many years we would often find ourselves in Hawaii at the same time (Steve loved the Kona Village Hotel on the Big Island, which I happened to own until it was destroyed by a tsunami a few months before he died). Sometimes we’d take long walks together, talking about work and life—but for whatever reasons, a business partnership was never in the cards. Now and then the tech media amused itself by trying to position us as big rivals:

back in 1987, for instance, Steve threw out some comment about how Dell made “un-innovative beige boxes,” and that got some play. It rolled right off my back. First of all, we were doing pretty well with those beige boxes! But mainly, Steve’s quote was the kind of mild trash talk that was pretty common in our industry and provided a certain amount of entertainment value: Scott McNealy, the cofounder of Sun Microsystems, was famous for his zingers about other companies. Once when someone asked him what he thought of Compaq’s portables, he said, “Well, they make great plastic and handles.”

I unwittingly provided a little too much entertainment value, though, at the Gartner Symposium and ITxpo97 in Orlando in October 1997. It was a moment when we were in the midst of our sky’s-the-limit period, and Apple was on life support. Jobs had recently returned as interim CEO after the board fired Gil Amelio, and though a string of brilliant ideas initiated by Steve—the iMac (1998), the iPod (2001), the iPhone (2007), and the iPad (2010)—would turn Apple into a great company over the years to come, at that moment in the fall of ’97 it was on the verge of bankruptcy and had to take on a loan from Microsoft in order to stay afloat. And while I was doing a Q&A onstage at the Orlando expo, in front of a couple thousand IT executives, the moderator asked me what I’d do to fix Apple if I were its CEO.

I frankly felt irritated by the question—it seemed like another one of those situations where someone was just trying to whip up a little controversy for entertainment value. So I said what I felt: “Well, I’m not the CEO of Apple—I don’t know. Why don’t you ask somebody else?”

But that wasn’t good enough for this guy. He asked me again. Again, I answered honestly: “Well, I’m not really in the business of giving advice to other companies.”

Either the guy thought I was being coy, or he just couldn’t help himself. “Come on,” he said. “What would you do?”

At this point I felt a little frustrated. Maybe more than a little. “What would I do?” I echoed. “I’d shut the company down and give the money back to the shareholders.”

That got a big reaction from the audience—a lot of laughs, even a few gasps of surprise. The guy had gotten what he'd been looking for: entertainment.

And the thing blew up—my quote got quoted, out of context, all over the wire services and tech websites. "Dell Says Apple Should Be Shut Down!" It amused a lot of people over the next few weeks and months. Heck, that quote had legs—people still talk about it today.

It was stupid of me. Unprofessional. I let myself be provoked and be turned into an object of amusement: the Archenemy of Apple. Which I wasn't. Not even close. In truth, Apple really wasn't on my mind much—was barely on my radar. I had plenty on my hands working with my team to run Dell and deal with our direct competitors: Compaq. IBM. HP.

But Steve, in a vulnerable position—only the interim CEO; the company he'd cofounded wouldn't fully take him back—clearly felt stung: he sent me an email that read: "CEOs are supposed to have class. I can see that isn't an opinion you hold." So I called him. I explained the context in which I'd said what I'd said, and what had been on my mind in that moment. And he was fine with it. He seemed understanding.

Then, a couple of weeks later, when he brought together several hundred of his managers to rally around Apple's new online store and build-to-order system for manufacturing and distribution (sound familiar?), Steve stood on a stage and had some fun at my expense.

He had a big picture of me projected on a screen in back of him, with my out-of-context quote: "I'd shut it down and give the money back to the shareholders."

That got the predictable reaction from his managers: lusty boos.

"I've had a little time to cool off, I guess," Steve told them. "I can sort of understand it—Michael might be a little upset that we've taken something they pioneered and really done it a lot better! We're basically setting the new standard for online e-commerce with this store. I can understand, he's a competitive guy, but nonetheless . . ."

Now a big picture of me, smiling, appeared on the screen behind him.

“So I guess what we want to tell you, Michael,” Steve said, “is that with our new products, and our new store, and our new build-to-order manufacturing—we’re coming after you, buddy.”

And with this, a big target was superimposed over my smiling face. The crowd burst into applause.

OK. It’s hard to imagine today, with Steve gone and an extremely successful Apple peacefully coexisting with a very successful Dell, but back then, ten years before the iPhone, Apple really was an underdog, truly fighting for its life, just as we had at several junctures. It was rare to see any mention of the company that didn’t begin with phrases like “trouble-plagued” or “close to bankruptcy.” So for Steve at that moment, the gloves were off. He needed an archenemy to rally the troops, and we were it. Even if Apple and Dell were really apples and oranges.

And in Steve’s shoes I probably would’ve done much the same thing. (And I would do the same thing sixteen years later: remember Carl Icahn and the red diagonal?) When the company you started is fighting for its life, you do whatever it takes.

What you do after you win, though, is what separates great companies from good ones.

We kept winning.

Later that same month (October 1997), a huge increase in online trading triggered by a financial crisis in Asia put a severe strain on NASDAQ’s computer systems. As a result, the exchange ordered eight sophisticated new PowerEdge server systems from us. We delivered them in thirty-six hours—customized to NASDAQ’s specifications and fully tested. NASDAQ’s director of interactive services was amazed, not only by the quick turnaround but by the fact that we hadn’t charged extra for it. “Originally Dell got in with us on price,” he said, “but that’s not the issue now. Their customer support and service are what’s driving our relationship now.”

Price, support, and service continued to drive our sales of servers, PCs, notebooks, and peripherals ever upward in the late ’90s: in 1998, with over $12 billion in sales, we surpassed IBM and Apple to become the second-biggest PC company in the world. Only Compaq now stood above us, and we had them in our sights. Our sales totals climbed to $18 billion in 1999, to $25 billion in 2000. By Y2K we had more than thirty-six thousand team members, both in Round Rock and in our locations in Europe, the Middle East, Africa, Asia, Japan, and South America. Our stock, consistently one of the best performers on the NASDAQ, kept soaring, splitting 2-for-1 in 1995, 1996, 1997, 1998 (twice), and 1999. We were growing like crazy.

Susan and I did a lot of walking and talking during that period, counting our blessings and reflecting on how we might share them. Having these four wonderful children made us realize how fortunate we were and they were—and how many children around the world weren’t as lucky.

My parents taught my brothers and me about *tzedakah* (charity) and *tikkun olam* (healing the world), and they led by example. And so I had come to believe that giving back could be the most important part of my job. Susan and I thought about a number of things we could do with our growing philanthropic ability, but ultimately we decided to focus on children in urban poverty. This was the basis for the Michael and Susan Dell Foundation (MSDF), which we started in December 1999.

One of our first initiatives took shape right at home in central Texas, inspired by a recently created US Department of Health and Human Services program called SCHIP—the State Children’s Health Insurance Program (its name was later changed to CHIP). Under this plan, the federal government gave states matching funds to cover uninsured children in families that didn’t have enough income to pay for health care but weren’t poor enough to qualify for Medicaid. The problem was that it was complicated to get enrolled: you needed to fill out a long application form, and a copay was required. So MSDF established a program, Insure-A-Kid, to help families get signed up with SCHIP and assist them with the copay.

The federal program raised its game after a couple of years, making Insure-A-Kid redundant. But the foundation continued to direct its efforts toward improving education and children's health in central Texas—and would soon go global, expanding its reach to major urban areas in the US, South Africa, and India.

We weren't the only company benefiting from the rising tide in tech. As the twentieth century drew to a close, people couldn't seem to get enough of all things technology and internet—technology stocks in general were going bananas. Sometimes Mort and Kevin and I would talk about it and say, "It looks like the market is paying us in advance for things we haven't done, and maybe we'll do those things in the future, but maybe we won't." In the midst of this frenzy, we seemed to be doing just a bit better than anyone else.

On the supply side, our advantages included rigorous quality control, lean inventories, close relationships with our suppliers, and efficient cash-flow management. And on the demand side, we continued to hearken back to Rule #1 of our 1988 values code: *Keep the customer satisfied, paying close attention to his or her ever-changing needs*.

But with Rule #2, section B of the code—*Employees will participate in decisions that affect their own work and receive the rewards that come as a result of their efforts*—something had gone screwy.

Like almost all growth companies, we had an ownership culture: we wanted everybody in the company to be an owner in the company. That meant rewarding good performance with stock options. So, with our stock just zooming—rising 91,863 percent between the last trading day of 1989 and the end of 1999—many of our team members were getting rather rich. And funny things would happen. People would say. "Oh, this is my $300,000 stereo system." What they meant by that was not that it cost $300,000, it cost $10,000, but had they not sold their shares they would have had $300,000, because the stock was going nowhere but up. But a lot of our people held on to their stock and got wealthy, and they became known—especially in Austin, where we were the biggest tech employer in town and conspicuous consumption was particularly conspicuous—as the Dellionaires. There were literally thousands of them.

Ownership culture took on a whole new meaning. The rising tide was lifting all boats, and people were buying boats. Big ones. People also bought big houses and fancy cars. And that seemed fine. I was pleased at how many of our people were being rewarded, and rewarding themselves, for their very hard work.

Then the stock market bubble burst.

As the year 2000 dawned, it turned out that all the Y2K hysteria—for which, like everyone else, we'd taken extensive precautions—had basically come to nothing. But as the year proceeded, something really did happen to the entire tech sector. Y2K began with the America Online–Time Warner merger, the biggest in history to that point; by April, though, an industrywide chilling effect had set in. A recession had begun in Japan. The verdict in the *United States v. Microsoft* monopolization suit went against Microsoft, causing the company's shares to tumble and triggering a general NASDAQ sell-off. By November, internet stocks had declined 75 percent from their highs; $1.75 trillion in value was wiped out.

We shared the pain. On January 3, 2000, our stock price stood at $50.40. On the last trading day of that year it had dropped to $17.27. Our earnings fell short of Wall Street and internal estimates for five consecutive quarters, and in 2001 we had to do our first rounds of layoffs ever, letting some 1,700 people go in February and another 4,000 in May.

This was especially painful. I really hate layoffs—they're always our fault, never the fault of the people laid off, and we try to avoid them like the plague. There are a lot of things you can do to circumvent them: you can stop hiring new people. You can ask people to volunteer to leave the company and give them an incentive to do so. You can ask people to work less and earn less. You can stop paying bonuses. There are all kinds of levers and knobs.

But this was the first time we'd had to let people go, *our* people, and the fact that it was happening across the tech industry didn't really make it any easier.

On the other hand, misery loves company. If the whole industry is down, you think, “Okay, are we going to be able to defy gravity? Probably not.” You always go back to: What can we control? How are we doing compared to the whole industry? What’s the overall demand picture? And how can we manage our business for the best possible medium- and long-term outcomes? Demand went way up and then demand went way down—well, we’ll just have to deal with it.

And not everything that happened in 2000 was gloom and doom. Since abandoning retail channels in the mid-1990s, we’d concentrated our PC sales efforts on the biggest customers: Fortune 2000 companies, government agencies, health care institutions, colleges and universities. Our brand had taken on a very businesslike feel—which was fine when you were selling to businesses. Meanwhile, though, consumer sales had become the fastest-growing part of the personal computer market, and few companies (Sony being the most notable exception) were selling to both businesses and consumers. And though our PC business was doing very well, we were always looking to grow, so when our ad agency, Lowe Worldwide, proposed mounting a campaign to make Dell more approachable and friendly to consumers, particularly young consumers, the time seemed exactly right.

Lowe’s idea was to run a series of TV commercials starring a precocious kid who could rattle off our PC’s specs and give the brand a human face. The agency even came up with a name for the kid—Steven—and a personality: he’d be tech-savvy and charmingly goofy at the same time. Lowe thought they’d probably cast somebody twelve to fifteen years old, and they put out a casting call.

A zillion child actors (and stage mothers) responded, but the kid who ended up getting the job was a nineteen-year-old from Chattanooga named Ben Curtis. Ben was a handsome young guy with a shock of blond hair and an animated face with flying eyebrows: he seemed like the personification of Charmingly Goofy. The first commercial featured Ben, as Steven, standing in his bedroom and talking to the camera as his dad, in the background, yipped and howled like a wolf while playing a video game—on Steven's computer. "Mom, hey," Ben said. "It's me, Steven. Look—we've gotta talk about Dad. I think it's time he had his own computer. And right now, you can get him a complete Dell system with an Intel Pentium III processor—kinda like mine—for a low $829."

The TV spots were a big success from the start, but they really took off after some ad genius suggested emphasizing Ben Curtis's surfer-dude qualities—sort of a combination of Jeff Spicoli from *Fast Times at Ridgemont High* and Bill and Ted from *Bill & Ted's Excellent Adventure*—and invented a catchphrase for him: "Dude, you're getting a Dell!"

It was like touching a match to gasoline. From that moment on, those ads—and that catchphrase—just blew up. Ben Curtis became an instant celebrity, and our PC sales shot skyward: while personal computer sales were down 31 percent across the industry during the first three quarters of 2001, our market share rose 16.5 percent—more than double the previous year.

All was going great for a while, but as often happens when ad campaigns based on a character take on a life of their own, it began to feel to us as though the ads were becoming more about Steven and less about the product. So we started a new campaign, we and Ben Curtis went our separate ways, and the Dell Dude faded into history. (A lot of people still remember that catchphrase, though!)

In July 2001 I got a nice surprise when *Chief Executive* magazine named me its CEO of the Year. The honor was especially gratifying, not just because at thirty-six I was by far the youngest person ever to receive it, and not only because I had some pretty distinguished predecessors—Bill Gates got the award in 1994; Andy Grove in 1997—but also because the only people who vote you in are your fellow chief executive officers. It really felt as if I'd been accepted into an illustrious fraternity.

At the same time, I knew that the leader of a company usually gets more credit or blame than he or she deserves. It's just something that goes with leadership: you can go from hero to zero very quickly. Success is definitely a team sport, and I was fortunate to be leading a great team. I could really only accept the award on their behalf.

As pleasing to me as the personal honor was its reflection on how our company was viewed. We were gritty and we were innovative; we were well positioned to navigate tough times as well as good times. "It probably would have been easier to give me the award when our business was doubling in size every year and our stock went up hundreds of percent per year," I said then. "But it's probably even more meaningful to get it in what is a challenging year for the whole industry and for the whole economy."

Yet the truth is, the dot-com bust hit us less hard than it did other companies. To a great degree our lean and fast business model, and our relative independence from traditional sales channels, insulated us from the troubles that befell our bigger, slower-moving competitors: Compaq, Hewlett-Packard, Sun Microsystems, and IBM. Our revenues fell only 2 percent in FY'02, but our market share grew.

Still, the end of the boom revealed flaws in our company culture that all that crazy growth had easily hidden. Sometimes, when the tide goes out, you see stuff lying around the beach that you hadn't noticed before.* And it isn't always pretty.

In the wake of the layoffs, we—meaning we in upper management—realized we had to reengage our workforce. By letting all those people go, we had broken a bond of trust, sending our team members a tough new message: your job is not guaranteed. There was now an implicit new employment contract: As long as we have work, and as long as you have skills that match what we need, and as long as you perform, you're going to have a job. But if any of those things don't compute, you might not have a job.

Under these uncompromising new terms, how could we inspire our people?

Kevin Rollins and I had a lot of thoughts about the question.

Kevin had joined Mort Topfer and me in the Office of the Chairman soon after officially signing on with Dell, but in 1999, Mort, having helped us climb to the peak of our seven-year growth spurt, had finally decided he wanted to retire. Now Kevin and I were leading the company together. Like Lee Walker and I, and Mort and I, Kevin and I had complementary skills: where he tended to think strategically, my mind naturally gravitated toward the technological. We truly were a team. We had adjoining offices, separated by a moving glass partition that we always left open.

Besides brilliant strategic insights, Kevin had brought something else equally important to our leadership. He was a deeply religious Mormon: principled and hardworking, dedicated and earnest. He'd been upset by the flaws in our culture that the dot-com bust had revealed, and in the spring of 2001 he and I began talking about the need for a new document, something like the one I'd created in 1988: a written articulation of the values and beliefs we thought he and I and everyone else in the company should live by. Kevin and I agreed that there already was a set of values deeply embedded in our company, but that time and circumstances had buried them too deep. They needed to be brought back into the light of day.

For a long time we'd conducted a company-wide survey called Tell Dell. The poll is voluntary and anonymous, and we've always gotten a very high degree of participation. A lot of what we learned during that period was painful.

One thing we found was that our flat organization model, which allowed managers at all levels to make operational decisions without having to get approval from higher-ups, helped us to move quickly and efficiently as a company, but also led to some excesses. We had way too many managers who got great business results but broke too much glass along the way—they were not being collaborative with their colleagues. Our skyrocketing growth and constant emphasis on gaining market share had led to a culture in which making the numbers often overshadowed teamwork and customer satisfaction. Sales leaders were promoted and rewarded whether or not they considered the feelings of their team members.

Somehow worst of all, though, was finding that some 50 percent of our team members said they'd go work for another company if they were paid the same. We'd just gone through this exhilarating boom, and now here was the dark side: we'd apparently attracted a lot of people who signed on because they thought they would get rich. And now that they realized they might not get rich, they were wondering what they were doing at Dell.

"I realized that we had created a culture of stock price, a culture of financial performance, and a culture of 'What's in it for me?' throughout our employee base," Kevin later said. "There had to be something more in this institution that we loved more than just making money or having a stock price that went up."

The pioneering psychologist Abraham Maslow talked about a hierarchy of human needs, putting them in the form of a pyramid. The base of the pyramid is physiological requirements: food, water, shelter, etc. Just above that are safety needs, like personal security, employment, health. Then, moving upward, come love and belonging, esteem, and at the top, self-actualization.

It's similar for team members in a company. At the pyramid's base, they need income so they can provide for their family. Every company provides that. But on a higher level, you want your people to be engaged by their work. That leaves a lot of corporations out. And at the top of the pyramid, leaving a lot more corporations out, what you *really* want is for your employees to understand the purpose of the company and feel inspired by it. To feel that what they're doing is incredibly important to all your customers and serves a greater purpose, enabling human potential. To be able to think, "Wow, I actually do something that's really significant, and what we do matters in the world, and I've got a reason to get out of bed every morning." As opposed to feeling like, "I'm in a Dilbert cartoon—I go to work and punch in and make money and then I go home, and then the next day do it again." It's satisfying to make money. But feeling you're part of something great and meaningful is a much higher form of satisfaction.

While we were pondering all this in the late summer of 2001, the proverbial black swan arrived.

I had been on the West Coast on business, and I was supposed to go to Washington, DC, but I canceled the trip and returned to Austin. I got home late on the night of September 10, and the next morning I was on the treadmill watching the news, when a bulletin crossed the bottom of the screen: PLANE HITS WORLD TRADE CENTER.

That doesn't look like a good thing, I thought.

Then another plane hit the second tower, and I thought, *Holy shit!*

I got off the treadmill and called my brother Adam, who was living in New York City. He didn't answer.

Well, that's not good. Where's Adam? Is he OK?

Within minutes it became clear that America was in the midst of something epically awful. I called Paul McKinnon, our head of human resources. "Hey, have you seen what's going on?" I said. "Where are all our people? Let's find everybody. Are any of our people on those planes? In those buildings? In the area?"

The team was already on it. And, luckily for us, we didn't have anybody on the planes. We had one technician who had a service call in the Twin Towers, and so we were trying to reach him, find out where he was. Couldn't reach him. But everybody else that worked for us in the New York and DC areas was accounted for. Everybody was safe except this one person. We kept trying to contact him every way we knew how, sending him text messages, emails, calling him—no response. Of course, the cell phone networks were completely overwhelmed. Nothing was working.

We later found out what had happened with our service person. He's on the subway downtown, he's got his bag with all his parts, and he's ready to go do his thing in one of the towers. He gets off the train, climbs the stairs to the street, and looks up at the smoke and fire and chaos—and starts walking, fast, in the other direction. Which, it turned out, was a very smart thing to do. He made it up to Midtown, and safety, in record time.

We had people stranded all over the country because no planes were flying. There were all kinds of stories about our people renting cars and doubling or tripling up and going on long road trips to get back home.

A great sadness, and a great deal of fear, rippled across the whole country.

Meanwhile, many of our customers who'd escaped their offices in the World Trade Center, surrounding buildings, and the Pentagon were in serious difficulty where work was concerned. Some sixty or seventy thousand people, at the Department of Defense, at American Express and Paine Webber and many other companies, needed to reestablish their operations right away, and they couldn't do it without computers, but their offices had been destroyed. People would have to work from home, but with what? Our customers were calling us and saying they needed machines—an astounding number of machines: ten thousand, twelve thousand, twenty thousand—as soon as we could build them and get them out.

I went over to our factory here in North Austin and called an impromptu town hall meeting to talk about the tragedy that was still unfolding. As I spoke I could see the agony on our people's faces, their deep sadness reflecting what I was feeling: many were weeping.

"I completely understand how sad you are," I said. "How sad we all are. And we should be. But let's not forget that actually we all have an incredible role to play in helping the country get back on its feet. Our customers need us. They're counting on us, and we need to help them get up and running. We have to help the Stock Exchange get back up and running. We have to help the Defense Department. So let's go back out there and get this done."

There were no planes flying, so we had to figure out how we were going to transport all these computers from our factories to our customers. And we figured it out. Within forty-eight hours, we had trucks delivering an enormous number of computers to the Washington, DC, and New York areas.

America got up and running, but the somberness of that period lasted for a long time. For many people, and certainly for us as a company, it was a period of reflection. We felt a fresh urgency to examine and deepen Dell's corporate culture. We hired an outside firm to perform a cultural audit, assessing our strengths and weaknesses as an organization. Part of the audit was a series of 360-degree reviews of upper management, including Kevin and me. As early as the end of September, Kevin and I began meeting with vice presidents in each region to discuss values and get feedback. Both Kevin and I stood up at these meetings and talked about our own 360s. I knew I was apt to be impatient with people who weren't listening well or demonstrated incompetence. I could be too slow to praise good performance. "I've got some things to work on," I said, more than once. "I'm not done yet. I want to get better."

Everyone recognized that when your revenues and profits and stock price are growing, it's easy to lose sight of the greater purpose of what you're doing. Conversely, if you have a company where the revenues and profits and stock price are falling, that's not going to be a great company no matter how good the culture is.

How could we achieve an inner balance as a company, one that would hold during good and bad times? How could we engage and inspire our team members to create a culture that wasn't just based on revenue and profit and stock price? (While we raised revenue and profit and stock price at the same time?)

Back at the beginning, when the company was just me, I had this set of values that I knew were important, but I didn't have to communicate them with anybody. But as more and more people came on board, things got more complicated. As a company grows, it becomes compartmentalized. Our salespeople understood our values because they were interfacing with the customer all the time. As were the technical support people. But our manufacturing and supply chain team members were a little farther away from the voice of the customer. We battled this by going out of our way to have customers visit our manufacturing sites. What we learned was that the best way to tell the story of *our* company was through *their* stories. What were our customers trying to accomplish? What were their challenges? Especially the new and unsolved challenges? Understanding these new and unsolved challenges is at the core of what we must continue to do as a company to succeed. Why was what they were doing *important in the world*—and how were we helping them to do it?

We all agreed that creating loyal customers had to be the rock-solid foundation of our new values statement. So we got to work.

Touchy-feely is a term that hard-nosed corporate people like to use disparagingly. The caricature version is that a consultant comes into a big company and gets everyone to sit around a campfire and sing "Kumbaya." But, those hard-nosed types ask, Can those warm and fuzzy feelings endure over time? And what's happening with the balance sheet while all that is going on?

The brilliance of Kevin was that he always saw the totally practical importance of the touchy-feely stuff. A company without soul, he knew, was a company that could fray and break apart in any number of ways. And a company without a very smart and hard-nosed business strategy will very quickly become DOA. So even as the OOC and the rest of our Executive Leadership Team and our vice presidents were creating our new values statement, Kevin and I were creating a strategy that could take us out of the dot-com bust and into the next few years.

We began with the understanding that the last half century had seen boom-and-bust cycles in macroeconomics, the lives of companies, and the US economy. We knew we were just in one of those cycles, and we knew we were going to come out of it. The real question was, How can Dell emerge from this cycle even stronger than it was before?

Our idea was to triple the size of the company.

Some might have said, "What?! The whole industry has just hit the wall. GDP has slumped to negative. There are macroeconomic issues all over the globe. And we're going to triple the size of the company?" And some people in our organization said exactly that, at first.

But our solution was actually simple. It was to take pricing down and gobble up a bunch of share during this period, so that when spending on IT returned, we would have a much larger share of wallet, and therefore capture much more market share going forward. We were naturally positioned to do all that because of our supply-chain cost advantage and growing customer relationships.

And the plan started working immediately.

Meanwhile, our new values statement was coming together. In November and December a document began taking shape in our regional forums; in January 2002 we distributed it to regional executives for their review. And later that month, during our Global Executive Management Committee meeting in Austin, we made final revisions to this declaration of values. We called it the Soul of Dell.

It was designed for in-house use, but we knew we'd be proud for the world to see any part of it. The statement was based on five key tenets:

CUSTOMERS

We believe in creating loyal customers by providing a superior experience at a great value.

THE DELL TEAM

We believe our continued success lies in teamwork and the opportunity each team member has to learn, develop, and grow.

DIRECT RELATIONSHIPS

We believe in being direct in all we do.

GLOBAL CORPORATE CITIZENSHIP

We believe in participating responsibly in the global marketplace.

WINNING

We have a passion for winning in everything we do.

The new platform had evolved naturally from my 1988 values statement, when we were just getting started as a player in national and worldwide markets. By 2002 we had more than proved ourselves globally, but we still wanted to reassert our basic values—and talk about new ones.

Some subtle but major changes had taken place over those fourteen years. In 1988 we described our mission as “providing high-quality computers directly to end users with a high level of customer service”; in 2002 we spoke of “providing the best products and services featuring the highest quality and most relevant technology.” *Products* had become plural; *services* were a world away from just plain service. We were positioning ourselves for the twenty-first-century transition from being primarily a PC company to now include servers and to enter the software and services market in a big way.

Our 2002 commitment to “outperforming the competition by consistently providing value and a superior customer experience” had been true of us at every step on our path. But the section on the Dell Team had to address the Dellionaire mentality as well as the layoffs. The new platform began with our promise to be a meritocracy and spoke of financial rewards (“Maintaining base pay and benefit programs competitive with successful companies relevant to our marketplace”) only after emphasizing teamwork and building leadership capability at every level of our workforce.

Like the 1988 statement, the new guidelines emphasized ethical behavior inside and outside Dell, but they went further, stressing what had sometimes been overlooked in our boom years: “Fostering open, two-way communications with customers, partners, suppliers, and each other” and “Organizing, communicating, and operating through nonhierarchical and nonbureaucratic structures.”

In 1988 we’d only just begun operating internationally (in the UK in 1987 and in Canada and Germany in 1988), and the manifesto hadn’t touched on the ramifications of doing business in other countries. The new rules had to speak to our responsibilities as a global citizen: “Understanding and respecting all nations’ laws, values, and cultures” and “Contributing positively in every community that we call home, personally and organizationally.”

And where my original statement had ended inspirationally but a little vaguely ("The company will be the best at everything we do!"), the new platform's last section, "Winning," was more brass tacks:

We are committed to . . .

- **Building a culture of operational excellence.**
- **Delivering superior customer experience.**
- **Leading in the global markets we serve.**
- **Being known as a great company and a great place to work.**

And last, but by no means least:

- **Providing superior shareholder return over time.**

The second-to-last bullet point was an answer to anyone who asked, "If I'm not going to be rich, why would I want to stay?" The reply to those would-be Dellionaires was now, "Because this is the kind of place we want to be."

But providing superior shareholder return would (as we've seen) prove a little more complicated.

12

PROJECT EMERALD

Why didn't you just walk away?

It was a question more than one person asked me after the bruising battles of 2012–13. Why not simply leave behind all the headaches and heartaches and brain-aches of trying to buy back my own company? I'd made a lot of money over the last twenty-eight years. I could afford to walk off into the sunset, stroll on the beach in Hawaii and collect seashells. Or start another company, build a new legacy.

A reporter asked me the question soon after we went private, and I gave her a simple answer, one that came straight from my heart. I didn't want another company. This was the one with my name on it. "I will care about this company after I'm dead," I said. "I love this stuff. It's fun for me. I couldn't be more thrilled to have control over my own destiny in a way that is not possible as a public company."

The only investor conversation I had to have now, I told her, was with "self."

The company had my name on it, but it was so much more than me. We were an amazing team, all 110,000 of us. I felt strongly that going private would give us a chance to do good for our customers along with doing well for Dell.

And so on October 30, 2013, we closed our doors to the outside world, rolled up our sleeves, and got to work.

Here's a story that'll give you an idea what it was like here during those first days. One morning that fall Jeff Clarke came to me and the rest of the Executive Leadership Team with a strategic pitch about building Dell's future business architecture. He talked about what capabilities we needed to move forward—things like improved online experience, enhanced digital fulfillment, and enriched self-service support. It was a pretty comprehensive plan, and a fairly large sum of money would be needed to implement it, somewhere in the hundreds of millions of dollars. This was my answer: "Thanks for bringing that to our attention, Jeff. The board has met, the board has decided. The board's decision is to go ahead."

Suddenly the shackles really were broken. The quarterly shot clock had been turned off. All at once we could implement important corporate decisions at the moment they could be most effective. Dell was faster and more agile than it had ever been. That fall we had a companywide meeting to announce all the things we were going to do: invest in sales and R&D, add sales capacity, grow share, not back away from fights with competitors.

We said we were going to go do all these things, and then we started doing them. Immediately.

People were a little skeptical at first. "It's private equity; how's that going to work?" some asked. We had to clarify that Silver Lake was our financial partner, but they weren't looking over our shoulder: they knew we had a very capable team in all aspects. But the old ways died hard. We'd have an ELT meeting, and the sales guys would come in and kind of hesitantly say, "Okay, there are a lot of possibilities in small business—there's tremendous growth in the sector, the operating margin's very attractive, and we want to add seven hundred more salespeople."

And I'd say, "Well, why don't we add fifteen hundred?"

There were some puzzled looks in the beginning.

Every time we'd meet I'd say, "When are we going to have a meeting when I'm not asking you to go faster with small business?" Selling to small and medium-sized businesses was incredibly important to us. They're the backbone of any economy, but they're generally underserved and highly fragmented. In order to be aggressive, we had to hire new salespeople and retrain the people we already had. It was all about reimagining the art of the possible: selling to these businesses and earning a position to become their trusted adviser, which then gave us the opportunity to sell our whole portfolio of solutions—hardware and software, systems, storage, security, and services—and to finance the entire thing with Dell Financial Services.

Before, it would have been, "Well, if we make that many new hires, then the earnings per share are going to be $0.02 lower next quarter, and we won't hit the estimates." Now it was like, "No, no, stop overthinking. Just go make the investment."

But very quickly, our people saw that we were doing exactly what we said we were going to do, and this became unbelievably energizing: there was high excitement throughout the company. And the evidence for this wasn't just anecdotal. We were using NPS (Net Promoter Score), a tool Bain had developed in 2003 to measure the relationship between a provider (company or employer; in this case, Dell) and a consumer (customer or employee; in this case, Dell team members). In the weeks and months after we went private, our employee NPS shot straight upward to stratospheric percentiles, and stayed there.

Our public profile changed—a lot. The daily financial press, *The Wall Street Journal* and *Barron's* and the *Financial Times*, kind of lost interest in us the minute we went private. It was sort of like, "Well, there's no stock anymore, so we don't care." But the industry press and the long-lead-time outlets, *Wired* and *Fortune* and *Forbes*, continued to find drama in our story, only now with a more positive spin. It was like, "Okay, they won this epic fight, and now they've taken their company back, and they've got this plan—will it work?"

But it was working, definitively, from the very start. Every quarter we were gaining share and paying down debt much faster than anybody had expected, including us. Cash flow was strong because we were growing again. "The 'new' Dell starts with some promising metrics," *Forbes* wrote in November 2013.

> The company that made its name selling direct has more than 140,000 channel partners [resellers] today, with about $16 billion of Dell's nearly $60 billion in annual revenue coming that way, up from zero in 2008. It also doubled the number of sales specialists with technical training to 7,000 in the past four years. Two out of three business customers' first experience with Dell is buying a PC and about 90 percent of those customers go on to buy other products and services. The trick is getting the sales force to cross-sell. How far along are they on that effort? "We're in the second to third inning," says Jeff Clarke, head of the PC business.

We were doing old things differently, and new things very differently. Where PCs were concerned, we were starting to see proof of what I'd felt in my bones for years: that reports of the personal computer's death were greatly exaggerated. People were figuring out that it wasn't the PC versus the smartphone; it was an "and" thing, not an "or" thing. You were never going to stop people from bringing their smartphones to work, and even doing some work on them, at home or the office. Some people (but a lot fewer) liked their tablets too. But PCs were easiest to work on, for all kinds of reasons, and we were still selling a lot of them, only now with a different mindset.

We'd tried branching out. There was our 2010 Android phablet, the Streak. The problem was not only that most of the profit, between search and the Android play store, went to Google, but also that most of the rest went to the component companies that produced the displays, the batteries, the memory. In 2011 we brought out a small smartphone with a slide-out keyboard called the Venue. It was actually a pretty good design, but it ran on Windows Mobile, and after getting beaten on services and apps by Google and Apple, Windows Mobile was doomed. We switched the device to Android, but there was no money to be made there, either.

So here we were with our flagship product. PC sales accounted for about 45 percent of our revenue, but only 15 to 20 percent of our profit. PCs always were a low-margin item, but because our business model of selling direct at lower prices and providing the best support and service led to huge sales—or as we call it, scale—we became a major force. (And despite the many experts' loud and dire predictions of the death of the PC, Dell would gain PC share for seven straight years—twenty-eight quarters—between the completion of the go-private and the time of this writing.)

Yet I had known almost from the beginning that there was a much bigger market beyond the PC. From the early 1990s on, anyone trying to look ahead could see that while actual PCs and servers, the physical machines, would continue to be necessary, the ghost in the machine—software—was going to dominate technology. And from a business standpoint, software ruled.

Unlike a PC, where the gross margins were 15 percent or 20 percent, the gross margin in a storage array, because it has so much more software, could be 60 percent. And of course, if you were selling pure software, your margin would be 98 percent, because there's no cost of goods in terms of materials—software is just bits.

The beauty of software is this: to develop a program that creates a lot of value might cost you $1 million. But you could sell it to one customer, or a million customers, or a billion customers. Your cost to create it doesn't change. So it can be incredibly profitable if your software has many users.

In the late 2000's we began to see PCs as a potential loss leader—a way to get in the door to upsell software and services. And we'd actually done a fair bit to evolve the company beyond the PC, and the fact that we weren't getting full credit for that was one of our big reasons for taking the company private.

Things were coming together in all kinds of ways.

It began long before the go-private. The advent of the internet in the late '90s had given humanity access to more data than anyone had ever imagined. By the early 2000s the world of technology was changing at warp speed. We'd started succeeding in the server business in the mid-1990s, and the higher margins there had been great for our bottom line. But as the quantity of data in the world expanded exponentially, it became clearer and clearer that physical servers alone, no matter how powerful, weren't going to be able to handle it all. A solution existed already.

Virtualization is a concept that predates microprocessor-based systems—you could find it on IBM mainframes back in the late 1960s. The idea was to install software within the host computer that mimicked the host, thus creating any number of virtual mainframes within the actual mainframe. These virtual computers, isolated from each other to prevent contagious crashes, could perform specific tasks and then be deactivated. Or workloads could be moved around from one to the other. All of this took place in milliseconds, and the actual computer hosts could be thousands of miles apart. As microprocessors became more powerful, more and more virtual computers could be housed inside the mainframe. And out in Silicon Valley, tech companies were starting to figure out how to virtualize both PCs and servers.

A little Palo Alto start-up called VMware was a pioneer in the field. Its breakthrough product was virtualization software that let a user run multiple operating systems on a PC: you could work with both Unix and Windows on your desktop, or two different versions of Windows, or Windows on your Mac system. And in July 2001 VMware became one of the first commercially successful companies to virtualize the x86 architecture—opening the door to the development of virtual servers. In early 2002 Dell led a $20 million investment in VMware, along with Goldman Sachs and several other partners.

On the other coast, a Massachusetts-based company called EMC had become the world leader in networked information storage systems. EMC's big product was a powerful hardware-software data storage array called Symmetrix, which was having great success among enterprise-class corporations—the top hundred to two hundred companies in the world. In October 2001, on the basis of my longtime friendship with EMC's brilliant CEO Joe Tucci, Dell and EMC entered into a strategic alliance, in a market that was projected to reach $100 billion by 2005.

I’d first met Joe back in 1994, when he was chairman and CEO of Wang Laboratories—this was five years before he joined EMC—and I had great respect for him as a business leader and strategist. I was thrilled to be working with him.

For EMC, the partnership provided a powerful new distribution channel to access customers beyond the enterprise companies they were used to selling to. Because their products sold at a high margin, adding Dell as a channel contributed significantly to EMC’s revenue stream. It also helped EMC compete better with other storage companies, like NetApp, that had developed sales channels to sell beyond the top 100/200 corporations. And their alignment with us meant we would not align with NetApp or one of the other storage companies. And last, the relationship let EMC use Dell’s massive procurement power to help lower their material costs for components like disk drives, further improving their margins.

For Dell, the alliance allowed us to add EMC’s high-performing storage products to our rapidly growing server business. It gave us an important new customer, as EMC agreed to use our servers inside their storage systems. And it helped us move further into the data centers of those enterprise customers—and positioned both us and EMC to advance on our mutual competitors: the server and storage businesses of IBM, Compaq, and HP.

Then, in January 2004, EMC bought VMware. (They would later take it public in 2007, reducing their ownership to 81 percent.)

The used-to-be Palo Alto start-up was now so much more: VMware’s progress in virtualizing the server was such that by the mid-2000s, if you worked in a company that had servers and you weren’t using virtualization, you were totally doing it wrong—it was like a corporate IQ test. It was so valuable and so easy. And VMware was taking off like wildfire.

The press release for the purchase said: “VMware will play a key role in EMC’s strategy to help customers lower their costs and simplify their operations by deploying virtualization technologies across their heterogeneous IT infrastructure to create a single pool of available storage and computing resources.”

Translation: VMware's virtualizing capabilities had moved from the PC and the server to storage, networking, and security—aka "heterogeneous IT infrastructure," aka the Cloud.

Buying VMware turned out to be an unbelievably smart investment on Joe Tucci's part.

As did forming that alliance with Dell. The problem for us was that EMC, with its high margins and its big footprint among top companies, was reaping most of the profit. That began to worry me—and set me thinking about, then making our first major acquisition, the storage company EqualLogic, in 2007.

On the face of it, EqualLogic seemed like a great buy for us. The company had been growing very fast; they were getting ready to go public. They'd already printed a prospectus. They had a great, elegantly engineered product, geared to the lower mid-range of storage customers, far from the sweet spot where EMC tended to play. So we felt we could acquire EqualLogic without destroying the EMC relationship, and it would give us some of our own intellectual property, which we could sell at attractive margins.

I remember going over to our lab, where we had a team testing and evaluating several of the storage platforms then on the market. Now, the thing about engineers is that they tend to think they can engineer everything themselves. If we'd told them, "We want to build a mid-range storage platform," they would've said, "Okay, we'll go do that." But to do that is much harder than it sounds.

So they were looking at other companies' platforms, and the choice had come down to three, one of which was EqualLogic's. I remember I was talking to seven of our engineers that day, and I put this question to them: "Okay, suppose you have a hundred thousand dollars and you can either put it in the bank and let it earn interest for ten years, or you can put it in the EqualLogic IPO, but you can't sell for ten years. What do you do?" And six of the seven said they would put their $100,000 in EqualLogic—even though they hadn't created the platform themselves. After that I said, “Okay, we’re buying EqualLogic.” And we snatched it right out of the hands of the market before it went public, for $1.4 billion.

That’s a lot of money anytime, and it was certainly a lot for us then, just months after I’d stepped back in as CEO and while we were still a public company, with our shareholders watching our every move very carefully. And under that harsh spotlight, EqualLogic posed an interesting problem.

We could buy a company that had a great product and $100 million in sales, and by the sheer strength of our broad customer relationships, we could grow it to $700 or $800 or $900 million, maybe even $1 billion, in revenue—in revenue!—in a relatively short period of time, maybe just a couple of years. You could make these acquisitions pay off pretty quickly and handsomely. The challenge was that after reaching a certain height, these acquisitions tended to kind of level off and stay in their lane. To acquire a company that had been number six or seven in its field and take it to number two or three, or even vault it to number one, was almost impossible. Companies with leadership positions, if they continue to invest and serve their customers well, are hard to unseat. It’s not impossible, but it rarely occurs.

Meanwhile, I kept thinking about EMC and VMware, who together were well on the way to becoming the most important company in the IT infrastructure universe. And so I called Joe Tucci and asked him what he thought about a complete merger of Dell and EMC.

Joe thought it could be a great thing, arguably the biggest tech merger ever. So in 2008 and 2009 we explored it. We meant Joe and I and our respective executive leadership and boards of directors, along with investment bankers, consultants, and lawyers. We had Bain and McKinsey on either side with detailed analysis and hundreds of slides, and we had code names—EMC was Emerald and Dell was Diamond—and we would meet in obscure hotels in unlikely cities, places where nobody would recognize us. We even had joint meetings of both companies’ boards.

Then the financial crisis came along, and suddenly nobody was talking about mergers anymore.

Our early days as a private company were going even better than I'd anticipated. But my business was where I could exert control; my life had other plans.

My mom fought so bravely for five years after her cancer came back—Susan nicknamed her Mama Warrior—but by January 2014 it was clear that she had lost her battle. She left MD Anderson in Houston and went home under the care of hospice nurses. She died there on the day before Valentine's Day.

The good thing, if there is a good thing, is that we were all with her in those last few days. Everybody got to say goodbye, and she told us what to do for the next fifty years. A force of nature, undone by nature.

I've never had a better adviser. When I spoke at her funeral, I said:

I am my mother's son.

She was happy, positive, and very smart. Always smiling. Bold and fierce.

She never told us what to do, but because of her we knew what to do.

She knew what my brothers and I needed, at every point in our lives.

She taught us we could do anything.

She fueled our creativity, curiosity, and desire to learn, experiment, and pursue our passions.

She taught us to respect all people but choose wisely the ones we spend our time with. To share and to love and take care of each other.

She gave us everything we needed and much more.

Boy, did I get lucky.

"Dell Can't Lose" was the title of a *Forbes* cover story that came out around then, about my business successes in general and the success of the go-private in particular. Those were nice words to read, but the truth is that in life we all lose, dearly, when we lose our loved ones, and no amount of worldly success makes up for it.

Talk about compartmentalization: I continued to feel deep sadness about my mom, but at the same time I kept feeling excited by our progress as a newly private company. (And I let myself feel that way because I knew Mom would've been excited too.) We were continuing to gain share and pay down debt; cash kept flowing in. We were incurring a lot more volatility than a typical public company, but that was because of all the investments we were making, some of which paid off quickly, some slowly, and some not at all. These were moves we couldn't have made easily as a public company: shareholders would've hated all those ups and downs. But now, with the time and perspective that going private had given us, we could enjoy the fact that though our earnings were up and down, the general trend was up, up, up.

Just a few months into the go-private and feeling very confident about our progress, Egon Durban and I started talking about things we could do, beyond organic (internal) investments, to further accelerate the company's transformation. We had a number of new acquisitions in mind, mostly in software.

But the biggest, boldest, brightest prize, Egon and I agreed, would be EMC/VMware.

Egon had heard through some bankers that a couple of big companies were considering acquiring EMC, effectively putting it in play. We didn't know anything more specific at the time, but I found the possibility of acquiring it ourselves intensely interesting. EMC consisted of three larger businesses and several smaller ones. The three large businesses would combine beautifully with us: there was EMC Information Infrastructure, which was the undisputed leader in the data storage systems sector and would meld perfectly with our servers; VMware, the virtualization pioneer, which kept finding new ways to obviate physical machines; and the software-development start-up Pivotal, spun out of EMC and VMware, which created a platform to develop cloud software. (Pivotal's CEO Paul Maritz, formerly the CEO of VMware, was a brilliant guy whose technical input and advice I often relied on.) Putting Dell and EMC together would create an unbelievably strong company. But was it even possible?

The frustration of our scrubbed merger had stayed with me for five years, as both Dell and EMC built strength on strength in systems, storage, and security. I kept feeling we'd missed a huge opportunity to combine two complementary Number Ones and create a kind of tech Dream Team. That summer Egon and I began talking about revisiting the idea.

It seemed like a natural progression for us. Not only did our alliance with EMC go way back; it was also a rare opportunity in that EMC and VMware were the clear Number Ones in their industry segments. As I mentioned, it's very hard to dramatically change the share position of a company, so buying a number two or Number Five business (which are the ones that are usually for sale) was a much more difficult way to succeed. Usually, number one businesses aren't for sale, or the price is exorbitant, or they are part of an even larger company that isn't acquirable.

I was thrilled by the idea of combining Dell with EMC and VMware, and Egon felt the same way. It would be a merger of unprecedented size, one that would immediately create the world's premier company in IT infrastructure, with the best products and technology and the greatest scale. And it would fit our (Dell's and EMC's) customers' needs perfectly. Our combined forces would be able to help customers as never before and win big at the same time.

Our customers needed and wanted our help. With digital information advancing at head-spinning speed, they couldn't afford to dedicate all their time to learning how to use all the new technology—software, data, artificial intelligence, machine learning, neural networks—to build their competitive advantage. They didn't want to be systems integrators. The way I envisioned it, the incredible set of capabilities across Dell, EMC, VMware, and Pivotal could create platforms that would let customers take advantage of the new technologies in an integrated and automated way.

But was Dell itself ready for this huge step up?

Real transformations of major tech companies are extremely rare: I think because companies develop a particular capability, and a set of customers, and change is hard. You can't take the stripes off a tiger. If you're born a dog, you don't die a cat.

Yet transformation was very much on my mind in 2014. We hadn't lifted Dell to an industry-leading position by playing it safe. We hadn't taken the company private to play it safe. To keep up with the explosive growth of data and maintain leadership, a tech company had to be ready to break precedent, to make bold moves on a world-class scale. We were ready. I was ready.

And so that August I called Joe Tucci and asked how he felt about a combination of our companies in the form of an acquisition by Dell.

When we'd first explored merging back in 2008 and 2009, we'd still been a publicly held company. Now that we'd gone private, I told Joe, the process would be much easier, since I was Dell's controlling shareholder and had a very supportive partner in Silver Lake.

On the other hand, I acknowledged that since EMC's market capitalization stood at around $59 billion, an acquisition was a very tall order, both financially and culturally. For a private company from Texas to buy the largest public company in Massachusetts was far from a slam-dunk.

But Joe was motivated, and receptive. He was in his late sixties and had wanted for a while to retire, yet he'd put it off several times because he didn't see a clear successor within EMC. A merger led by Dell would make me his successor; it would also add capabilities that EMC needed. Joe had realized that the industry was changing, and just being a storage company without a server company was not a good long-term strategy.

Yet while Joe liked and trusted me as much as I liked and trusted him, the decision, because EMC was publicly held, ultimately belonged to its board of directors. Typically, the CEO will make a recommendation. But as was the case with our go-private, the board has a real duty of responsibility to get the highest value for shareholders and to make sure all the alternatives are explored, including remaining an independent company. Do we sell off a part of the company? Do we do a share buyback? Let's find any possible buyer, but maybe we stay independent? The board has to consider all the options.

Confidentiality prevented Joe from talking with me about the other suitors, but investment bankers who were under no such stricture—and who were always eager to stir up a deal they might be able to profit from—had whispered in my ear, and in Egon's ear, who those suitors (there were two of them) just might be. And what made the whole thing really interesting was that if either of the two beat us out, it was going to be a real problem for us.

The Silicon Valley networking giant Cisco Systems (market cap as of April 2014: $120 billion) expressed an early interest in acquiring EMC, yet from the beginning it was clear that Cisco had its own issues to deal with. For one thing, the company was in the midst of restructuring, and had laid off several thousand employees worldwide. For another, though Cisco had announced a new focus on the Internet of Things, and had bought several companies to further that initiative, they really didn't have a history of making large acquisitions—they'd always been pretty cautious in that regard. (Their most recent purchase, the security hardware/software company Sourcefire, had cost them $2.7 billion; acquiring EMC stood to cost twenty to thirty times that much.) A further complication was that Cisco's CEO John Chambers—who'd once worked for Joe Tucci at Wang—was himself on the verge of retiring and may have had mixed feelings about taking on something this massive.

But one person who was wholeheartedly interested was HP's CEO, Meg Whitman.

When Meg, the former CEO of eBay, joined Hewlett-Packard in 2011, she was taking the reins of a legendary but legendarily troubled company. Founded in a Palo Alto garage in 1939 by Bill Hewlett and David Packard, the first American tech colossus had entered the twenty-first century riding high under the leadership of CEO Carly Fiorina. With its 2002 acquisition of Compaq, HP seemed poised to give us a run for our money in the PC market. But when the merger's results proved underwhelming (HP temporarily took over the number one spot in PC sales in 2002, then yielded the lead back to us the following year), a conflict developed between Fiorina and her board, culminating, in 2005, in the board's request for her to resign. A turbulent decade followed for the company, with a board that appeared chaotic and ineffective, and a revolving-door cavalcade of CEOs who came and went, sometimes amid scandals of one kind or another.

Robert Wayman followed Fiorina, and Mark Hurd followed Wayman. Then Hurd was investigated for a possible violation of HP's business code of conduct (expense-account irregularities and a sexual harassment charge), and he was out. (Mark, who later became president, then co-CEO, of Oracle, died in 2019). Cathie Lesjak then stepped in for a while on an interim basis. In 2010 the board chose Leo Apotheker as HP's fourth leader in as many years—but by then the company's board was attracting some unwanted attention. In a *New York Times* article about the new CEO, James B. Stewart wrote, "Interviews with several current and former directors and people close to them involved in the search that resulted in the hiring of Apotheker reveal a board that, while composed of many accomplished individuals, as a group was rife with animosities, suspicion, distrust, personal ambitions, and jockeying for power that rendered it nearly dysfunctional."

Apotheker's brief tenure proved predictably problematic. Though HP had regained the number one spot in world PC sales in 2006, the low-margin nature of that market segment didn't thrill Apotheker, whose background was in software. Unlike us, he didn't appreciate the PC's virtues as a cash-generator and a landing point for upselling software and services. When Apotheker announced plans to sell or spin off HP's PC division and acquire the British software firm Autonomy, for $11 billion—which would have given HP a big boost in the software business but also depleted the company's cash reserves—the Hewlett-Packard board fired him and hired one of its own to replace him: Meg Whitman.

Meg was a star, a Princeton and Harvard Business graduate who'd held executive positions at Procter & Gamble, Bain & Company, and Hasbro before joining eBay, which she built into a giant over her decade (1998–2008) as CEO. She was and is a highly intelligent and decent person, a natural leader, but her background was primarily in consumer products, and HP was a totally different animal. Enterprise was uncharted territory to her.

Her first announcement after taking over in the fall of 2011 reversed Apotheker's plan: Hewlett-Packard, she said, was definitely going to keep its PC division. By the late summer of 2014, though, an awful lot had changed.

On September 8, 2014, I flew out to Silicon Valley to meet with the CEOs of some of our partners, a trip I made on a regular basis. This time I got together with Steve Luczo, head of the hard-drive maker Seagate (once known, back when I was cutting my teeth on early PCs, as Shugart); Lloyd Carney, of the data and storage networking company Brocade; Jensen Huang, of the graphics-chip designer NVIDIA; and Scott McGregor, of the semiconductor company Broadcom. All these companies were also partners with EMC and VMware, and on this trip, without revealing anything, I was working to understand how these leaders viewed EMC as a company, and who they saw as serious competition.

I met with one more CEO that late-summer Monday. My lunch with Pat Gelsinger, the head of VMware, was intentionally the longest meeting of my day, because there was much I wanted to understand. I'd known Pat since the morning in 1986 when I showed up in Intel's Santa Clara headquarters demanding to see the company's president, Andy Grove. This was a little like marching into Disneyland and demanding to see Walt Disney. Dr. Grove was a true legend in the tech industry, an immigrant from Hungary who arrived in the US at age twenty-one, almost penniless and speaking little English, and went on to transform Intel from just another manufacturer of memory chips into the world's foremost producer of microprocessors. And I was nobody, just a strong-willed twenty-one-year-old trying to get my little start-up off the ground by making the best PCs possible—and I needed Intel 286 chips to do that, and damn it, I wasn't getting enough of them. So I sat in Intel's lobby and, when security asked me to leave, said I wasn't going anywhere until I got to see Dr. Grove. Andy must've heard about the annoying young man in the lobby, because I ultimately got to meet with him and tell him about my quest to transform

PC's Limited into a great company. He became a friend from that day on—as did Pat Gelsinger, Andy's technical assistant, who was just a couple of years older than me.

Working side by side with Andy, Pat was the architect of the original 80486 processor and rose to become Intel's first chief technology officer. Then, a couple of years after Dr. Grove retired, Pat left Intel to join EMC as president and COO of EMC Information Infrastructure Products. In 2012 the board appointed him CEO of EMC's semi-independent division VMware, and Dell's long partnership with that company and my even longer friendship with Pat came together in an exciting new way.

He had no idea what was in the back of my mind at that lunch in September 2014, but he and I had a lot to talk about anyway. In February VMware had named Dell as its number-one global OEM (original equipment manufacturer) partner; in August at the VMworld conference, Dell and VMware had announced a flurry of innovative enterprise solutions, including Dell Engineered Solutions for VMware, a precursor to VxRail, the hyperconverged infrastructure appliance that would become a huge success (over $5 billion in sales) for both of us.

And that was just the beginning. As the briefing document for my meeting with Pat said, "There has been consistent Dell senior executive interaction with VMware in the past year, with a strong focus on driving joint solutions and strengthening our engineering and sales relationships."

Our long-standing partnership also faced challenges. Pat's company's expansion of its management software portfolio and bundling of software titles into product suites created some tension and overlap with a few Dell assets: the user-experience-management tool Foglight, the desktop virtualization software vWorkspace, and our Enterprise Mobility Management suite. VMware was also expanding beyond OEM partners like Dell and starting to work with original-design manufacturers (ODM) like Supermicro to increase its sales reach.

But both Pat and I felt the advantages of our collaboration far outweighed the challenges. I left with the feeling that VMware's relationships with EMC and Dell were solid and likely to stay so—a crucial foundation for the merger that I still hadn't breathed a word about to anyone except Joe Tucci and Egon Durban.

In an ordinary year—the kind we used to have before life got extraordinary—I'll spend about a hundred days on the road for business. A lot of miles, a lot of time away from home. Fortunately, I love my work—love meeting with customers and partners and suppliers, and with team members all over the world. And I'm naturally curious—going new places and seeing new things is thrilling to me. In a lot of ways I'm still the same guy I was in 1985, when I took that first big trip to the Far East and felt excited every minute of every hour of every day.

But I was twenty years old in 1985, and I'm not twenty anymore. Health wasn't something I thought a lot about then, but I certainly think a good deal about it now. I've had a number of colleagues and friends who died young, and I want to do all I can to stay healthy as long as I can—for the sake of my family, my business, and myself. If you don't have your health, then all else is lost.

I see health as a kind of hierarchy whose foundation is sleep. Think about it: if you couldn't exercise for a month, you might be unhappy, but you could do it. If you couldn't eat for a week or two, you'd be uncomfortable, but (as long as you could stay hydrated) you'd get through it. But if you couldn't sleep for three days, you'd be in bad shape. Sleep isn't always an easy thing when you're crossing time zones, and I cross a lot of time zones.

Over the years I've developed some methods for getting the best sleep possible while I travel. A bag of tricks, if you will. One of them, if you're going someplace that's many time zones away, is going to sleep earlier and earlier for two or three nights ahead of the trip. Another trick, once you've arrived, is to get up first thing in the morning and exercise. Do not, under any circumstances—and I've learned this the hard way once or twice—sleep in the middle of the day or the late afternoon, or you'll totally screw yourself up. Put yourself on the new time zone as quickly as possible.

The second week of September in 2014 was a pretty typical one for me. After leaving Silicon Valley I went back to Austin for a couple days, then on Friday the twelfth I flew to New York to attend a board meeting for Catalyst, a nonprofit organization that promotes inclusive workplaces for women. The next morning I headed east for a weeklong trip to meet with customers in Doha, Riyadh, Abu Dhabi, Berlin (where I also had a short but nice visit with my cousin Natan Del, a German internist), and Brussels—and then turned around and flew five thousand miles west to Aspen, Colorado.

My destination was The Weekend: an always fascinating gathering of experts in politics, global security, education, science, and technology. That year, the speakers included former defense secretary and CIA director Robert Gates, former Treasury secretary Hank Paulson, Queen Rania al-Abdullah of Jordan, former UK prime minister Tony Blair, and many other notables. I was just there to take in the scene, listen and learn—but soon found myself listening more than I'd bargained for.

At a cocktail reception before dinner one night, I spotted a familiar face: Paul Singer, the founder and co-CEO of Elliott Management. Paul's hedge fund has been highly successful over four decades by making contrarian, frequently pessimistic, bets on markets and securities—and it was one of his portfolio managers, Jesse Cohn, who'd recently come to Austin to try to convince me of the merits of the idea I already had in mind, namely, a merger with EMC.

And now, to my discomfort, Paul Singer was cornering me at this reception and picking up his guy's push for a merger—about which (of course) I could say nothing. I smiled and nodded, nodded and smiled, until Paul had his say and (I think) got the message: I never comment on rumors and speculation.

I'd rarely been gladder to hear a dinner bell.

This was Friday night, September 19. On Sunday morning, after I'd returned to Austin, my eyes went straight to a headline on *The Wall Street Journal*'s homepage:

> EMC WEIGHS MERGER, OTHER OPTIONS
>
> PRESSED BY ACTIVIST AND WITH CEO EXPECTED TO RETIRE, DATA-STORAGE GIANT REACHES CROSSROAD

Well, I thought. *This is pretty interesting.*

The piece began:

> EMC for nearly a year held off-and-on merger discussions with Hewlett-Packard Co., though those talks recently ended, according to people familiar with the matter. It isn't clear whether the talks could be revived.
>
> Another company that has recently held talks with EMC is Dell Inc., people familiar with the matter said. It isn't clear where any talks between the two companies stand. Given their relative sizes, it is unlikely Dell would contemplate a full takeover of EMC and might instead seek to purchase assets including its core storage business, one of the people said. . . .
>
> The deal EMC and Hewlett-Packard discussed would have been a blockbuster, in part given that the two companies have a combined market value of nearly $130 billion. The deal they contemplated would have been an all-stock transaction billed as a merger of equals, one person familiar with the matter said.

People familiar with the matter; *one person familiar with the matter*. . . . I was pretty sure who these familiar people were: some unscrupulous investment banker or bankers eager to stir up a deal they could profit from, or someone from Elliott eager to stir up a deal they could profit from—or both.

In any case, the buzz I'd heard about HP had been correct. And what Joe Tucci hadn't been able to tell me in late August when I called him about a merger was that Meg Whitman was on the brink of beating me to the punch.

As I later discovered, Meg first called Joe about a possible Hewlett-Packard purchase of EMC in November of 2013, soon after our go-private was finally approved. She had to have wondered why we weren't pursuing a purchase ourselves: maybe she thought the go-private was distracting us. The HP-EMC talks proceeded through much of 2014 and went very well. What the two companies worked out was a stock-for-stock deal: instead of spending and borrowing to acquire EMC, HP would let EMC's stockholders trade their shares for HP shares on a one-to-one basis. Humongous piles of equity and debt not needed! When the dust settled, all the shares would be combined to create a giant new company, one fully capable of besting us in the 5-S sectors—services, software, storage, servers, security—we'd been working so hard to succeed in.

HP and EMC had a handshake agreement, and then, at the last minute, they didn't. As I heard it, at the eleventh hour HP said, in effect, "Our stock should be at a five percent premium to your stock because we've got a better business than you." Which felt like a breach of trust to the EMC board. Game over. What would've been a blockbuster deal and a blockbuster merger, creating a mega-company that would have ruled the cloud-infrastructure and security sectors and given us some serious difficulties, was suddenly no more. And ultimately, I think, HP lost the deal over a relatively trivial sum of money. As much as I like and admire Meg Whitman, I feel this was a monumental blunder on her part.

Whether or not a shady investment banker had planted the *WSJ* piece to get some action going, there was already plenty of action going on in the tech world in the fall of 2014, and not all of it positive.

Hewlett-Packard was in dire straits (one commentator at the time called it "a deeply troubled tech firm whose most profitable product line is ink"); EMC was being pressured by Elliott, and other publicly held IT titans were also struggling. Oracle's earnings were down amid rumors that Larry Ellison was stepping aside (he wasn't); Microsoft was laying off eighteen thousand people; the big software companies CA Inc. and Compuware were also going through troubles.

Some were saying these companies represented the past, not the future. The wave of the future, according to some, was born-on-the-web corporations like Amazon, Google, Facebook, Twitter, Yahoo, and many others. But under the protective cover of private ownership, Dell—born in Dobie 2713—had started working on a combination that, if we could pull it off, would be breathtakingly large, the biggest (to the tune of $60-plus billion) in tech history.

If we could pull it off.

Three days after the *Journal* piece, I called Joe Tucci again to talk about the brand-new landscape in which we now found ourselves. The call had been scheduled for fifteen minutes, but Joe and I stayed on the phone for much longer, as we began to address how we might deal with the considerable challenges that lay before us. For one thing, we agreed that as we moved forward, deepest secrecy would be of the essence. The code names were rolled out again. We were Denali. EMC was Emerald. VMware was Verdite. The merger was Project Emerald.

As I recall that time, the summer of 2014 to the fall of 2015, I'm reminded that in practically every meeting I had with key customers and partners, I was thinking but not saying, *Does the combination with EMC and VMware make sense? How will these customers and partners react? How will our team react? What will work well and what challenges might we experience?* And in all those meetings I was probing deeply, in every way I could, for answers to these questions, all the while trying my hardest not to give any signals. The potential merger was—much like the go-private—the ultimate considered decision. Something you think about for a long time and very carefully before deciding to proceed.

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HARRY YOU AND THE BOLT FROM THE BLUE

On October 7, 2014, Meg Whitman announced she was doing the very thing she'd pledged not to do three years earlier when she assumed leadership of Hewlett-Packard: splitting the company in two. HP Inc. would contain the still-profitable PC and printer business; Hewlett-Packard Enterprise (which Meg would lead) would house the company's server, storage, networking, software, and services—the very areas that a merger with EMC would have complemented and magnified. It was hard not to see the move as a further diminishment of a once-great company.

And now, with Cisco also out of the running, we had a clear track to do the merger ourselves—again, if we could figure out how the hell to do it. Joe Tucci and I spoke on the phone several more times in the late fall, and then we planned to meet in January, when we were both to attend the World Economic Forum in Davos.

In Hawaii the day after Christmas, Egon and I took another long walk on the trail along the shore, following the same route we'd taken two years earlier when we first discussed the go-private. So much had happened in the interim, and there was so much to talk about now. But of course our relationship had completely changed over those two years: back then, Egon was just a smart guy whose ideas about taking Dell private I wanted to sound out; now he was a good friend and deeply trusted business partner.

For the first little while as we set out, we talked about the things friends talk about: how his three kids (considerably younger than mine) and my four were doing, how his Christmas had been (we'd just finished celebrating Hanukkah on the twenty-fourth). We discussed the recent big hack of Sony Pictures, possibly by North Korea, and Sony's withdrawal of the controversial film *The Interview* from theaters. And naturally we both wondered aloud what opportunities the impending split of HP into two companies might create.

From there it was a natural transition into talking over the ins and outs of the big merger: what could go right and what might go wrong; what revenue-growth opportunities combining the two businesses could create; what obstacles still stood in our path. And there were still considerable obstacles.

How might our respective customers and partners react to the acquisition? How might our competitors react? Who else, among possible financial buyers or strategic suitors (tech competitors), or both, might show up with a higher bid? What effect could an intervention by an activist (Elliott or someone else) have?

And continuing a still complicated and difficult theme, how could this deal be financed?

The beautiful crashing surf and serene blue sky seemed to say, *Life is simple; enjoy it*. But both Egon and I knew that as true as this might appear on a seaside trail on a post-Christmas day in Hawaii, the trail ahead was going to be hard.

Despite the many reporters and photographers covering Davos, Joe and I managed to find an unused meeting room where we could talk without attracting any attention. In early March we met again while we attended a Technology CEO Council meeting in DC. The topics Joe and I hashed over were always the same: what revenue and cost synergies would a merger of our two organizations create? What would VMware's role in the new company be? What role would the cultural differences between Boston-based EMC, Silicon Valley–based VMware, and Austin-based Dell play? How might this huge transaction be leveraged? And which leaders among both companies' teams would be best able to execute our strategy?

Recognizing that it was time to take our discussions beyond one-to-one, we planned an early-April meeting—at my house in Austin, to protect confidentiality—which, besides Joe and me, would include Egon; Bill Green, an EMC board member and former CEO of the technology-consulting company Accenture; and Harry You, an EMC executive vice president in charge of corporate strategy (and former Oracle CFO).

On April 3, Good Friday, we all convened. Over the course of the five-hour meeting, the seriousness of the discussion went up another notch. (Though there was a nice break from the intensity when Zach, clearly intrigued by this high-level conference, popped his head in to say hi.) We were beginning to get on top of revenue and cost synergies: we'd always thought there would be far more of the former than the latter, but it turned out that the revenue synergies between the two companies would be even greater than we had estimated. But there was still a financial problem: combining all the equity and debt we could anticipate being able to put together, we still couldn't afford to buy all of EMC's 81 percent stake in VMware. Still, Egon—a strong presence, with a track record of big successes at Silver Lake—said he was very optimistic that one way or another we would get it done.

When we adjourned, Joe and Bill headed back to Boston and Egon and Harry flew back to California. And as Egon later told me, he and Harry were chewing the financing question over and over when Harry suddenly said, "There's something else we could try."

Back in 1984 General Motors, seeking a foothold in the technological future, wanted to acquire Ross Perot's company, Electronic Data Systems, both to help standardize the automaker's diverse computer systems and to be in EDS's health care and payroll-automation businesses. But the deal hit an initial roadblock when GM proposed paying EDS, in part, with General Motors common stock. Perot and his team, seeing their company as a nimble, high-growth, high-tech trendsetter, were reluctant to combine their financial fortunes with those of a slower-growth, old-line automotive company. What especially worried them was that GM was so enormous that EDS's successes going forward would be lost in the mix—no innovation that EDS employees came up with could alter the stock price of a gigantic old battleship like General Motors.

So the investment bankers on the deal came up with a genius solution: GM Class E Common Stock, also known as a tracking stock.

The Class E Common Stock was on a completely equal financial footing with existing General Motors common stock, except that GM would pay dividends on it based on the earnings not of General Motors *but of EDS*. This gave EDS employees a direct incentive to improve and build their own business, and it allowed the merger to go forward.

Jump ahead to 1995, when GM, having undergone a decade-long corporate alliance that was profitable but stormy, was looking to separate from EDS and return to just being an auto manufacturer. In particular, GM wanted to unload its tracking stock, now worth $10 billion, without taking a huge tax hit. Harry You, then a young investment banker at Lehman Brothers, was tasked with helping to come up with a solution to this problem. (General Motors ultimately solved it by giving the tracking stock to the GM Hourly-Rate Pension Plan.) In the process Harry became a student of the strange financial instrument known as the tracking stock.

Fast-forward twenty years, with Harry You and Egon Durban flying west on Egon's plane and trying to figure out how Dell Inc. could come up with $60 billion to merge with EMC. Somewhere over the Southwest, Harry remembered GM and EDS.

What if, Harry said, we were to issue a new class of stock for VMware, one that didn't reflect ownership in the business, but instead tracked the company's performance? We could then sweeten the consideration paid to EMC stockholders in the deal by adding VMware tracking shares to their EMC shares. Egon was very excited by the idea—so much so that he and Harry started sketching out then and there—on the plane, on paper napkins—how a VMware tracking stock could work in a Dell-EMC combination.

And because we'd been collaborating on the idea steadily for six months, really working arm in arm as partners, Egon phoned me from his car the moment he landed and very excitedly told me about Harry You's bolt from the blue.

I knew a little bit about tracking stocks. I remembered the GM Class E stock because I'd studied Ross Perot's story pretty extensively. But I didn't completely comprehend the concept. So I went to school on it. This is my way—I tend to keep burrowing in on a topic until I feel I understand it thoroughly. (Sometimes that takes a lot of burrowing.) I went online and to my Bloomberg terminal, read everything I could about this peculiar financial instrument and the companies that had used it. I found all sorts of papers online from finance professors about the pros and cons of tracking stocks. And I began to feel somewhat optimistic that the Everest of this gigantic merger might be a mountain we were capable of climbing.

I was going all out to understand EMC and VMware from every angle—probing deeply to find any point of weakness, any overlooked aspect, anything I didn't know about. I assembled a list of the most senior executives that had left EMC in recent years and found a way to meet with many of them one-on-one, in order to find out more about the company. Often the stated purpose of the meeting was about a job opportunity at Dell, and in one or two cases we actually hired the person. Still, it wouldn't be uncommon for me to meet with executives, even when we didn't have a job open, to get to know them in case an opportunity did come up. I routinely keep track of great talent in our industry both inside and outside of our company.

Why not simply avoid all these machinations? Why not (I can hear you asking) just buy up a few storage and virtualization start-ups and integrate them into Dell—the process known in the tech world as the string-of-pearls strategy? It would cost vastly less than acquiring EMC and VMware. True, both companies had incredibly strong positions in the storage and virtualization sectors. But there were plenty of challengers out there: legions of start-ups that were gunning to topple them. Sand Hill Road, the street in Silicon Valley whose name has come to stand for the many venture capitalists headquartered there (and as famous in the tech sector as Wall Street is in finance), was still funding lots of new start-ups in storage, and EMC would often acquire them as they got larger. While there were merits to this approach—a form of R&D by acquisition—it had its limitations. For one thing, it was very expensive: stockholders could rightly feel it was diluting the value of their shares.

It also seemed to me that for the industry to consolidate—and all signs were pointing toward the inevitability of consolidation—a leading company would in some way need to emerge with the scale and organic innovation capability, the R&D strength, to create successive generations of leading products. Yes, there was a role for internal innovation and yes, there was a role for smaller acquisitions, but the reason Sand Hill Road kept backing new storage start-ups, sometimes at unicorn valuations, was that they were likely either to get acquired by a larger company (usually EMC itself) or go public with an IPO.

Yet the world turned, the industry changed, and over time Sand Hill Road moved on to funding other trendy areas. Customers are always the ultimate judge and jury. And though there were threats to VMware from emerging companies and technologies, Pat and the VMware team did a great job innovating and making their own acquisitions to retain the company's competitive edge.

Still, as part of my (very) considered decision-making process, I met with each of the companies planning to challenge both EMC and VMware, to see if a string-of-pearls plan might make any sense. And what I found was that while some of these start-ups had interesting ideas, they were far from being able to deliver them at scale. Nor did they show any evidence of being able to integrate well with each other.

And there was another problem: all these companies were losing enormous sums of money. Their VC backers were willing (for the moment) to keep backing and funding their losses; at the same time, they were valued astronomically. And our acquisition strategy to date had already taught me that it was highly unlikely you could acquire a bunch of start-ups that would challenge an industry leader like EMC/VMware. EMC and VMware's price tag had a lot of zeros on it, but relative to the companies' current cash flow and our projections of their future profitability, that valuation seemed like a bargain.

JPMorgan Chase's James Bainbridge Lee—known to everyone as Jimmy—had been one of our key financial advisers on the go-private and was now working as both adviser and lead investment banker in the EMC merger. A titan in his field, Jimmy had been a pioneer in developing the leveraged finance markets in the US and had almost single-handedly created the modern syndicated-loan market. With his slicked-back gray hair, apple cheeks, and ready wit, Jimmy was just one of those larger-than-life characters, brilliant and ebullient and exciting to be around.

On Thursday, May 28, Jimmy, Egon, and I had a long and detailed call about the challenges we still faced in financing the deal. Jimmy, always upbeat, saw possibilities rather than roadblocks. He laid out his view of how it could all come together: Silver Lake and I (including MSD Capital, the firm that handled my family's investments) could put in \$5 or \$6 billion dollars in equity. The VMware tracking stock would offset about \$18 billion. He also mentioned Temasek, a sovereign wealth fund that handled investments for the government of Singapore (and one of the major investors in our go-private), as a possible source of equity.

But that still left us needing to borrow some \$50 billion, an unprecedented amount. How could we persuade banks to lend us what we needed at a rate that wouldn't prove onerous? And how could we convince EMC's board that the deal was worth doing?

The banks didn't worry Jimmy at all. "Trust me—we'll be able to syndicate the loans," he said. What was really important now, he continued, was persuading the EMC board—making them see that EMC's business and Dell's business were highly complementary, that the merger was about growth and new opportunities, and that Austin and Boston could play nicely together.

“They want reassurance,” Jimmy said. “They’re the biggest public company in Massachusetts, and you’re a private company from Texas—how is this going to work? Are you going to create a lot of problems? Their board has many responsibilities—of course the first one is to get the best price it can for shareholders. But they also think about their own legacy. They want a good outcome for the company and their people over the long run.

“Tell them you plan to get an apartment in Boston,” Jimmy told me. “Tell them you’ll be spending some serious time there—you’re going to do everything you can to make sure it works. They’ll like hearing that.”

I thought that was a great idea, and I told him so. I remember that as we were winding up the call, Jimmy said he was about to go surfing with his son. He sounded delighted about it. That in itself seemed as admirable to me as any of his financial wizardry.

Family was also in the forefront of my weekend, which was a happy marathon: our oldest, Kira, was graduating with honors from Vassar in Poughkeepsie, New York, and the twins, Zachary and Juliette, from St. Andrew’s Upper School in Austin. It all started on Friday, with a dinner for Zach and Juliette at our house with about twenty-five family members and close friends. Their graduation ceremony was the next morning, and we went straight from there to the airport and flew to Poughkeepsie. Saturday night was Kira’s graduation dinner and then Sunday was commencement. Three graduations in one weekend, and fortunately we were able to be there for all of them, with grandparents too, except Mom, whom we all missed badly.

Family was also on my mind when I met with Jack Egan, the son of EMC’s late cofounder Richard Egan: Jack, an independent board member, was a key link to its the company’s origins. There was no way EMC could be sold without his support, so on June 8 I went to Boston to ask for it.

The occasion, a dinner in a hotel suite high above the harbor, was a well-kept secret, with just four attendees: Jack, Harry You, Egon, and me.

Jack wanted to explore the merger without Joe Tucci's supervision or influence, so Joe (entirely appropriately) stayed away. Harry was there just to represent EMC management and observe the proceedings. As soon as we'd finished eating and making small talk, Egon and I set about assuring Jack that his father's company would be in good hands. We gave it all we had, and we meant every word.

Jack's first question was close to home: EMC was the largest publicly owned company in Massachusetts, with strong economic and cultural ties to Boston—what would Dell's commitment to Boston and the community be?

Maybe because I'm a founder myself, but not just because of that, I said, I think it's important to cherish the history and legacy of how companies were started, mistakes and all. I told Jack we would always remember, respect, and honor those who had started EMC and VMware, and how they'd done it.

I told him that all three companies, EMC and VMware and Dell, had strong commitments to involvement in our respective communities, and speaking for us, that philosophy would happily include Boston after we merged. For starters, I said (smiling as I thought of Jimmy), I would buy an apartment in Boston, and spend time in the city when I was working at EMC's headquarters in Hopkinton, just twenty miles down the Mass Pike.

Jack nodded, then asked me about our strategy and plans for the combined company.

I told Jack that EMC and Dell would be a dream combination: the world's largest privately controlled tech company, with the best industry technology, products, and technical talent and an awesome sales force. The merger would be a great deal for EMC shareholders and Dell customers and partners—a win-win.

We knew well from our go-private, I said, that a private structure for the combined companies would create freedom for investment in sales and innovation: a long-term focus, unconstrained by quarterly results. And the freedom to invest was just the beginning—the capital structure created by the merger would be a force multiplier for investment capacity. The explosive growth of data, heading toward a trillion connected devices worldwide, demanded nothing less. Customers were seeing their needs for storage and security skyrocket daily: they needed to be able to turn to one company that could address a broad spectrum of solutions.

And customers, of course, were always looking for a trusted partner. The groundwork was already there—EMC was known and loved by many large enterprise customers, Dell, by millions of medium-sized and small companies. The two of us combined would present an even stronger trusted partner to customers of all sizes. A partner leading in the tech of today—servers, storage, virtualization, cloud software, PCs—and poised to lead in the tech of tomorrow: digital transformation, software-defined data centers, converged and hyper-converged infrastructure, hybrid cloud, mobility, and security.

Both companies (I said) had proven innovation engines; together, we would have more scale, a better supply chain, and most important, more commercial customers—giving EMC Dell a greater go-to-market reach than any other tech company in the world.

In summary, I told Jack, Dell plus EMC would be the essential IT infrastructure powerhouse, in a unique position to advise customers on how best to transform their IT amid the data explosion. No other company, I said, would come close.

By the end of the evening Jack nodded, and we understood that he'd given us his blessing. Now all we had to do was persuade the rest of his board. Oh, and raise that last $50 billion.

We were almost there, but it was a big almost.

Even though we (Dell) were ready to contribute all the equity of the existing business—essentially doubling or tripling down on the successful go-private—plus nearly $4.5 billion of new capital ($2.8 billion from me personally and MSD Capital, $1.1 billion from Silver Lake, and $500 million from Temasek), Jimmy Lee thought banks would feel this total equity wasn't enough to support the debt that would be needed to complete the acquisition. We therefore began to explore using *mezzanine debt*—a hybrid of debt and equity financing which, if the deal went south, would potentially allow the lender to convert the debt to equity. Because of this conversion feature, this kind of debt is treated like equity. (It's also expensive, coming with a significantly higher interest rate than the other debt we'd be taking on.) We thought we might need as much as $10 billion of mezzanine debt.

We quickly concluded that Temasek, the Singapore sovereign wealth fund, was our best, and possibly only, viable partner. Still, it was scary to have to put all our eggs in one basket: at one point that summer it seemed that if Temasek didn't want to invest $10 billion, the deal wouldn't go forward.

Over the next weeks, while we negotiated potential terms with Temasek, we continued to refine and optimize our capital structure in an effort to (1) reduce the amount of new capital required, (2) increase the amount of new debt capital available, (3) minimize the cost of debt capital, and (4) maximize Dell's direct ownership of VMware.

Nine days after my dinner with Jack—it was June 17, a Wednesday afternoon—I was looking at my Bloomberg terminal when a news story flashed on my screen that made my hair stand on end: Jimmy Lee had died, it said. I later found out that Jimmy had collapsed while exercising at his house in Connecticut. He was quickly taken to the hospital but couldn't be revived. He was sixty-two. Way too young.

It was a devastating blow to all of us—and there were many—who had loved Jimmy. It also happened smack in the middle of this enormous deal, whose financing Jimmy had been captaining for us. At moments like these—it was similar when my mom died—my compartmentalizing skills are tested to the limit. My mind is split between grief for Jimmy's family and friends, thoughts about the brevity of life, and the very pressing business at hand. Literally tens of thousands of people were going to be affected by this deal. How could we do right by them? And who could possibly take Jimmy Lee's place?

Jimmy had been a force of nature—everybody knew that. He had been the rocket booster under this merger. And Jimmy's junior assistants, or whoever might be tapped to take his place, weren't Jimmy. I fretted about all this for a day or so, then my phone rang. It was Jamie Dimon, Jimmy's boss and the CEO of JPMorgan Chase. I'd known Jamie for a long time and had the highest respect for him as a leader. And what he was saying now—that he was going to pick up for Jimmy and shepherd this deal through to its successful completion—made me respect him even more.

As we progressed, the analysis went deeper.

Each company retained a consulting firm to help examine the revenue and cost synergies for Project Emerald: Bain for Dell and McKinsey for EMC. And in late August we set a meeting at an out-of-the-way hotel chosen for secrecy's sake, a Hyatt Regency in the wilds of northern New Jersey, for us and EMC, plus a bunch of bankers and lawyers, to review the consultants' findings.

The night before, Joe Tucci, Bill Green, Harry You, Egon, and I had dinner together at a nearby restaurant in a refurbished old railroad car. Serious business was coming the next day, but that night the atmosphere around our table was friendly and fun. Maybe that's what allowed The Idea to surface.

I remember we were all laughing about one thing and another, including the idea of walking into a bank, sitting down with some loan officer and saying, "I want to borrow $50 billion"—which was pretty much where we stood at that point, and it seemed kind of hilarious. But suddenly Egon looked serious for a moment and raised his index finger.

"So the bank says, 'Okay, how are you going to pay us back?' " he said. "And we say, 'Well, actually, we have a couple of ways to pay you back.' "

We all quieted down and listened.

"One is we have this thing called our ISG business, which is the combination of EMC's storage, which has been around for thirty-plus years, and Dell's server business, which is world leading. And then we have this thing called the PC business, which generates all this cash flow.

“Then,” he said, “we have this other thing called VMware. Even though we’re issuing a tracking stock, we have eighty-one percent of the actual common stock of VMware on our balance sheet. It trades on the New York Stock Exchange, and that VMware stock is worth around $40 billion. But because after the merger we would have that eighty-one percent of VMware on our balance sheet, our equity in the company would be far greater than it would be without VMware included. So, Mr. or Ms. Banker, we actually have multiple ways to pay you back.”

Egon smiled. “And—this is the beautiful part—we really don’t need that expensive mezzanine debt with Temasek.”

Am I misremembering, or did Joe, Bill, Harry, and I all really break into spontaneous applause? What I know for sure is that now all of us were smiling.

We approached the rating agencies’ advisory services to discuss our proposed financing and to seek tentative ratings for our financing and capital structure. Our final structure now included the rollover of some of EMC’s existing investment-grade debt; but most important, by making Egon’s bulletproof argument about VMware, we were able to achieve investment-grade tranche ratings for the majority of the new debt we had to raise.

This was a breakthrough. The investment-grade debt market is much deeper—being able to tap it enabled us to increase the amount and lower the cost of available new debt capital to a point where we no longer needed to raise any expensive preferred stock from Temasek to fund the transaction. Now we could see a path to victory . . .

. . . with one more major hurdle.

On Wednesday morning, September 2, Egon and I went to the Times Square legal offices of Skadden Arps for what was arguably the biggest meeting of my professional life. It was put up or shut up time, the day that the EMC board was going to take a beady-eyed look at me and my company and decide if we were worthy to buy their company—and, no pressure, whether I was worthy to lead the whole shebang.

It eased my nerves considerably that we had a friend with us: Jamie Dimon.

A big meeting room, filled with EMC board members and management and bankers and lawyers, a video camera and speakerphones to include all who couldn't be present: a couple dozen people waiting to hear what I had to say. I'd thought of the occasion as a job interview—I felt confident, but at the same time, well aware that there was a huge amount at stake.

The board had a lot of questions.

They wanted to understand our plans, and also see how things would change. They wanted to know how we would keep the VMware ecosystem independent. They wanted to know how we would continue the philanthropic and community involvement that EMC had at the core of its culture. I made my best pitch.

I explained how we could operate more effectively as a private company with a long-term focus. I mentioned the opinion piece I'd written for *The Wall Street Journal* a few months back, in which I explained how going private was paying off for us. In the piece I said that privatization had unleashed the passion of our team members, who now had the freedom to focus first on innovating for customers in ways that weren't always possible when striving to meet the quarterly demands of Wall Street.

Recalling the trials that Southeastern Management had put us through, and mentioning the similar trials Elliott Management was still putting EMC through, I reminded the board that privatization also freed a company from the pressures of activist investors.

I explained our plans for team-member retention and growth. I said that we planned to retain the vast majority of the senior executives because our combination was mostly about growth and revenue synergies—and I reminded the board that HP would have eliminated many positions. The vast majority of the very talented people at EMC and VMware and Pivotal, I told the board, were complementary with our teams.

I affirmed my and our commitment to Boston and Massachusetts: I told them, as I'd told Jack, that I planned to get an apartment in Boston. I promised we would carry on the great work EMC had started in connecting with the communities that surrounded it—things like partnering with the state to bring STEM (science, technology, engineering, math) education and inspiration to K–12 schools; donating millions to local charities; and volunteering thousands of hours to help support environmental protection and disaster relief. I pledged that we would honor, preserve, and celebrate the company's strong culture. I said that I had profound respect for what Joe and his team had created, as well as how they created it, and that we only planned to extend it, not alter it.

An hour or so into the meeting, there was a momentary silence. Then one of the board members broke it with a question.

"This merger would add a lot to your job, and your job is already big," he said. "We're all kind of wondering how devoted to it you're going to be able to be."

"Look, this business has my name on it; it's been my life," I said. Then I smiled. "But also, those of you with kids will understand—my twins are grown up, they're both off to college now—I have a lot of free time on my hands."

This got a laugh. But once the room quieted down, another director gave me a serious look. "Do you have the money?" he asked. "We're talking about a lot of money."

Before I could say a word, Jamie spoke up.

"Yes," he said. "They have the money."

The laughter was even louder this time. Then another silence, as the stature and credibility of the man who'd spoken sank in. It was a moment I will never forget, and something for which I'll always be grateful to Jamie.

After the meeting I called each of the top EMC and VMware executives and asked for their commitment to stay with the new company. Every single one of them said yes.

We were closing in. And it was starting to get very real.

I went back to Austin and then on Saturday the fifth left for a weeklong business trip to visit some of our locations in Asia. First stop, Bangalore. My dad came along with me, as he would from time to time. It gave us a great opportunity to spend some time together; he could enjoy some sightseeing, and he loved tailing along and seeing me in action. When people asked him who he was, he would proudly say, “I’m the founder of the founder.”

From Bangalore we proceeded to Shanghai, then Tokyo. Then Dad went back to Houston and I met Susan that weekend at a small resort in the wilderness and isolation of southern Utah where we love to go hiking.

Maybe it was also the jet lag, but with the announcement of the largest technology acquisition ever now about a month away and approaching fast, I woke up in the middle of the night with my heart racing and my mind swarming with a blizzard of thoughts about things I needed to do, and questions about how I was going to get it all done. The truth is that deep down, I wasn’t sure how the whole thing would work. There were so many details to be ironed out, details that only a few people knew about, so I couldn’t involve the broader team in addressing all of them. I am not prone to panic, but—I’d never experienced anything quite like it—this might have been my version of a panic attack. I wrote down a bunch of thoughts, stared at the stars for a while, and finally was able to go back to sleep.

On the morning of Monday, October 12, 2015, we made the big announcement: in a deal twice as large as the previously largest tech-only deal (HP’s $33 billion acquisition of Compaq in 2002), Dell Inc. and EMC had become one company, with over 150,000 team members, to be called Dell Technologies and to be led by me. We had actually brought it off, actually purchased a $67 billion company with $4.5 billion in equity (plus all the equity in Dell Inc.). Our debt financing had succeeded beyond our dreams. It was as though we’d ridden a motorcycle over a tightrope across Niagara Falls.

The blowback began immediately.

Our competitors were saying, "Oh, it's going to take them years to sort it out; it's not going to work; they'll have all kinds of problems; you should buy from us instead."

Meg Whitman led the charge, as she had before with our go-private. In an email sent to "All Hewlett Packard Enterprise Employees," she called the merger "a good thing for Hewlett Packard Enterprise and an opportunity for us to seize the moment."

A good thing for HP but a bad thing for Dell, Meg claimed:

> To pay back the interest on the $50 billion of debt that the new combined company will have on their balance sheet, Dell will need to pay roughly $2.5 billion a year in interest alone. That's $2.5 billion that they will allocate away from R&D and other business critical activities, which will keep them from better serving their customers.

Meg seemed to know an awful lot about how we allocated capital! (In truth, our creative and efficient capital structure set the stage for strong cash flow and accelerated debt paydown.) But our supposedly excessive debt load was far from her only critique. There was also the problematic combining of our two companies:

> Integrating EMC and Dell, which combined have more than $75 billion in revenue and nearly 200,000 employees, is no small feat. This will be a massive undertaking and an enormous distraction for employees and their management team as two very different cultures come together, leadership teams shift and an entirely new strategy is developed.

Nor was that all. "Bringing two portfolios together," Meg claimed,

> will require a significant amount of product rationalization, which will be disruptive to their business and create confusion for their customers. . . . Customers simply will not know if the products they are buying today from either company will be supported in eighteen months.

Was the pot calling the kettle black? As one commentator wrote, “If anyone would know about that kind of mess, it would be HP.” That huge acquisition of Compaq—admittedly well before Meg’s tenure—had never amounted to much except the dismantling of a formerly important company and a boost to our position in the PC market.

And then there was HP’s purchase of the software company Autonomy—a company we’d briefly considered acquiring but passed on because at $11 billion it seemed outrageously overpriced. Apparently HP’s board felt the same way because they fired Leo Apotheker for saying he planned to buy it. Then, one month after taking over from Apotheker, Meg Whitman went ahead and acquired Autonomy anyway, at the previously agreed price—and then the whole thing turned into an embarrassing fiasco for Hewlett-Packard (and an $8 billion write-off) when it was discovered that Autonomy had been cooking its books.

I do like and respect Meg, but what she was engaging in now was nothing but sowing FUD, in a somewhat desperate effort to make up for the other colossal blunder she’d committed, dropping HP’s acquisition of EMC. Not vitriolic, Carl Icahn–level FUD, but FUD just the same. In her defense, this is something many CEOs do from time to time: I might have done it a time or two myself. She was just trying to spin the media and rally her troops. But the moment she split her company in two was the moment she admitted that in effect she had ceded victory in the IT infrastructure business to us.

We announced the merger that October, yet due to a long, drawn-out approval process—all the major governments where both companies did business had to declare that the combination violated no antitrust regulations—it wouldn't actually become effective until eleven months later, September 2016.

A story. By August 2016 every single country in the world where we needed to get approval for the merger—over twenty—had given their blessing. Except one: China. The People's Republic had not given its OK within the mandated 180-day approval period, and so had opened another 180-day period in which to do further analysis. Another six months of delay would be damaging to our business and our team, so I instructed Rich Rothberg, our general counsel at the time, to go to Beijing, report back to me every week, and do everything he could to make sure MOFCOM, the Chinese antitrust authority, had all the information it needed to come to a quick decision.

After one week, Rich called and told me that he wasn't hearing anything about when the authority would decide. The same thing after week two. When he called with the same news again in week three I told him that we needed to put a stake in the ground and tell MOFCOM that he wasn't going to leave China until they provided approval, no matter how long it took. Rich met my directive with about 20 seconds of silence, while he no doubt contemplated spending the next several months in Beijing and enjoying Thanksgiving, the Christmas holiday, and New Year's with our Dell China team members. He replied that he didn't think MOFCOM or the government of China would care about or be influenced by his whereabouts while they took their time deciding our fate. Undeterred by Rich's lack of faith in the power of one individual to make a difference, I responded that I also thought it would be meaningful to our management team, and a sign of how important this was to the company, for him to announce to our team his decision to stay in China until approval was received.

Another 20 seconds of silence—after which Rich said he felt confident that what he was doing in China (largely waiting in a conference room in our Dell offices) could be done just as effectively in Austin. This time I was silent, and after about 20 more seconds (during which time I'm sure Rich thought about the wisdom of his boss's "suggestion") he piped up that, in fact, he did think his remaining in Beijing made sense and would be a strong signal to the Chinese government that we would do whatever it took to get a timely decision. I'm not sure if that decision was a factor or not, but luckily for Rich (and for the company), MOFCOM gave its approval within the next ten days, and Rich was home in early September, in plenty of time for the holidays.

Throughout the approval process we knew our competitors were going to try to throw sand in the gears. We knew they would go to the Department of Justice's Antitrust Division and say, "You know, Dell is going to buy VMware, and they're going to take away VMware access for all its competitors, so you need to investigate that." So one of the first things I had to do was personally call the CEOs of all our competitors—the heads of Cisco, IBM, NetApp, Lenovo, and many others, and yes, Meg Whitman—and assure them that VMware was going to remain independent.

Then I really had my work cut out for me.

To put it in a more positive way, the lengthy approval process gave us more time to begin work on the very big and very important job of melding Dell and EMC. Because in truth, Meg's second point—that integrating two gigantic companies, each with its own distinctive corporate culture, is a bear—wasn't far off the mark. But she'd cast the challenge in the most negative light possible, whereas I saw it as a tremendous opportunity.

And before anything else, a branding opportunity. One of the big questions early on was, What would we call the new company?

It was not a question that could be answered easily or intuitively. So we applied a proven Dell process that resolves any decision, no matter how complex, in thirty to forty days. The process consists of two steps: Facts and Alternatives, and Choices and Commitments.

Companies often get hung up on big, complicated decisions, which either never get decided or take four or five or ten months to work out. Our way says, "Let's get the real facts here—not opinions, facts." At the same time, we ask, "What are all the legitimate alternatives? Not crazy things that you would never do, but the actual legitimate alternatives?" Then you spend not much time, a couple of weeks, looking carefully at each of these alternatives.

Then comes Choices and Commitments, which—no surprise—says, "Okay, we're going to make a choice and commit to it." The selection isn't based on personalities or emotions. It's a very fact- and data-oriented objective process. We have a truth-seeking culture, having learned long ago that facts and data are your friends.

With this branding, the first question was, What are the alternatives? Well, you could just call the company Dell. You could call it EMC. You could call it DellEMC. You could call it Dell-EMC-VMware. We had a few others: Dell Labs, or Dell Laboratories.

One of the alternatives was to create a completely new brand. But we concluded that that would cost hundreds of millions of dollars, and take a long time, whereas we already had one of the most recognized brand-marks in the world in Dell. EMC wasn't quite as well known across the industry, but to a particular kind of customer it was prominent and highly valued. All these companies with the big buildings with their logos on them—they knew what was in their data center. So for the infrastructure business, we created DellEMC as the brand, and then, as the parent company brand, Dell Technologies.

But even more important than naming the new company was forming a completely integrated and smoothly functioning team. Toward that end I spent the rest of 2015 and the first three quarters of 2016 going on a major charm offensive, doing everything I could to make as many levels as possible of EMC management not just comfortable about the combination, but excited about it.

One of the first challenges was to avoid—really, to stamp out—any characterization of the merger as an acquisition.

I always like to look at these things through the lenses of the customer and the team member, also known as the employee. If you're a customer, you don't want to hear about acquisitions. Carl Icahn makes acquisitions. These are the kind of takeovers in which entire boards and executive teams get stripped out in the interests of flipping a company for a quick profit. "A combination" sounds a lot better than "an acquisition." "A merger" kind of sounds like "a combination." You can say "merger."

Still, if you're a team member, maybe especially if you're a team member—there's something very odd about being in a merger. When you join a company, you've made an affirmative decision to join that company, and it has made an affirmative decision to have you join. In an acquisition or merger, that's not the case. Your company was bought or combined with another company and now you work for this new company. You didn't make a positive decision to work for this new organization, and they didn't make a positive decision to hire you, either. It's a totally different relationship, one that's tricky to make people feel good about.

What if the shoe had been on the other foot? I spent time thinking about that. We're sitting there in Round Rock, Texas, doing our thing, then some company buys our company. Well, first of all, the new headquarters wouldn't be in Round Rock, Texas, anymore; it'd be in some other place. And maybe I would be there, maybe I wouldn't be there, maybe there'd be a whole other set of people there. It'd be different, for sure.

And so I went out of my way during that year to give as many of EMC's people as possible the biggest hug imaginable. Of course, they had financial incentives to stay, but that isn't as powerful as the emotional connection, the feeling of, "Okay, I know the folks who are involved in leading this company, and I trust them, and I believe in what we're doing, and what we are doing is important."

I did all kinds of things. I took people to dinner. I invited people to my house. I wanted to build relationships and understand their perspectives and insights. From our previous alliance, I knew some of EMC's executives, like Bill Scannell (who'd started at the company back in 1986) and Howard Elias, and I had gotten to know many more during the past year. It was an awesome, very talented leadership team. I went on LinkedIn and connected with everybody who had a reasonably important title at EMC and VMware and Pivotal. Nobody expected that: "You have a LinkedIn request from Michael Dell." Not to puff up my personal importance, but people are excited to hear directly from the CEO, whoever he or she is. When someone would write me back, I'd say, "Welcome to the team! We're so excited, heard great things about you"—assuming I had. And "Can't wait to work with you!"

I also went around to as many of EMC's offices as I possibly could, always sending the word ahead of time: "I want to meet one-on-one with as many of the top people as I can." I wasn't disingenuous about it. I wouldn't tell somebody I'd heard they were great if I hadn't heard they were great, but my campaign was purposeful. I recognized that these people hadn't affirmatively decided to work for our company; maybe they didn't know anything about our company except what they'd heard. So it was almost as if I was rehiring every one of them. I was going more than halfway across the table to say, "Hey, I've heard terrific things about you, and I really want you on the team. I want to assure you that you've got an important role in the company—a big part of why we're combining is the work you're doing." And "This new product is really great; I want to learn more about this, and keep me posted on that, and feel free to contact me at any time and let me know how I can be helpful." I also wanted to hear their ideas about the best opportunities ahead of us. My note with everyone I met was, "We're in this together."

But my campaign was also targeted. We'd known since the beginning that the merger would create some redundancies: we didn't want everybody to stay. In some cases there were overlapping functions, and some hard decisions had to be made. This wasn't the key plot of the combination, but it needed to be done.

How do you decide who stays and who goes? We started with strategy, structure, people. What's the strategy? What's the best structure to execute it? And then, who best fits the structure to execute the strategy? As we looked at the people in both organizations, we found an incredibly deep bench of talent—for almost every position, we had three or four, in some cases five, qualified candidates. It's inevitable that when you put together two giant companies, there are going to be more great people than there are great jobs.

On the one hand, this gave us the opportunity to really increase the caliber of the talent across the organization. On the other, it made for some tough moments.

There was one top function—I won't say which—that was occupied in Dell and EMC, respectively, by two extremely skillful and engaging guys. Dell's guy had just been appointed; EMC's guy had been there a long time. Either one could've done an outstanding job going forward. But the hard truth was that the Dell guy, being newly appointed, was in a position to grow up in a role where all he knew was the combined organization, and thus could give the merged companies a perspective that wasn't steeped in one legacy company or another.

I told the EMC guy right off that there wasn't going to be a job for him. I thanked him for all the great work he'd done, and said I knew he was going to continue to help through the completion of the combination. I told him we'd have a generous severance package for him.

He said, "Well, I'll go think about it."

He came back and proposed a plan wherein the other guy would continue to perform the function for DellEMC and he himself would perform it for Dell Technologies—making him the parent company's top guy in that position. The uber-guy, if you will.

"Well," I said, "that's not really what I had in mind." It took me a couple of meetings to convince him that there actually wasn't a job for him anymore. He really was a very nice guy, and the decision was hard on us both—harder on him, of course. He was disappointed in the outcome, but not in his severance.

Out of this sometimes-bumpy process, we emerged with a great team, consisting of the best people across the whole company. We were and still are very thoughtful about the balance of the team, so that it truly reflects our collective strengths as a company. Five years in, there's so much cross-pollination that almost no one says anymore, "I'm legacy Dell" or "I'm legacy EMC." If they do we remind them gently, "No, no, it's all one company now—we're Dell Technologies."

I was perfectly happy staying private. (Or to be more accurate, remaining, due to the tracking stock, a public company that was privately controlled.) The merger had worked, and it kept working: just as we'd anticipated, the two companies together were greater than the sum of our parts. Combining the server business of Dell and the storage business of EMC had created a giant new infrastructure business that was super-successful. When we combined with EMC, our sales were close to $73 billion; through 2017 and 2018, we added almost $20 billion in new revenues, far more than anyone, including us, had expected. In the first quarter of 2018, our worldwide server revenue rose over 50 percent, taking the top spot from HP, the longtime leader in the sector. We also retook the lead in US PC shipments. (If the PC really was dead, it was a pretty lively corpse!)

And the 81 percent interest in VMware that came along with the deal was a bonanza, generating $8.1 billion in sales and $3.3 billion in free cash flow over the twelve months ending in mid-2018—not to mention an additional $9 billion we received from VMware's $11 billion special dividend in early July. VMware was doing very, very well, and a good deal of its success had to do with Dell Technologies' delivering complete solutions, together with our server, storage, and PC businesses. And the tracking stock, having risen 115 percent from when we'd issued it, was reflecting that success.

By mid-2018 we'd paid down a good deal of the debt we'd taken on to complete the merger. It was time to simplify our capital structure, increase our economic interest in VMware, and align the interests of all stockholders, both private (mainly Silver Lake and me) and public (owners of the tracking stock, aka Class V or DVMT shares).

It was time to eliminate the tracker, and to bring all the shareholders together.

How to proceed?

Our board formed an independent special committee—shades of 2012—to explore all the alternatives. Should we just buy all of VMware?

VMware didn't really like that idea: they were rightly proud of their identity as an independent software company and had no desire to lose that independence.*

Ultimately, the best path forward—and here we had the wise counsel of Gregg Lemkau, head of investment banking at Goldman Sachs—seemed to lie in acquiring the tracking stock for cash and common stock of the parent company. Buying the tracker could be a great simplifying move—but in order to compensate DVMT shareholders correctly, the committee had to establish a value for Dell Technologies. And ultimately, there would need to be a vote from the holders of the tracking shares in favor of the transaction.

The financial press chronicled our steps forward with some interest: you don't just let go of the story of the biggest tech merger ever. And then the attention quickly attracted the attention of another very interested party: the guy I'd once thought of as The Joker.

On July 2, 2018, we—Silver Lake and Dell Technologies—announced our plan to acquire the tracking stock. The financial press called it overcomplicated, but it seemed simple enough to us: we were proposing to buy out owners of the Class V shares with their choice of cash or Class C common stock in Dell Technologies. After the transaction, the Class C common stock would trade on the New York Stock Exchange, which meant that Dell would once more become a public company.

Under the plan, tracking-stock owners would receive either $109 in cash or 1.3665 shares of Dell Class C stock for each share of DVMT they held. The tracking stock had closed at $84.58 in the last trading session before the announcement, so those who chose cash would get a 29 percent premium for their stock, more than double what the tracker was worth when first issued. The value of the buyout for those who chose Class C stock would depend on the share price once it began trading. A gamble? Sure. But a very good bet. And an alternative that would be at the discretion of each shareholder who wanted to take that bet.

And of course that didn't stop Carl Icahn from making trouble anyway.

Losing his 2013 battle to take over Dell might've dinged Carl, but it didn't discourage him in any major sense. He was like a zombie that you couldn't kill! He just kept on keeping on, doing what he was famous for: buying up big positions in companies where he smelled blood in the water, and trying to extract value from those companies whether it was good for them or not. Winning a battle here, losing one there, savoring the game and all the publicity it brought him, generally coming out ahead and adding to his large fortune, for all the joy it brought him—which didn't seem to be much.

Was going up against us again Icahn's attempt at redemption? As I always say, I don't like to engage in speculation, especially where other people's motives are concerned. More likely is that the poker player in Carl simply saw another chance for action.

His first move in 2018 was straight out of his well-worn playbook, and an echo of his first move in 2013: once again he began buying up a bunch of our shares, starting out modestly (and quietly) in the spring, but, by the time he disclosed his position in mid-August, having accumulated a 1.2 percent interest in DVMT. By October he'd become the tracker's number one stockholder, at 9.3 percent. Once again he intended to make trouble in a major kind of way. As before, he pretended to be the voice of the poor, downtrodden stockholder, whom we were trying to shaft (he charged) with an insultingly low offer.

In a highly colorful October 15 regulatory filing (Icahn knew no other style!) with the SEC, an angry, rambling letter that stood reason on its head and called the glass not just half-empty but barely wet, Carl accused Silver Lake and me of having concocted the EMC merger out of a sense of Dell Inc.'s gross inadequacy:

> Several years ago, I believe Dell and Silver Lake realized that Dell Technologies [*sic*] was simply a highly leveraged hardware company facing great secular challenges and would never enjoy the growth and success of Apple and Microsoft. Therefore, they levered up dramatically to purchase EMC Corporation, a better

> positioned hybrid hardware and software company, whose crown jewel was its 82 percent ownership interest in VMware, Inc.

In Icahn's worldview, Silver Lake and I had colluded—nefariously!—to create the tracking stock and fob it off on EMC shareholders with the intention of destroying its value through "scare tactics . . . reminiscent of the tactics Machiavelli advised the Borgia rulers to use centuries ago[!!]," then buying it back at bargain-basement prices. In Carl's view, Dell Technologies didn't just want to simplify capital structure and benefit appropriately from our success; no, we *desperately needed* to get that tracking stock back:

> The combination of high leverage and the cyclicality of Dell's business means that it is possible that Dell's cash flow may be severely impaired by any downturn in its business, making it very important for them to get control of VMware's more stable recurring cash flow. . . . To continue paying down debt, we believe that Dell has a more pressing need for VMware's cash flow than management would have you believe.

At the current prices, the differential between the tracking-stock shares and publicly traded VMW shares—the discount—amounted to around $11 billion. By Icahn's calculations, our offer to the DVMT stockholders amounted to trying to grab that $11 billion off the table. "Make no mistake," he wrote,

> if the current "opportunistic" deal succeeds, 100 percent of the discount, approximately $11 billion, will be an economic windfall mostly attributable to Michael Dell and his Silver Lake partners. It is clear to me that Dell and Silver Lake have followed Machiavelli's advice to the letter: *It is better to be respected than loved, but better still to be feared than respected*.

Again with the Machiavelli! Carl liked to make his sign-offs extra zippy, and this one didn't disappoint. In closing, he wrote,

> I firmly believe Dell and Silver Lake are trying to capture $11 billion of value that rightly belongs to us, the DVMT stockholders. **As such, I intend to do everything in my power to STOP this proposed DVMT merger. In my opinion, it is better to have peace than war, but be assured, I still enjoy a good fight for the right reasons, and in the current situation, I do not see peace arriving quickly! Stay tuned!**

Totally false, of course, but naturally the financial press loved it. They ran Photoshopped images of Icahn and me facing off with boxing gloves! And it wasn't just Dell versus Icahn. Other major holders of the tracking stock were lining up with Carl: P. Schoenfeld Asset Management (PSAM), BlackRock Inc., Paul Singer of Elliott, Canyon Partners, Mason Capital. This could make good copy for months. . . .

And then, no doubt to the disappointment of onlookers and commentators and pot stirrers everywhere, the whole thing kind of—petered out.

It all lasted only a month. Ultimately Icahn's assault on us was just a pallid echo of 2013. On November 1 he filed a lawsuit against us, as Carl was wont to do, alleging that Dell had refused to provide financial information to DVMT shareholders regarding our proposed acquisition of the tracking stock. He charged us with threatening the stockholders with an IPO—and a forced conversion of their shares into shares of our newly listed stock—if we couldn't get the votes for an acquisition.

Did we consider a Dell Technologies IPO instead of a tracking-stock buyout? We did, and we even discussed the possibility with several banks who pitched us on the idea—but it was our backup plan. The far simpler option was just to raise our offer, which is exactly what we did on

November 15, increasing our bid to $14 billion, or $120 per share. We also agreed to other changes, including giving Class C stockholders the right to elect one independent director.

And just like that, the tracking-stock shareholders came around. Elliott, Canyon Partners, Mason Capital, and others—in all, holders of about 17 percent of the DVMT shares—all decided to accept our offer, leaving Icahn out in the cold. On November 15 he withdrew his lawsuit, first taking credit for getting us to raise the offer—"Largely due to our opposition, today Dell enhanced the deal by reducing the value being diverted from DVMT stockholders from over $11 billion to $8 billion"—and then signing out in characteristically grumpy fashion:

> Although we believe a far better deal could have been obtained, unfortunately, and as you might imagine, we were not invited to the negotiations by either Dell or Goldman [Sachs, our investment bank in the deal]. In connection with the revised deal, it appears that stockholders representing 17 percent of the stock have decided to switch over and support Dell. As a result of this, as well as the support Dell already had, we have determined that a proxy fight would be unwinnable and have decided to withdraw our Delaware litigation and terminate our proxy contest.

And just like that, my would-be nemesis slunk away—hasta la vista, Carl; maybe we'll dine again someday!—and the way was cleared for Dell Technologies to become the best possible version of itself. As tech CEO Dan Serpico said at the time, "This is going to take away all the FUD and noise and allow Dell and its partner community to focus on the things that are most important, like meeting the customers where the customers are with great solutions, creating a good channel, providing good incentives and investing in future technologies."

Amen.

On December 11, at a special meeting in Round Rock, 61 percent of DVMT shareholders voted in favor of exchanging their tracking stock for

Class C shares in Dell Technologies. And on December 28, 2018, it became official: we were once again a public company—but a very different kind of public company than we'd ever been before.

"With this vote," I told the press, "we are simplifying Dell Technologies' capital structure and aligning the interests of our investors. This strengthens our strategic position, as we continue to deliver innovation, long-term vision, and integrated solutions from the edge to the core to the cloud. We've created Dell Technologies to be our customers' most trusted partner in their digital transformation."

(And some parting facts about Carl Icahn: on our go-private date, October 29, 2013, Icahn Enterprises stock stood at $100.53; on December 28, 2018, the day DELL started trading again, Icahn's stock price was $57.73. By comparison, on October 29, 2013, the S&P 500 stood at $1771.95; on December 28, 2018, it had risen to $2485.94. For all his bluster, Carl was dramatically underperforming the S&P 500.)

14

ZETTABYTES AND MOON SHOTS

In July 2017—exactly five years after the *Fortune* Brainstorm conference where we first met—Egon Durban and I sat on the Aspen stage to be interviewed by the magazine's CEO, Alan Murray. At the 2012 conference Egon and I had contended separately that public markets were undervaluing many tech companies—then we met backstage, and our meeting of minds led to our taking Dell Inc. private together, then collaborating on the EMC merger. Now the two of us were onstage to explain the company's transformation.

Alan seemed puzzled by it. Was he playing devil's advocate, or was he genuinely confused? "We all knew what the old Dell was, right?" he said. "We got the catalogue, we ordered the computer, it came in a box. We get it. The new Dell is hard to get your head around. I mean, you're doing a little bit of everything. You're doing hardware, you're doing software, you're in the Internet of Things, you're in data, you're in cyber, you're in networking—give us the elevator pitch. What is Dell's unique market proposition?"

"We see ourselves as the essential infrastructure company," I told him. I said that our customers were facing some version of four different transformations. The digital transformation was the big one—the one every company on the planet was starting to deal with. And that, I said, was directly connected to the second transformation: the explosion in the number of intelligent and connected nodes, and all the data, and the Internet of Things, and machine intelligence, and AI—that, I told Alan, was a big deal for tons of companies.

“Then you have the IT transformation,” I said. “How do you automate and modernize and have a more cloudlike model? That of course necessitates a workforce transformation—how do you enable all your people to have the right tools?

“And then finally, how do you secure?”

Alan looked receptive but still puzzled.

Combining with EMC and VMware and Pivotal, I told him, allowed us to create this new company, Dell Technologies, which had become the leader in infrastructure IT. I said that we also had a fantastic position in a lot of the new ways the industry’s evolving—the software-defined data center, and hyper-converged infrastructure, where all the IT functions that once were hardware-defined are virtualized. That we were storing more mission-critical data than anyone else on the planet, making more servers than anyone else on the planet, working in concert with VMware and Pivotal to meet all our customers’ needs in the big new world of data.

Alan pushed back. “There are plenty of people out there who say that the ‘We’re gonna do it all’ approach has its pitfalls,” he said. “That there’s a benefit to focus, a benefit to saying, ‘We’re gonna be the one company that does this one piece better than anyone else.’ Why do you reject that approach?”

“Well, everybody’s entitled to their opinion,” I said. “What I can tell you is that in our first quarter we had a billion dollars more revenue than we planned for. When we go to a customer and say, ‘You’re buying ten things. You’re buying six or seven of them from us—why don’t you buy all ten from us?’ And the percentage of customers that are saying yes is remarkably high. None of our competitors have the unique set of capabilities or the breadth we have.”

As I write these words, the percentage of customers saying yes is higher than ever—and that’s great for us. For our year ended January 31, 2021, even in the midst of a global pandemic, we recorded our highest-ever revenues, profits, and cash flow. If you were keeping score, the value of our equity in the eight years since the announcement of the go-private increased by over 625 percent, and our enterprise value increased to over $100 billion. Not bad for a business that was thought to be dead in 2013. But just as exciting to me as our company's growth and success are the head-spinning possibilities of technology: what I call a Cambrian explosion in the world of big data.

Five hundred and forty million years ago, during the first geological period of the Paleozoic Era, aka the Cambrian, life on earth, previously limited to single-cell organisms, suddenly exploded in biological diversity. Nobody knows exactly why it happened.

What we have a better handle on is the similarly dramatic, technology-driven explosion of data that began in the mid-1950s and continues to this day at an ever-accelerating rate. In 2003, a UC Berkeley report estimated that about five exabytes of data—five times 1,000 to the sixth power, or five billion billion—were produced in 2002, about twice as much as was produced in 2000. By 2017, the year Egon and I tried to explain the depth and breadth of the new Dell's technological reach to Alan Murray, the size of the global datasphere (the amount of data created, captured, and replicated in any given year) had increased five thousandfold, to 26 *zettabytes*—26 trillion gigabytes, or 26 billion trillion bytes. The following year the number rose to 33 zettabytes. By 2020 it had hit 59 zettabytes; by 2024 it's projected to reach 149.

Those are almost incomprehensibly huge numbers. What do they really mean?

That day in Aspen I explained to Alan Murray what they meant in terms of our business—how uniquely positioned we are to address all our customers' data needs, in a broad range of modalities. But what I find myself thinking about constantly is how this Cambrian explosion has created a fourth industrial revolution, and how thrilling this is.

In the first Industrial Revolution, water and steam power mechanized production. In the second, electric power created mass production. In the third, which began in the middle of the twentieth century, electronics and information technology automated production. And the fourth industrial revolution, which we're in the midst of now, is building on the third, but with an explosion of new technologies that are breaking the boundaries between the physical, the digital, and the biological.

This fourth revolution also merges the worlds of business and technology. The way I describe this when talking with businesspeople is that the domain of technology is no longer in the IT department; the whole company is technology. I'm talking about all companies. If you're trying to make cars or medical devices or any kind of product at all, and you want to have new customers, technology is the fulcrum of progress in everything you're doing. It's a totally different ball game than it was twenty or thirty years ago, and almost every company in the world is in the throes of figuring it all out.

It used to be that a computer cost a gazillion dollars, and you had to wear a special coat to go in this room that only certain people were allowed in, and it made a big loud noise. Then the price went from a gazillion dollars to $3,000—that's where I came in—and then it went to $300, and now computers cost one penny, and they're in everything. We're all walking around with two or three or four portable data centers with us at all times. And that number is only going up.

There's a company in the UK called Arm Holdings, which designs something called the ARM processor. This is a microprocessor that they license, and that's in pretty much any gadget, gizmo, or smartphone you can think of. There are more than 180 billion ARM-based chips in the world today. Do the math: there are seven billion people in the world, but of course, maybe only four to five billion of the seven billion are hooked up (so far). That's a lot of processors per person. And those processors are getting more and more powerful, more of them are getting hooked up all the time—and now 5G and AI are coming, and all the previous tech that we thought was so advanced is just the pregame show to what's on the way.

5G is especially thrilling—from connecting people to connecting things (as in Internet of Things: IOT), it's not about talking on the phone faster;

it’s about making everything in the world intelligent and connected. Personal computers, with their interaction between user and machine, will continue to be important in the future, but a much bigger part of the future will be machines talking to each other. All those things in the IOT—smart autonomous vehicles and smart streets, buildings, cities, factories, hospitals, and much, much more—will generate almost incomprehensibly massive amounts of data.

All organizations need to turn that data into a competitive advantage and to continuously improve everything they’re doing. But analyzing data at the scale in which it’s now being created cannot be done by humans: it can only be carried out effectively through artificial intelligence and machine learning. Analysis by AI and ML will create new insights, dramatically improving every sector from commerce to health care, education, and finance—even government.

The next decade of the information revolution, catalyzed by AI and big data, will impact every industry and every aspect of our lives. While the internet drove great changes and advances, this AI and data revolution will be bigger, and these changes will come faster, than most people expect.

At the same time, it’s imperative that AI reflect our humanity and values. For us as a company this means profits and purpose, not profit at all costs. This is reflected in our 2030 goals, which I’ll have more to say about in a minute.

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The world of computing is extending out to the physical world. The place where they meet is called the Edge. A lot is going on there now. Much more will be happening soon.

While 60 percent of the global population is currently connected digitally, an amazing number that we take for granted, by 2030, 90 percent of humanity will be connected. 5G will be the platform for building a smart new world: a digital nervous system. 5G will be software defined, enabling the multicloud world, which will include Edge Clouds, Telco Clouds, Private Clouds, and Public Clouds.

A collection of clouds working together is the digital future. And so we're throwing substantial resources into building the Dell Technologies Cloud. And Dell Technologies is a leader in innovation in all the aforementioned areas and more, investing more than $4 billion a year in R&D: we now have over thirty-two thousand patents granted and pending.

I'm giddy with excitement about all of it.

It isn't just because I love technology—it's because I love how technology is making the world better. Now obviously, technology itself is kind of neutral. It can do good things and bad things, but as I see it, mostly there are good people who want to do good things.

Maybe you disagree.

Maybe you've seen too many movies where the evil computers take over, or the suitcase bomb destroys a city, or people have chips implanted in them that cause them to do the bidding of some evil villain. Hollywood has always done a really good job of frightening us about technological innovations—but let's not lay all the blame on Hollywood. Storytellers from the beginning of time have managed to scare people about new things. Probably as soon as fire was discovered, there were rumors going around about all the awful things that it could do—when in fact fire changed humanity for the better from the start.

Technology is like fire. It can warm us; it can light the way. For virtually every problem in the world, there's a technological solution. Look at health care. There are tons of examples where technology is advancing drug discovery and diagnosis and treatment. Deaths of mothers in childbirth and deaths from malaria have decreased radically over recent decades. Technology has had much to do with the rise in literacy and the reduction of poverty in the world over the same period. In 1999, 1.7 billion people lived in extreme poverty; today it's about 700 million. One billion people lifted out of extreme poverty in the last twenty years. Access to clean drinking water and basic forms of education has increased dramatically, as have the GDPs of developing nations. And where health care and literacy progress, economies advance.

Now, there's one pesky problem there. As economies advance, they become increasingly specialized. And with the rise in specialization, income inequality grows deeper. As technology proliferates in an advancing economy, clever people figure out how to innovate. Maybe they're coming up with algorithms for AI; maybe they're making transportation autonomous or using network effects and digital information to transform an industry for the better or creating brain-machine interfaces. Not everybody can do that. And if you're really good at it, you might make a whole lot of money. Just like Bezos, Gates, Musk, Zuckerberg, Brin, and Page—all those characters who figured out how to do something better than other people could do it and ended up prospering mightily as a result. (And yes, just like me too.) That's the age of specialization. And it's likely to be more pronounced in the future because economies are going to get even more advanced and specialized.

I do not have a brilliant solution to this. But I do believe with all my heart, and with my head, that technology will help us develop solutions that will benefit all of humankind.

As someone who travels around the world frequently, I'm keenly aware not just of the incredible progress being made everywhere but also of the poverty and despair in which so many people still find themselves.

Even as I write these observations, we are in the middle of the greatest health crisis of our generation. The COVID-19 pandemic has exacerbated inequalities and exposed the fault lines in our society. You have almost no chance to succeed, even in a meritocracy, if you don't have access to good schools or health insurance, cannot afford nutritious meals, fear for your physical safety, or lack broadband connectivity or devices for doing homework or participating in the economy.

I'm not a public-policy expert and won't pretend to be one, but I do think more can and must be done to balance the scales. I realize over and over how I pretty much won the lottery just being born here in the United States, and going to a public school in Houston, Texas, that happened to have a great math teacher and a teletype terminal. I could have been born in any of a million neighborhoods around the world where people struggle every day for the basic essentials of life. Fortunately, my ancestors made it out of Latvia and Poland. I've done well, but none of this would've happened if I hadn't been very lucky to begin with, and I constantly find myself wanting to help as much as I can.

From the outset, MSDF, our foundation, has been dedicated to its own kind of transformation: changing the lives of children living in urban poverty in the US, India, and South Africa by improving their education, health, and family economic stability. Our goal is to put opportunity in front of people so that they can chart their own future. Children are our future, and Susan and I are convinced that some of tomorrow's greatest leaders and global citizens are kids we can help today.

In the beginning I supported the foundation through the sales of shares in Dell Inc.; more recently I've contributed successful investments I've made at MSD Capital (investments made all the more successful by Gregg Lemkau, who came over from Goldman Sachs to become CEO of our family investment firm in early 2021). Currently the foundation has an endowment of about $1.7 billion, which is invested and compounds a return. The foundation's total outflows, mainly in the form of grants and augmented by technical assistance projects and an impact-investing portfolio, exceed $1.9 billion. (Impact investing is seed funding to help new for-profit businesses expand needed products or services to the poor. Sometimes we lose money, sometimes we recover our capital, and sometimes we realize a profit—which we then spend on other charitable projects.) Over the years Susan and I have contributed $2.5 billion to the foundation, and we plan to put the overwhelming majority of the wealth that I've been able to create to philanthropic use during our lifetimes.

I also expect to follow Susan's shining example and give far more of my time to philanthropy in years to come. But with the brilliant Janet Mountain leading a great team, the Michael and Susan Dell Foundation has already made real strides.

Helping means far more than writing a check. It means understanding the problems of poverty at a community level, which is why we built local teams in regional offices to attack those problems at their roots.

For example, we saw a challenge in the number of low-income high school students who had decent grades but weren't at the top of their class, so couldn't get to college and then make it through to a degree. One of our first initiatives was to launch the Dell Scholars program in the US, to meet both the financial and psychosocial needs of students with this profile, many of whom are first in their family to go to college.

We also believe in setting aspirational goals, so even though at the beginning only 18 percent of these students (of the small fraction of those actually succeeding in getting to college) made it all the way to graduation, we set a goal of an 85 percent graduation rate—more than four times the national average! Our fifteen-year average is 80 percent, and we now have thousands of Dell Scholar alums across the United States, with degrees and great jobs in hand.

And there's still room for improvement. PBNS!

We followed this initiative with the Dell Young Leaders program in South Africa, which is similar but customized to the specific needs of young people in that country, including specialized support to ensure graduates a successful transition into their first job.

Over the past twenty years, the lessons learned from these programs have grown into a spectrum of support for many different nonprofits that support low-income university students. As a result, one of our current goals is to help over 350,000 low-income students globally earn university degrees every year.

Another initiative started with a problem we saw among families in the urban slums of India: there were no responsible financial services available to the poor, who when they got into a cash crunch were forced to borrow at exorbitant rates from moneylenders. A single big financial hit (medical expense, weather-related job loss, etc.) could throw a family back into desperate poverty. Yet at the same time, South Asia was one of the biggest microfinance centers in the world—in rural areas. We wanted to help bring microfinance to India's cities.

We started by trying to make grants available to entrepreneurs, but our foundation team on the ground in India's cities quickly determined that seed capital, not grant capital, was what was needed to bring the entrepreneurs into the urban core to test the viability of a new model. Thus we embarked on a fifteen-year journey to support microfinance entrepreneurs in India’s biggest cities through investments of equity and debt, ultimately enabling responsible microloans to millions of Indian families. The foundation’s efforts not only helped prove the financial viability of the model but also played a vital role in the growth of urban microfinance, which today accounts for more than 50 percent of the total microfinance business in India. We then saw opportunities to extend this work into specialized credit for individuals and small entrepreneurs, and today we continue to work toward our goal of improving the financial stability of over 3 million low-income families globally every year by creating access to responsible financial services.

A third example: in our quest to give families great education options, we’ve supported thousands of programs in K–12 schools. Yet it quickly became clear that the tools available to our educators were not keeping pace with those available to businesses. The most pressing example: teachers and administrators were drowning in student data but were not able to get the most comprehensive real-time views of individual students in ways that let them quickly see when a student needed help. The first step toward what we call full-picture learning is *data interoperability*: the seamless, secure, and controlled exchange of data between educational tools and applications.

In 2011, after five years of working with districts on this challenge, we introduced the Ed-Fi Alliance and Data Standard to support improved K–12 student achievement. The Ed-Fi Alliance is a nonprofit subsidiary devoted to helping every school district in the US achieve data interoperability. The technology is built upon the Ed-Fi Data Standard, an open-source data structure and tool set that connects in a controlled and safe way the educational data applications that schools are already using. This free suite of tools empowers educators, students, and parents with comprehensive, real-time insights into students’ strengths and what we think of not as weaknesses but opportunities for growth.

As of this writing, almost 2 million teachers and over 33 million students in the US are represented by organizations using the Ed-Fi suite of tools. These tools enable districts, states, and charter-school management organizations to tackle challenges such as chronic absenteeism, student performance gaps in specific content areas, and lagging parent and student engagement. Additionally, we were able to take this experience and build on it to help the South African government develop a suite of school-district dashboard tools, which now support almost all learners and schools in South Africa. Together, these initiatives are just one part of our commitment to support over five hundred thousand classrooms globally each year with high-quality tools, technology, and resources.

Meanwhile, across town at Dell Technologies, we continue our efforts to include everyone in the exponential technological progress of the coming decades—specifically by bringing STEM education to underserved children, male and female, worldwide. Working with the Ethiopian Ministry for Education, for example, we're equipping over 1,000 schools with more than 24,000 Dell computers, while our nonprofit partner Camara Education is providing information and communications technology training for the school leaders and teachers who are showing the kids how to use the machines—and, no doubt, quickly getting outshone by the students who catch on extra quickly! As you might imagine, this initiative is particularly close to my heart: there used to be a kid in the Meyerland neighborhood of Houston, Texas, who was a lot like that.

Susan and I remain excited about all the opportunities to give back, whether through the foundation's initiatives or the company's. These kids are our future, the ones destined to bring all kinds of changes for the good, and the ones who can show us new and successful ways to break the cycle of income inequality. One of our great joys is to meet and talk with these students and families—their strength is contagious and inspiring. There is no doubt that the problems are real, the challenges are huge, and there is so much left to do. But this work is worth it. And we're just getting started.

We also want our values to be reflected in our company. Running a profitable business has always been crucial to me: profit doesn't just mean my personal success; it includes the success of the many people who work alongside me, without whom none of the amazing things we've been able to do over the last thirty-seven years could've happened. And a company's success, as I see it, means so much more than making money for its team members and shareholders. I believe we can do well by doing good.

Dell has always strived to create a benefit for the world—to be a strong force for good in the technological present and future that I'm so hopeful about. It began with making top-quality solutions at an affordable price. From the beginning we helped democratize technology, putting more power in the hands of more people than ever before. That mission continues, along with all the other new modalities I've described: we're constantly trying to be the best at everything we produce, and in the process we'll help drive human progress on a global scale by spreading incredibly exciting emerging technologies far and wide.

We're also constantly striving to be the best at *how* we make what we make. From the start, I thought, Gee, we're producing all these devices, they have a useful life, and then people stop using them. Then what? They go in somebody's basement or garage, or they get piled up in the closets inside corporations, and then they end up in a dumpster somewhere. And they've all got my name on them. Not good! So from the start we've been thinking about recycling and take-back programs for all the materials that go in these things. How do we create the smallest environmental footprint possible with what we manufacture?

This kind of thinking seemed to come naturally from being based in Austin, whose physical beauty inspires environmental awareness. Starting way back in our early days, when we were only 150 people as opposed to 150,000, I would go to our teams and say, "Let's come up with a way to use cleaner, greener materials, and consume less energy, and make the packaging more environmentally friendly."

Look at asbestos, I told my team. Long ago, companies that were putting asbestos in their products weren't sitting around saying, "Hey, this stuff is really bad; it’s going to kill a lot of people; let’s figure out how to use a lot of it.” I think they just didn’t know. So from the beginning we always asked, “What are we doing unknowingly that might be dangerous?” Not because there was a rule, or some regulator was going to show up, but because it just felt right.

And here’s the thing we found with our engineers: when we told them that we wanted to minimize environmental impact with our products but didn’t want them to cost any more, they thought it was the coolest challenge ever. They totally rose to the occasion.

Rising to the occasion is what we’re about. In 2019 we published *Progress Made Real,* a forty-page road map toward our 2030 goals in four categories of aspiration: advancing sustainability, cultivating inclusion, transforming lives, and upholding ethics and privacy. “We know the world is facing challenges today that are complicated, multilayered, and can sometimes seem insurmountable,” it says. “The status quo will not get us to the kind of world we need in 2030.”

Progress Made Real isn’t just another glossy corporate pamphlet. It’s a true-life chronicle of how we’ve met challenges and are continuing to meet them. And setting new and ambitious challenges. Our goals are lofty, but we’ve frequently met or surpassed them on time or ahead of schedule.

Our moon-shot goal for advancing sustainability: by 2030, for every product a customer buys, we will reuse or recycle an equivalent product. With every single thing that we build, we think about how we can make it so that it can be deconstructed and all the parts reused. We even have a jewelry designer that makes rings, necklaces, and earrings from the gold in the printed circuit boards. By 2030 our goal is that one hundred percent of our packaging will be made from recycled or renewable material. More than half of our product content will be made from recycled or renewable material.

This is known as the circular economy, and it is achievable. In 2018—two years early—we reached our 2020 goal of recovering two billion pounds of used electronics. On Earth Day 2019, we achieved our 2020 goal of using 100 million pounds of sustainable materials in our products, including recycled-content plastics. Materials are a key source of innovation: recycling plastics and other materials from old computers into new parts and identifying opportunities to use waste materials—like ocean-bound plastics—as resources that can be brought back into the economy. Accelerating the shift to a circular economy benefits us, our suppliers, our customers, and the world.

And the more we as a team reflect the real world in all its variety, the stronger we are and will be. It's never too late for diversity, but the fact is that it's bred in the bone at Dell. I recently got a sweet note from a woman who'd just retired after working for us for almost thirty years. She kept a copy of the advertisement that she replied to back in the early '90s: the second paragraph said it doesn't matter where you come from, it doesn't matter what you look like. That appealed to her, and that's why she applied for the job.

I don't like to brag, but I don't think a lot of other tech companies operated this way back then.

We did a lot of things before anybody had to ask us to. We never had anybody protesting outside of our headquarters with signs telling us the right thing to do.

We're saying and doing the same things today, but we're working harder than ever toward diversity and inclusivity and equality. Our moon-shot goal for 2030 is that 50 percent of our global workforce and 40 percent of our global people leaders will be women. We also plan that by the same year 25 percent our US workforce and 15 percent of our US people leaders will be Black and Hispanic/Latinx minorities. All of our team members (including all top executives) will participate in annual foundational learning on unconscious bias, racism, harassment, microaggression, and privilege. Fifty percent of the people empowered by our social and education initiatives will be girls, women, or underrepresented groups.

We will achieve these goals. And not in order to look good, but because of the fresh perspectives and ideas all the terrific people we haven't met yet are bound to bring to our company.

There is much, much more.

We have reduced our annual operational greenhouse gas emissions by 38 percent since 2010, and we plan to cut our 2019 emissions in half over the next decade.

We will source 75 percent of electricity from renewable sources across all Dell facilities by 2030—and 100 percent by 2040.

We will continue to insist—as a condition of doing business with us—on ethical practices, respect, and dignity for every one of the hundreds of thousands of people who create our products. This means not just expecting but demanding safe and healthy workplaces across our supply chain, and meeting and advancing the industry standards set out in the Code of Conduct of the Responsible Business Alliance, of which we're a founding member.

We will continue to promote our belief that technology has the power to help solve the world's most serious social problems. We'll keep exploring new ways to collaborate with the public sector to address these issues—as in India, where we've joined with the Ministry of Health and Family Welfare and our partner the Tata Trust to develop Digital LifeCare, which uses Dell technology to deliver preventive health screenings of noncommunicable diseases at nation-level scale.

This past year has been like no other that I've experienced in the thirty-seven years I've been privileged to lead this company. In the pandemic, we're all facing a crisis for which there is no playbook. But Dell has always been about a culture of optimism—a belief that technology amplifies human potential, with people at the center of what we do.

When COVID hit you saw different outcomes for different kinds of businesses: those that were more digitally enabled tended to do better than those that weren't. And as a company that over the past decade and a half has invested heavily in our digital transformation, we found ourselves in a uniquely resilient position. At Dell Technologies, we told everyone in March that they should work at home if they could. This worked surprisingly well—when we had to move a hundred thousand people to work at home, it happened over a weekend. Maybe we shouldn't have been surprised. We had tools, processes, and the kind of business that naturally allowed people to work remotely, and we had a culture of flexible work that had started back in 2009. Everything continued; in fact, our productivity improved. Which was a fortunate thing, because as it happened, the pandemic increased demand for all our products, both physical and digital.

Though COVID-19 has brought great human tragedy and economic devastation, it's produced other story lines at the same time: for one, the worldwide reduction in greenhouse gases. And then there was the revelation of how much work could actually be continued when everything went online.

We'd often encountered the question of how to match a customer's business opportunity, a particular problem they want to solve, with the right specialist. Take a hypothetical customer in Australia. In the past we'd find a guru in-house and fly him or her out there. Well, that's four days just in travel time: a lot of time and a lot of money.

On the other hand, traveling on Zoom Airlines is incredibly efficient all around, and we've found that all our customers seem happy working this way. I think you can see this massive shift in working methods as a glimpse of the future.

I don't think we're going back to the way it was before.

There are still questions. How (for example) do you train new team members? There are efficiencies to be gained in doing it remotely, but there are losses too. In a world of video work, how do you reproduce the ideas people have after bumping into each other in the hall or by the water cooler? We've been working hard to try to find answers.

One positive thing we've found is that with online meetings you get far more participation than you would in a physical context: more people can be included, for one thing. Take a hypothetical customer who comes to Round Rock with eight people over two days of meetings and dinners, etc. Online that customer may include thirty or forty people from their company instead of eight—and get just as high a level of engagement. We also see this internally: when people have to work remotely, they have a greater desire to be connected.

In the midst of the pandemic, Dell Technologies has dedicated considerable technical resources, like supercomputers, which are an enormous number of servers connected together, to understanding the virus and accelerating the development of therapeutic drugs and treatments. I promise that when someone in the future asks, “How did you conquer the pandemic?” technology will have been a big part of the solution. I think we’ll look back on this period, for all its difficulties, as a time of massive acceleration of digital processes and—yes—transformation.

I don’t know why people aren’t more curious, and why curiosity isn’t considered a more important leadership trait.

A journalist once asked me if I was ever bored as a kid. I only had to think about it for a second: I never was, not even for a minute, because I was so curious. Every day I’d wake up excited by all the new things there were to learn about.

I feel much the same way today. Change, true transformation, is a race with no finish line. Which means there’s so much more out there for me—for all of us—to learn about.

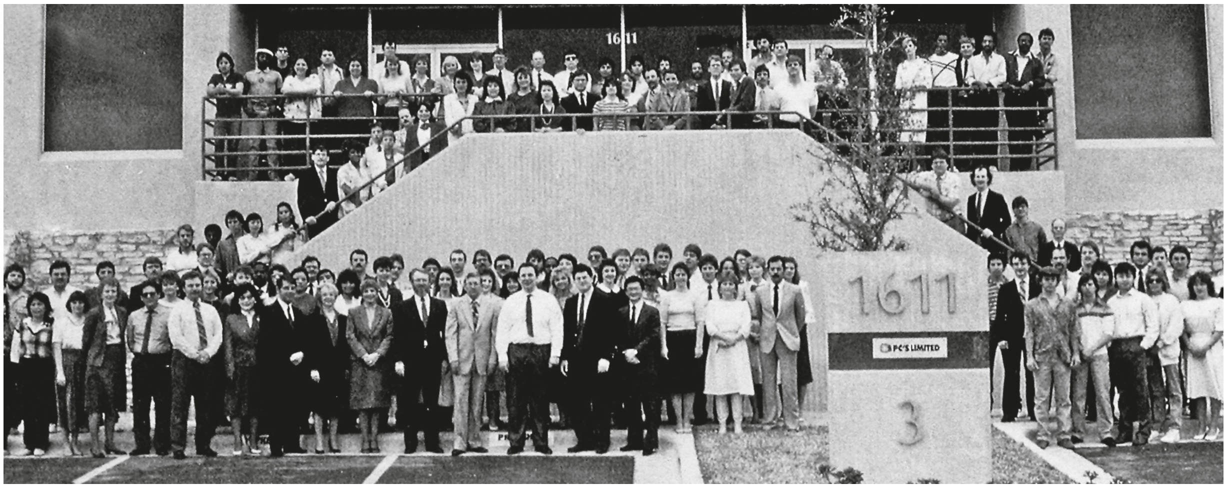
How cool is that?

In front of the house I grew up in: 5619 Grape Street, Houston, TX, November 1968. Is that a rock I'm holding so proudly?

With Mom. Hanukkah, 1969.

About 1970. At rest for the moment, happily making a list of something.

With my parents and brothers, 1974.



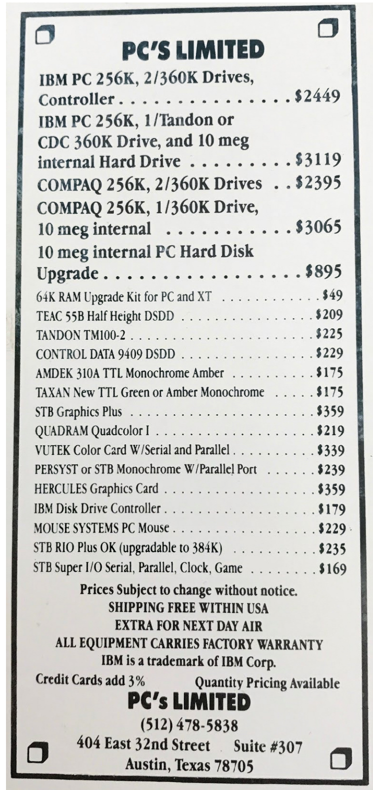
1611 Headway Circle building, 1986. I'm second from the right in the front row, middle.

STATEMENT OF EARNINGS

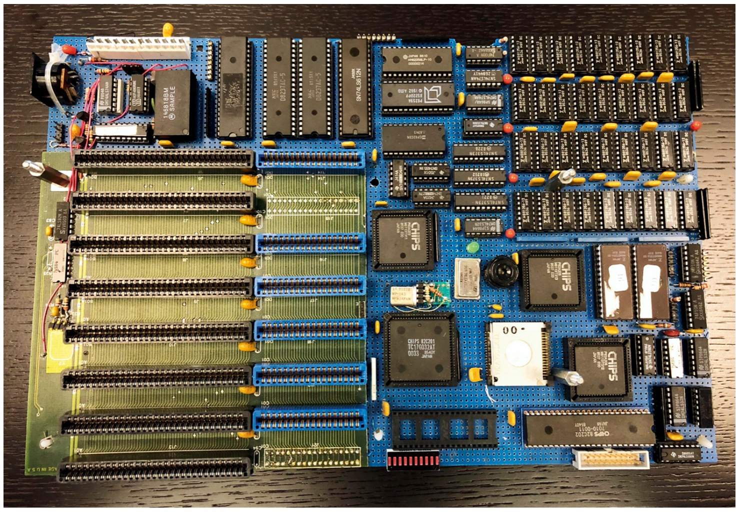
DELL COMPUTER CORPORATION
dba
P.C.'S LTD.
THREE-MONTH PERIOD ENDED
JULY 31, 1984

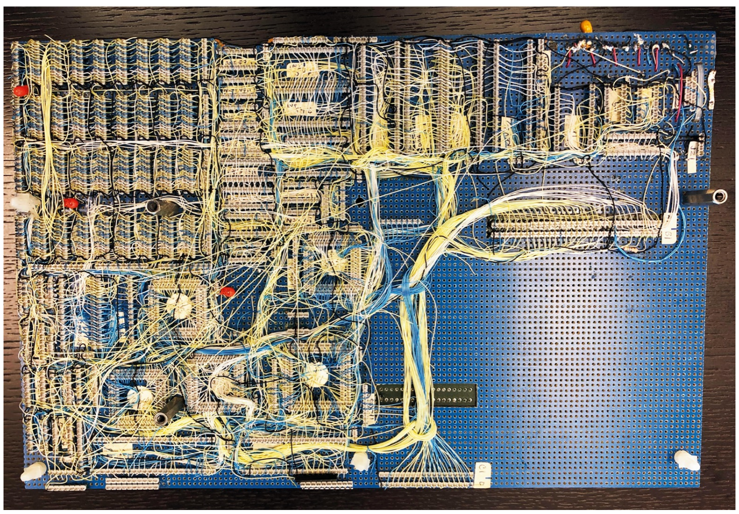
	PERIOD AMOUNT	PERCENT
REVENUE		
SALES	$ 905,070.55	102%
RETURNS AND ALLOWANCES	(16,249.34)	(2)
TOTAL REVENUE	$ 888,821.21	100%
COST OF SALES		
BEGINNING INVENTORY	$ 66,201.98	7%
PURCHASES:		
HARDWARE	769,409.36	88
SOFTWARE	24,760.23	3
PERIPHERALS	1,663.80	1
FREIGHT-IN	4,321.26	1
TOTAL AVAILABLE	$ 866,356.63	100%
ENDING INVENTORY	$ (175,902.80)	(20)
TOTAL COST OF SALES	$ 690,453.83	79%
GROSS PROFIT	$ 198,367.38	22%
OPERATING EXPENSES		
SALARIES:		
OFFICE	$ 16,130.40	2%
OFFICERS	5,500.00	1
OTHER	649.14	1
COMMISSIONS	150.00	-
ADVERTISING AND PROMOTION	24,203.84	3
AUTO AND TRUCK	385.47	-
BANK SERVICE CHARGE	73.75	-
CREDIT CARD CHARGES	320.08	-
CASH OVER AND SHORT	(.64)	-
CONTRACT LABOR	819.20	1
DUES AND SUBSCRIPTIONS	165.00	-
EQUIPMENT RENTAL	473.28	1
LEGAL AND ACCOUNTING	450.00	1
MISCELLANEOUS	174.13	-
MILEAGE REIMBURSEMENTS	522.14	1
DEPRECIATION	96.50	-
OFFICE SUPPLIES	1,657.96	1
OUTSIDE SERVICES	650.00	1
POSTAGE	34.96	-
RENT	4,613.00	1
SUPPLIES	403.08	-
PAYROLL TAXES	3,942.61	1
OTHER TAXES	10.00	-
TELEPHONE	1,592.24	1
TRAVEL	33.81	-
UTILITIES	554.68	1
TOTAL OPERATING EXPENSES	$ 63,604.63	7%
EARNINGS FROM OPERATIONS	$ 134,762.75	15%

I used PC's Limited's initial financial statement, which covered the company's first three months, to convince my parents that it was OK for me to not go back to college.



One of our earliest ads, from before we moved into our first office on North Lamar. The address was my apartment in a condo complex on Thirty-Second Street, a few blocks north of the UT Austin campus.





The motherboard that Jay Bell hand wired . . . front and back. Jay offered to do the job for $1,000. I paid him $2,000.

Jay Bell and me. Jay talked fast and thought fast, and he was fizzing with energy—a key figure in the company’s early days.

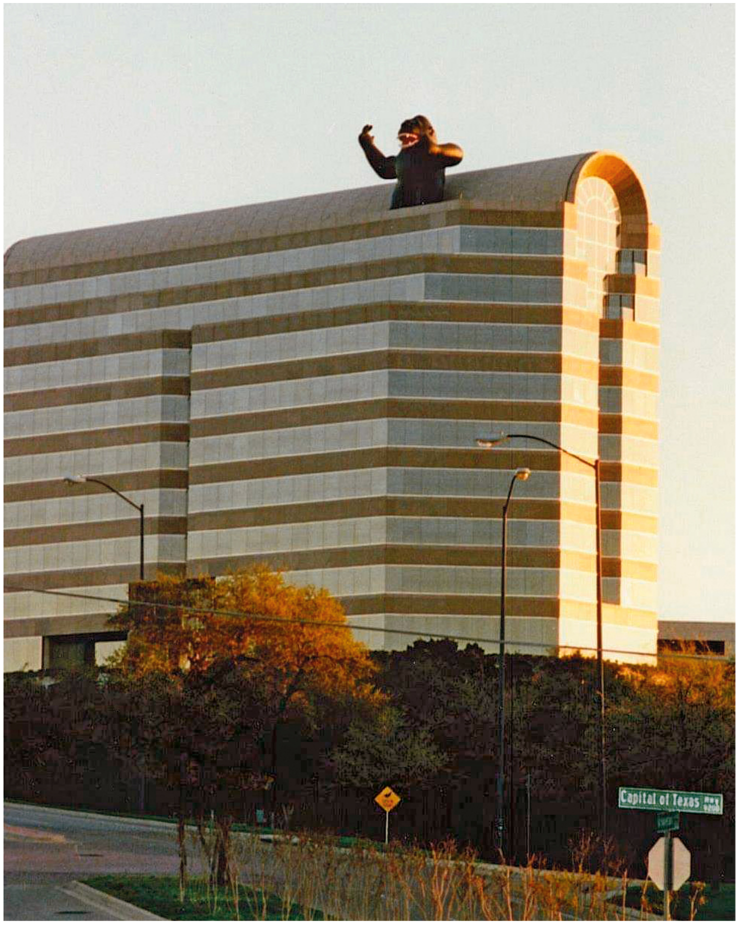
Portrait of a young CEO, circa 1987. In one of our first factories in Austin.

10/28/89. Lucky guy!

Lee Walker was the best man in my wedding. From left to right: Susan's brother Randy Lieberman, Steven Dell, Lee, me looking minuscule next to the six-foot-nine Lee, Adam Dell, Susan's brother Steve Lieberman, and Andrew Harris (RIP), who started our UK operations in 1987.

Glenn and Peggy Henry and Mom, at Kira's baby naming. Kelley Guest can be seen in the blurry background.

Around 1987: a group of our earliest engineers, including David Lunsford, just to the left of Gumby. That's Kaye Banda on my left, the Elvis-on-black-velvet portrait is there—well, just because—and, yes, that's a Dell branding iron perilously close to Gumby's posterior. (No children's TV characters were harmed in the making of this photograph.)



9505 Arboretum Blvd. building, April Fool's Day, 1990. Yes, that is a twenty-five-foot blow-up gorilla on the roof. Our crack engineering team had nighttime access to the building—they often worked late hours—but the door to the roof was locked. No problem for crack engineers! They drilled out the lock and completed the mission. Building management was not pleased.

With Kevin Rollins.

With Steven, Alex, and Adam, 2004.

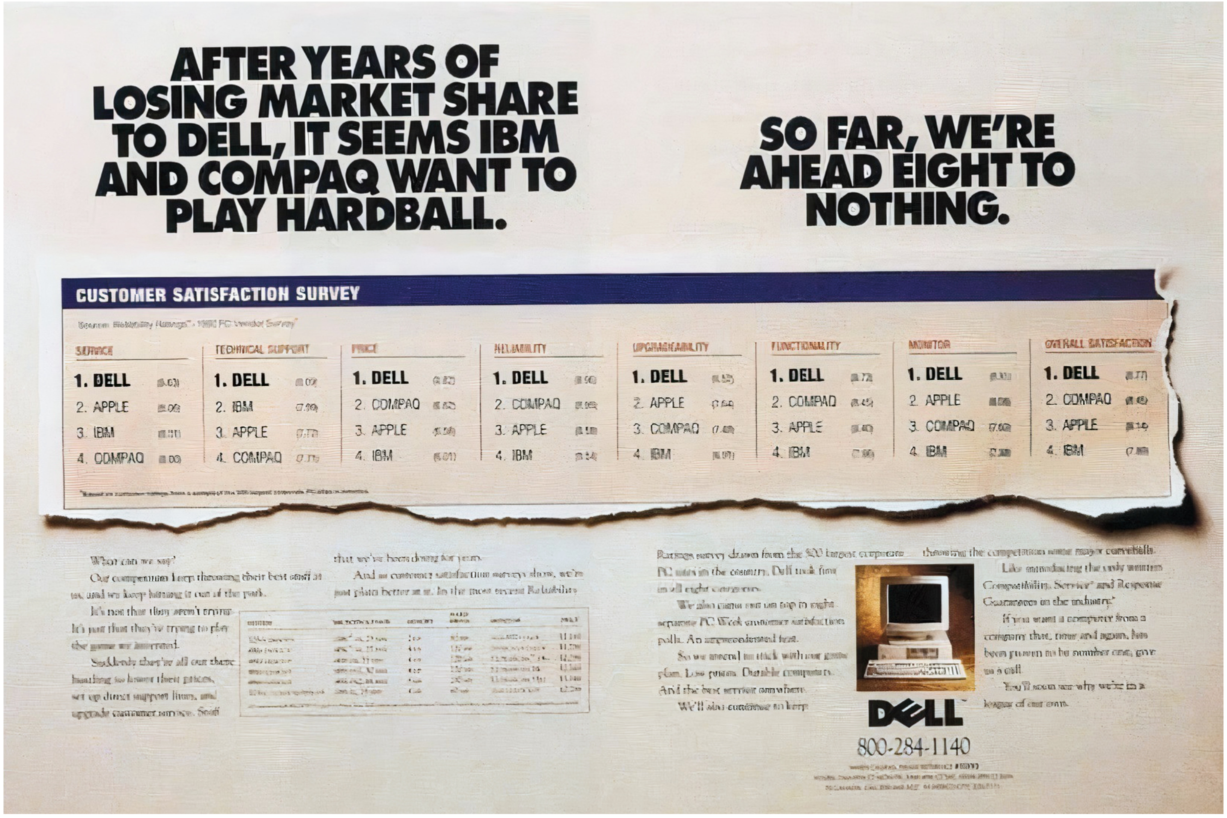
Susan after finishing the Journey 2 Lala Land race in Hawaii in 2006. She still holds the women's record time.

With Steve in 2007.

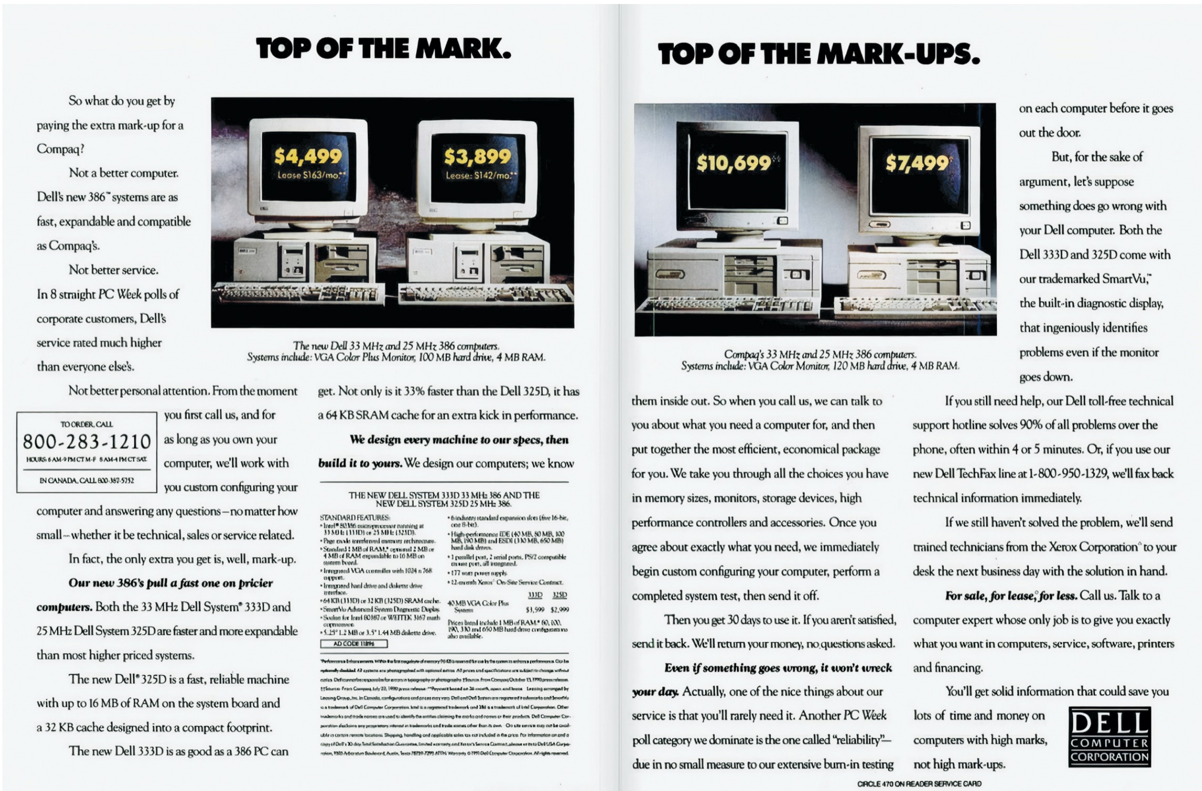
Alexa and I, 2016.

Kira, Zachary, and Juliette, 2019.

Susan and I celebrating our thirtieth wedding anniversary, 2019.



Chiat/Day created some of our best ads in the early '90s.



We loved going head-to-head with Compaq.

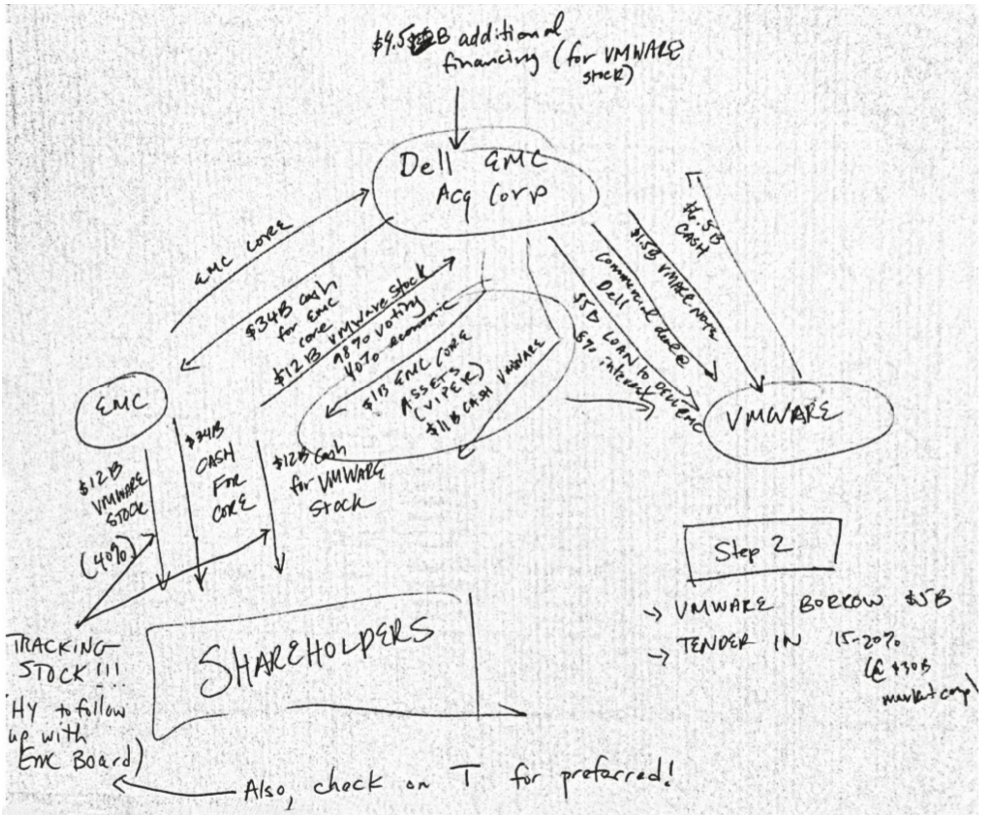
Dude, you're getting a Dell!

Oddly enough, we never used this one.

The New York Times chose an odd picture to run with their story about the vote by our shareholders to go private.

Egon.

Joe Tucci and I on the day of the merger announcement, October 12, 2015.



The historic paper on which Harry You and Egon drew the initial plan for the tracking stock.

Pat Gelsinger admires Jeff Clarke’s demonstration of a multicloud future.

With our team in Tokyo, back in October 2019, when we were still able to travel!

Acknowledgments

I got off to a fast start in life and often experienced people wanting things from me. As a reaction, I learned early not to open myself personally: it was far cleaner and clearer, I found, to keep most things all business. Oddly, that is one of the motivations for this second memoir about my life and business career.

My first book, 1998's *Direct from Dell*, was a solid piece of work, but in tune with who I was then, I was careful to hold back my deepest feelings and reflections. Much has changed since, in my life and in the business I've been privileged to lead since starting it in my dorm room at the University of Texas in 1984. After the monumental transformation of the company, including going private, combining with EMC and VMware, and going public again, many friends and colleagues suggested it was time I tell the full story—or, rather, the full and tightly intertwined *stories* of my own development as a man and the evolution of the company with my name on it. In this new book, I wanted to be as candid as possible about everything I've thought and felt during the many ups and downs in the great adventure of building a company. Real candor is scary. It brings vulnerability—something I knew but wasn't ready for in 1998. What I've learned in the years since is that there's great strength in understanding the vulnerability we all share as humans. I've also learned that, as this book details, there is no straight line to success, even though it may look that way on the outside at times. I wanted to share all this, along with many of the other business and life lessons I've learned along the way.

For about two years starting in early 2019, Jim Kaplan has been my dedicated and diligent collaborator, artfully crafting a series of interviews and observations of me in various meetings, large and small, into a beautifully written story. Jim also spoke with a couple dozen people, each of whom, in his or her own way, helped make Dell a success and added materially to the book. His persistent attention to detail, his incessant questioning about complex technical and financial subjects he needed to understand in order to explain them as clearly as possible to our readers—and, importantly, always in my voice—was crucial. Jim also steadily pushed me to be as open as he knew I wanted to be. I'm a great compartmentalizer: it's a faculty that has helped me a good deal in business, but one that has now and then held me back in life. Digging ever deeper into my memory, I often (and cathartically) tapped into a flood of things I hadn't thought about for ages.

But self-discovery is a by-product rather than an end in itself. Ultimately this book is for all our stakeholders. For our customers, who inspire us by enabling human progress in so many ways, and who share their future challenges with us, motivating us to innovate more on their behalf. For our business partners, who help multiply our efforts and our reach. For our shareholders, who have entrusted us to be good stewards of their capital. And for the communities we operate in, whose support and partnership are essential.

My personal story and the company's have been completely interwoven for thirty-seven years. As much as my own, this book is the story of the 150,000-plus present and former passionate, talented, and dedicated colleagues alongside whom I've been honored to work, and who have helped me immensely along the way. I can't do much of anything by myself, but as a team we are unstoppable.

There are too many colleagues, board members, and advisers to name but some current and former ones have been absolutely essential—and sometimes pivotal—in the company's evolution and success. I would like to especially acknowledge Kaye Banda, Paul Bell, Marc Benioff, Jim Breyer, Jeremy Burton, Don Carty, Janet Clark, Don Collis, Laura Conigliaro, Jamie Dimon, Dave Dorman, Ken Duberstein, Egon Durban, Steve Felice, Glenn Fuhrman, Bill Gates, Brian Gladden, Bill Green, Tom Green, Kelley

Guest, Marius Haas, Eric Harslem, Glenn Henry, Paul Hirschbiel, Bobby Inman, Joel Kocher, Sallie Krawcheck, Ellen Kullman, Mike Lambert, Susan Larson, Tom Luce, Kate Ludeman, Klaus Luft, Manny Maceda, Claudine Malone, Alex Mandl, Joe Marengi, Paul Maritz, Bill McDermott, Paul McKinnon, Tom Meredith, Mort Meyerson, Shantanu Narayan, Sam Nunn, Ro Parra, Simon Patterson, Ross Perot Jr., Karen Quintos, Rory Read, Kevin Rollins, Steve Rosenblum, Julie Sackett, Rick Salwen, John Swainson, Mary Alice Taylor, Mort Topfer, Larry Tu, Joe Tucci, Suresh Vaswani, Lynn Vojvodich, Lee Walker, Chuck Whitten, and Harry You.

I feel an especially poignant gratitude to those who have left us: the late Jay Bell, Andy Grove, Andrew Harris, Michael Jordan, George Kozmetsky, Jimmy Lee, John Medica, and Michael Miles.

And I want to thank all the present-day leaders of Dell Technologies, including Jeff Boudreau, Kevin Brown, Sam Burd, John Byrne, Michael Collins, Mike Cote, Steve Crowe, Rola Dagher, Mike DeMarzo, Allison Dew, Stephanie Durante, Howard Elias, Jenn Felch, Sam Grocott, John Haynes, Aongus Hegerty, Dennis Hoffman, David Kennedy, Adrian McDonald, Yvonne McGill, Maya McReynolds, Amit Midha, Steve Price, Brian Reaves, Rich Rothberg, Jennifer Saavedra, Bill Scannell, Doug Schmidt, Tom Sweet, Gerri Tunnell, and so many others.

Pat Gelsinger, who was so crucial to the rise of VMware and the early years of the merged Dell-EMC—and who has now returned, with poetic justice, to Intel—deserves a special mention.

I must single out Jeff Clarke. Having joined the company in 1987, Jeff is the closest thing I have to a cofounder. A brilliant engineer as well as a masterful corporate tactician, he possesses a unique set of skills; as chief operating officer and vice chairman, he has been and continues to be vital to the company's success. Jeff is not only a great teammate, but a great friend.

And it's important that I thank Gregg Lemkau, Marc Lisker, John Phelan, Rob Platek, and all my partners at MSD Capital and MSD Partners who are building a significant alternative asset investment firm.

But mostly I want to acknowledge my family—and especially my mother. Once I managed to persuade her out of her initial conviction that I should become a doctor (sorry about that, Mom!), she was with me every step of the way, always positive, always knowing what I needed. My father blames my success on her, which is at least half true! My parents taught my brothers and me that we could do anything; they fueled our curiosity and desire to learn. They also taught us the difference between right and wrong, and most of all, to respect all people and take care of each other. I've been very lucky to have such great parents.

I've always wanted to be a great husband and father. I was smitten when I first met Susan, and marrying her was the single best decision of my life. I love her more and more every day. She has made me a better person and inspires me in all I do. She is my best friend, my confidante, and my partner in all things. She has also lived almost every moment in this book with me and was instrumental in refining the manuscript. Together we are very proud of each of our children, Kira, Alexa, Zachary, and Juliette, who are all paving their own successful paths in the world.

And I want to thank my two brothers, Steven and Adam, who have always been there for me and whom I love very much.

As I say in the book, I am so grateful to have been born in the United States, where I had access to great schools—and where, by great good luck, I found myself at the dawn of the microprocessor age, looking with intense curiosity toward whatever was going to come next.

I must acknowledge the brilliant Janet Mountain and the amazing team at the Michael and Susan Dell Foundation, who have brought to life our family's charitable ambitions with great results.

My deep gratitude goes to all our competitors over the years. They've been a source of abundant motivation and inspiration (to beat them), especially when they publicly doubted us. I've learned from their successes, and probably even more from their failures, which have taught me a great deal about what not to do and how not to do it.

Many thanks to my excellent literary agent, Pilar Queen, and to my superb editors Adrian Zackheim and Trish Daly, along with the whole team at Portfolio.

And last but certainly not least, I also want to acknowledge and thank our readers, and hope that this story inspires others in some way.

Appendix

THINGS I BELIEVE

The following, in no particular order, are principles, traits, ideals, and lessons that have helped me and our company succeed:

1. Curiosity. Have I mentioned curiosity already? It's so important, I'll say it again: Always be learning. You want to have big ears. To listen, to learn, and to always be curious. To be open to ambiguity. Design your company from the customer back.

2. Use facts and data to make decisions. Be objective and humble and willing to change your mind if the facts and data suggest that's what is needed. The scientific method works in business.

3. Commitment, drive, grit, determination, perseverance, indomitable will—you must have these qualities.

4. Try never to be the smartest person in the room. Surround yourself with people who challenge you, teach you, inspire you, and push you to be your best. And learn to recognize and appreciate people's different talents.

5. Trustworthiness, ethics, and integrity are paramount. You can't be successful over time without these values. Markets are long-term efficient. If I make a commitment and don't meet it, or if I deliver a bad product or service, no one will want to buy from me again.

6. The rate of change is only increasing. It will not slow down in the future.

7. You must change or die. There are only the quick and the dead. Organizations need to constantly reimagine themselves, understanding and anticipating all the factors, including and especially technology, that will impact them in the future.

8. Ideas are a commodity. Execution of them is not. Coming up with a great idea or strategy is necessary but not sufficient for success. You must execute. This requires detailed operational discipline and understanding.

9. Teams win championships, not players. Always put the team ahead of the player.

10. Life is about taking a punch, falling down, getting back up and fighting again! (See number 3.)

11. Never let a good crisis go to waste—and if there is no crisis, create one (as a way of motivating change and progress). During a crisis—or any other time—focus on what you can control. Crises often create new opportunities. Instead of wallowing in your problems, find the opportunity.

12. Don't be a victim, ever. Victimhood is a losing mindset. Self-determination requires focusing on what you can control and drive forward.

13. Confidence, not arrogance. Humility, not ego.

14. Everybody gets angry. But don't stay angry. Anger is counterproductive. Instead, be motivated by a desire to help others and . . . Love, Family, Country, Compassion, and Mastery.

15. Be (as we like to say at Dell) pleased but never satisfied. This means improving continuously—the Japanese call it *kaizen*. It means being in a race with no finish line. Celebrate and appreciate achievements, but always look ahead to the next big goal or opportunity.

16. Success is a horrible teacher. (See numbers 3 and 10.) Setbacks and failures make you stronger over time—if you let yourself learn from them.

17. Be willing to take risks, experiment, and test things. As the rate of change increases, small experiments will build a path to success.

18. (See number 13) Humility, openness, fairness, and authenticity.

19. Have respect for others and treat them as you want to be treated.

20. Optimism . . . obviously! Finding ways to grow optimism in yourself will make you much happier.

21. Find purpose and passion in your life by being part of something greater than yourself.

About the Author

Michael Dell is chairman and chief executive officer of Dell Technologies, an innovator and technology leader providing the essential infrastructure for organizations to build their digital future, transform IT and protect their most important information. Michael is an honorary member of the Foundation Board of the World Economic Forum and is an executive committee member of the International Business Council. In 1999, he and his wife, Susan Dell, established the Michael & Susan Dell Foundation.

* And I knew that we would continue—as we'd been doing since before there were rules and regulations about these things—to come up with ways to recycle all the materials that we were putting in every one of our machines. With every product we manufacture we consider how we can make it so that it can be deconstructed and all the parts reused.

* *Colorable*, in legal terminology, refers to a claim that could be valid.

* Mort, who'd worked closely with Ross Perot in building EDS, had been an adviser to me and Dell Inc. until 1991, when he left to help Ross with his first presidential campaign.

* Since the Latitude brand launched in 1994, we've shipped over 400 million notebook computers. In the four quarters immediately preceding this writing, we sold more than one notebook every second—70 a minute, 4,171 an hour..

* Or as Warren Buffett put it: “Only when the tide goes out do you discover who’s been swimming naked.”

* As of this writing, Dell Technologies has announced a spin-off to Dell Technologies stockholders of its approximately 81 percent equity ownership in VMware. The historical context to this is that in September 2016, when we completed the merger with EMC, VMware and Dell Technologies stated a goal of achieving $1 billion in annualized revenue synergies for VMware. As this would have represented over 15 percent of VMware's revenue, it was thought at the time to be a difficult goal. But, as it turned out, we far exceeded that target, achieving nearly $3.4 billion in annualized revenue synergies during fiscal year 2020—this represented over 31 percent of VMware's revenue and almost all of its growth.

To explain the significance of this move: every share of Dell Technologies currently benefits from a proportionate amount of Dell Technologies' 81 percent equity ownership of VMware. Under the terms of the spin-off, each shareholder will receive that ownership interest in VMware separately, in the form of a proportionate amount of VMware stock. The shareholder will then be free to keep both stocks, or sell one or both.

Dell Technologies leadership believes that the spin-off will benefit both Dell Technologies and VMware stockholders by simplifying the capital structures of both companies and enhancing strategic flexibility. The previous capital structure of the companies was complicated: a shareholder in VMware understood that Dell Technologies was effectively the majority owner of VMware. This was not beneficial in the market, which tends to prefer pure-play companies. The spin-off will have the effect of making both Dell Technologies and VMware pure-play companies while maintaining the mutually beneficial strategic and commercial partnership we have enjoyed. The move will also give VMware more flexibility to make stock-based acquisitions and take other initiatives.

At the transaction closing, VMware will distribute a special cash dividend of $11.5–$12 billion in the aggregate to all VMware shareholders, including Dell Technologies. Based on Dell Technologies' current 80.6 percent ownership interest in VMware, Dell Technologies will receive approximately $9.3–$9.7 billion, and intends to use the net proceeds to pay down debt, positioning the company well for Investment Grade ratings.

The transaction is expected to close during the fourth quarter of calendar 2021, subject to certain conditions, including receipt of a favorable IRS private letter ruling and an opinion that the transaction will qualify as generally tax-free for Dell Technologies shareholders for U.S. federal income tax purposes.

With an even stronger capital structure, Dell Technologies is poised to further capitalize on the rebound in infrastructure and PC spend, new cloud operating models driving as-a-service growth, compute moving to the edge, and customers' longer-term digital transformation initiatives. With a strong commercial agreement in place, Dell Technologies will have the ability to continue to work closely with VMware to drive innovation and preserve go-to-market synergies while generating new growth opportunities through an open ecosystem. With technology at the center of the world's recovery from COVID-19, Dell Technologies is focused on:

- further strengthening the company's leadership position in growing technology infrastructure and client markets
- expanding into new growth areas of hybrid cloud, edge, 5G, telecom, and data management
- delivering a modern customer experience in the do-from-anywhere economy, including moving quickly toward cloud operating and consumption models under the APEX initiative