

Contemporary management problems

The company, a place of compromise



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Schedule (1/2)

Today

Session 1	Session 2	Session 3	Session 4
Introduction & Case study 1	Case study 2	Case study 3	Case study 4
September 28 th	October 03 rd	October 10 th	October 17 th
Correction of case study	Presentations & correction of case study	Presentations & correction of case study	Presentations & correction of case study

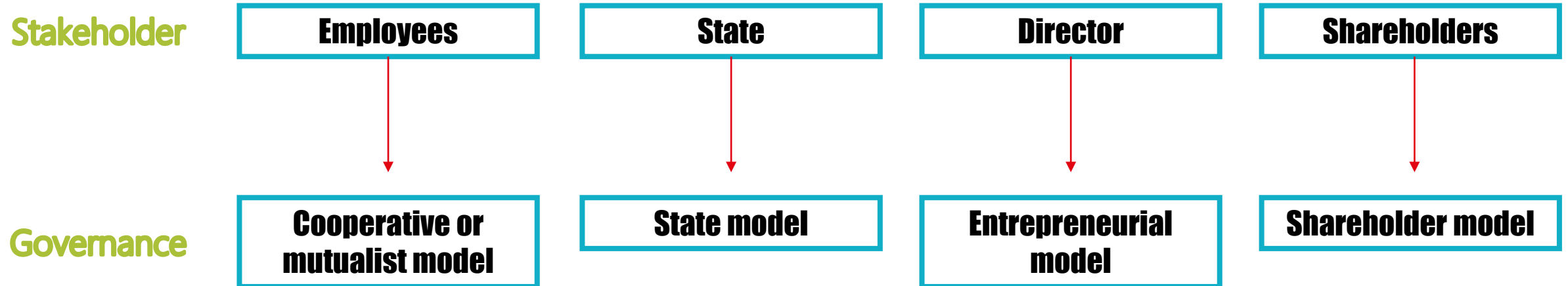
Schedule (2/2)

Session 5	Session 6	Session 7	Session 8
Case study 5	Case study 6	EXAMEN	Correction
October 24 th	November 07 th	November 13-20 th	November 13-20 th
Presentations & correction of case study	Presentations & correction of case study	Presentations & correction of case study	EXAM

Let's recap!

Corporate governance models

Governance or corporate governance refers to the decision-making model at work within a company

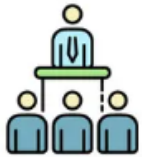


A company transformation in governance affect all the stakeholders in different ways.

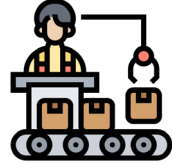


Different stakeholders, different interests

- **Economic interests**
- **Financial interests**
- **Strategic interests**
- **Social interests**
- **Environmental interests**



Industrial strategy VS Financial strategy



- **Industrial strategy**
- It is measured in **physical units** such as the units produced and in **monetary units** such as sales, payroll, fixed assets and assets.
- It is a **long-term strategy**, and it can be planned.



- **Financial strategy**
- Financial logic is measured only in **monetary units** such as value added, equity and market capitalization
- It is a **short-term strategy**, and it depends on the current economic conjecture.

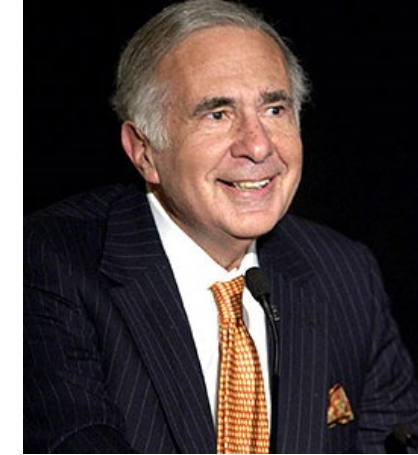
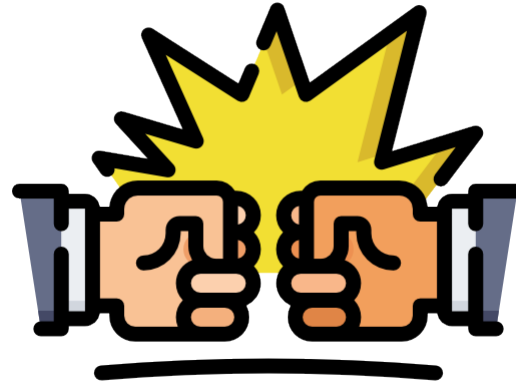
Case study 2 - DELL

The company, a place of comprise

Dell enterprise



Michael DELL
Founder & shareholder



Carl ICAHN
Majority shareholder

SILVERLAKE



Decision to delist from stock exchange

VS

refusal to delist the firm



Timeline

March

- MD announces delisting
- CI buys 6% of Dell's capital
- CI demands dividends

May

- Net results drops by 130 millions \$
- CI blocks the buying of Dell by MD

June

- SEAM sells 72 millions \$ in shares to CI
- Ci becomes 1st shareholder with 8,7% of capital
- Ci demands 15\$/share

August

- Vote is postponed twice by MD
- MD changes voting rules
- MD increases offer

September

- CI renounces to block MD's project to buy his firm
- Dell will be delisted from stock exchange

Question 1

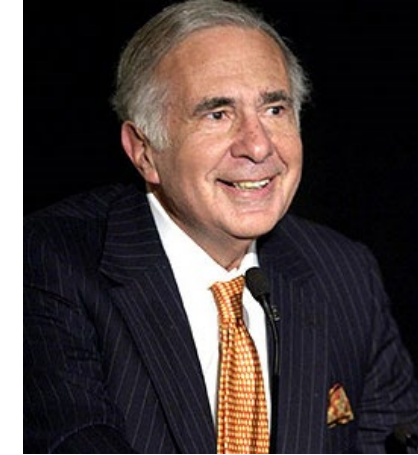
What type of governance model is it?

Which governance issue is presented in the case of the company DELL?

The governance issue of Dell



Michael DELL
Founder & shareholder



Carl ICAHN
Majority shareholder

SILVERLAKE



Decision to delist from stock exchange

VS

refusal to delist the firm



The governance issue of Dell

- **Decision to delist the firm from stock exchange VS refusal to delist the firm**

→ Opposition and blockage of the decision-making process

Doc. 7 "Michael Dell, founder and CEO of the computer company, wants to buy his company and take it off the stock market, and Carl Icahn, Dell's shareholder, is working hard to raise the share price and is loudly proclaiming how a stock market exit would be a bad idea"

- **Getting off the stock market is equivalent to redefining the governance model.**

→ Strengthening the position of the decision-maker

Doc. 1 "The return of its founder to the helm"

Doc. 7 "Michael Dell was nervous that an activist shareholder like Icahn would come in and impose a strategy he didn't believe in, or worse, ask him to leave"



The governance issue of Dell

- **Doc. 1:** "Michael Dell is trying to reorient his company towards the enterprise solutions market [...] without really convincing..." " The return to the helm of its founder " " negotiations "
- **Doc. 4:** "The fight" "change the rules governing shareholder voting" "change the voting rules"
- **Doc. 5:** "The fight" "the battle" "we stop fighting" "this defeat" "the shareholders' slingshot" "hostile to his project" "nice battle" "former opponent" "fight"
- **Doc. 7:** "Michael Dell was nervous that an activist shareholder like Icahn would come into the capital and impose a strategy on him that he would not believe in, or worse, demand his departure"



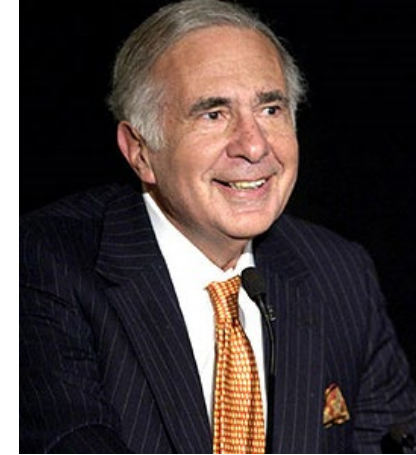
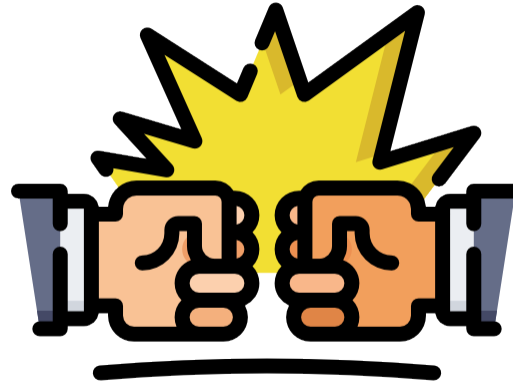
Question 2

How do the interests of the founding CEO and the shareholders conflict?

Confrontation of interests

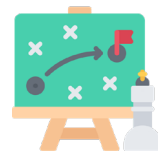


Michael DELL
Founder & shareholder



Carl ICAHN
Majority shareholder

Wishes to regain control to reorient the strategy of the firm



Wishes to keep the decision-making power for the shareholders



Confrontation of interests

Governance interests → Increased decision-making power

- **Economic interests**

Doc. 1 "Michael Dell's intention is to turn a PC manufacturer working with minimal margins into a player offering end-to-end solutions to businesses".

Doc. 6 "Michael Dell is trying to reorient his company towards the enterprise solutions market, especially for SMEs"

- **Strategic Interests**

Doc. 7 "MD will own the majority of the company's shares, compared to 15.7% today, and will not be accountable to anyone.

Doc. 6 "listed, the company would have had to maintain short-term profits at all costs, eventually selling profitable activities for parts"



Confrontation of interests

Governance interests → Decreased decision-making power

- **Financial interests**

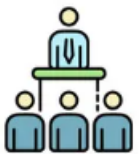
Doc. 5 "The whole thing was supposed to value Dell at between 27 and 32 billion dollars"

- **Loss of revenue**

"Stocks that have eroded by more than 30% over the past 5 years"

- **No return on investment**

Doc. 5 "He was giving up the battle for control of the computer group"



Question 3

What are the two types of strategies involved in this case study?

Strategies of the stakeholders for Dell

The strategy of Michael Dell is an industrial strategy → long-term strategy

- Increase of the company's assets underpinned by a long-term logic

Doc. 1 "In particular, the company needs to improve the integration of the multiple solutions it has acquired since 2007."

Doc. 3 "Now it's time to do what Dell does best - make these innovations simpler, more affordable and more accessible, putting more power into the hands of more people than ever before"

- It is measured in physical units and in monetary units

Doc. 7 "By privatizing it, MD will have the time to pursue its strategy away from the short-term view."

Doc. 6 "MD will no longer have to report quarterly on the level of its results and will be able to give itself a longer-term horizon to pursue its strategy at its own pace."



Strategies of the stakeholders for Dell

The strategy of Carl Icahn is a financial strategy → short-term strategy

- Increase of the company's value in order to increase the revenues of shareholders

Doc. 1 "the company hopes to escape the short-term pressure of the markets, focused on quarterly results"

Doc. 6 "The pressure of financial investors is becoming counterproductive, as they continue to demand returns when the situation requires them to take their time, including accepting momentary losses."



Question 4

What are the different means deployed by the stakeholders to influence the balance of power at work? Qualify and illustrate.

What are means deployed to influence the situation?

- **Economic**

- The blockage on the price negotiation does have an influence.

Doc. 2 "He proposes to shareholders an amount between 13 and 14 dollars per share"

"He plans to sell 72 million shares to Carl Icahn, making him the largest outside shareholder in the MD group. "

Doc. 5 alliances with investors (Silver Lake)

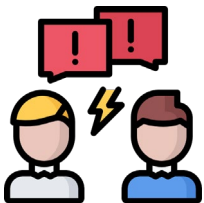
- **Organizational**

- A change in the voting rules has been suggested + Organizing a strategic committee.

Doc. 1 "A strategy committee was set up at Dell to study various options."

Doc. 4 "The change in voting rules for the buyout"

"Pressure on board, formation of opposition block, postponement of shareholder vote"



What are means deployed to influence the situation?

- **Communication**

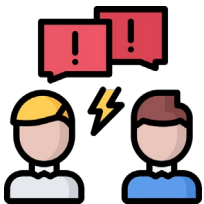
- Both stakeholders took their conflict public in order to influence the negotiation.

Doc. 2 "MD who then begins negotiations with his partners for an exit from the stock market"

"Icahn sends a letter to the board of directors of Dell in which he opposes the withdrawal of the group from the stock market"

"publicly oppose the withdrawal of the company from the stock market"

"Icahn files his proposal to take over Dell ", and " Michael Dell replies "



Question 5

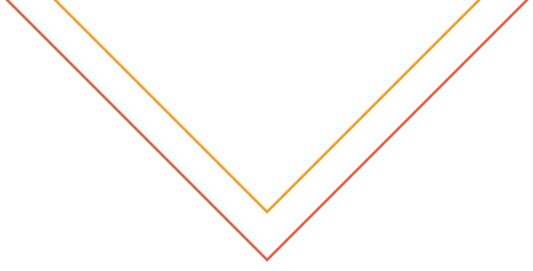
Is it always in a company's interest to be listed on the stock exchange?

The pro's and con's of being a listed company

	Advantages	Disadvantages
Economic stakes	Short-term growth	Long-term strategic positioning
Brand image	Prestige and visibility	Information about the competition
Power stakes	Dilution of the power	Power of control

**Who are the 2 groups
for next week?**

Any question?



Contemporary management problems

Case study - Dell

Thank you