**INTRODUCTION**

Organizations are particularly dependent on their external environments for sustainable development (Uitto, 2016). This understanding is negotiated through communication and shapes organizational strategic norms (Dirsmith and Covaleski 2023). A clear definition and measure of the external environment are required (Miller *et al*, 2016) to assess the external environment. External environments also have a significant impact on management information systems, with different environments requiring different information characteristics and collection methods (Ewusi-Mensah, 2021). To effectively navigate and respond to the external environment, organizations must conduct a critical evaluation of it.

PESTEL analysis is a framework for assessing the external environment based on a combination of factors, including politics, economics, society, technology, the environment, and law. Both Mokhtar (2021) and Schütz *et al* (2018) emphasize how this framework is relevant for strategic management, with Mokhtar applying it specifically to event management and Schütz illustrating its use in analyzing a company's macroenvironment. As a result of the environmental aspect of the PESTEL framework, Microsoft is better able to understand how environmental factors can impact their operations and strategic positioning. In support of this, Zhang *et al* (2011) emphasize the need for a holistic strategic analysis framework, and Galindro *et al* (2019) suggest benchmarking environmental product declarations using data envelopment analysis.

**MACRO-ENVIRONMENT ANALYSIS**

A global tech giant like Microsoft operates in a dynamic macro-environment that is influenced by various factors (Microsoft Corporation, 2024). Political factors present both opportunities and threats for Microsoft (Microsoft Corporation, 2023). Moreover, Microsoft faces challenges in navigating diverse political landscapes due to issues with the European Union, including fines imposed. A changing political environment and the requirement for lobbying efforts complicate the company's strategic decisions (Modak, Sinha & Ghosh 2023).

The performance of Microsoft is heavily influenced by economic factors. The stable economy of developed countries contributes to a steady market, while the growth of developing countries contributes to increased sales (U.S. Department of Commerce – International Trade Administration Year). By enforcing higher wages, the H-1B visa program overhaul could benefit Microsoft's growth and profitability by limiting foreign workers (Microsoft Corporation, 2022).

Microsoft thrived as its operating system dominated computer and laptop adoption. However, with the rise of smartphones, the company must pivot its strategy. Mobiles have become indispensable, but Microsoft still primarily focuses on computers (Seitova 2022). Microsoft's products are computer-centric, and its sales will be enhanced by aligning with changing customer preferences and the mobile-centric culture (Williams and Figueiredo, 2021).

Technology underscores the competitive nature of the tech industry. Microsoft must continuously innovate to keep up with Google and Apple (Bakri *et al*, 2012). Microsoft can maintain a leading position in the market by investing in research and development, especially in artificial intelligence (Nkang, 2023).

As a result of its commitment to environmental responsibility, Microsoft was ranked the world's most environmentally friendly company in 2019 (Microsoft Corporation, 2024). Microsoft implements an internal carbon tax that allocates $50,000 over five years for using AI and machine learning technology to address environmental challenges (Jahan & Sazu 2023) as part of its commitment to being a 100% carbon-neutral company.

Microsoft faces a high risk of legal challenges since it is the world's largest company. Microsoft has already paid $9 billion in lawsuits (Microsoft Corporation, 2023). A customer sued Microsoft in 2018 after forced Windows upgrades rendered his PC unusable, emphasizing Microsoft's commitment to customer satisfaction while avoiding discrimination (Microsoft Legal Issues, 2022).

|  |  |  |
| --- | --- | --- |
| **Factor** | **Advantage** | **Disadvantage** |
| Political | - Proactive engagement and lobbying demonstrate commitment | - Tensions impact distribution and supply chain operations |
|  | - Stability in developed countries offers market expansion | - Accusations of monopoly raise concerns |
| Economic | - Stability in developed countries provides a steady market | - Exchange rates and protectionist policies impact MNCs |
|  | - Growth opportunities in developing countries | - H-1B visa program overhaul may limit foreign employees |
| Social (Mobile Adoption) | - Historical dominance in computer adoption | - Focus on computers amid the shift to mobile usage |
| Technological | - Continuous innovation to stay ahead of strong competition | - High competition requires ongoing R&D investment |
| Environmental (Sustainability) | - Recognition as the world's most environmentally friendly | - Carbon-neutral practices and internal tax demonstrate commitment |
| Legal | - Proactive legal approach and spending on lobbyists | - High risk of legal challenges and substantial payouts |
|  | - Commitment to careful customer satisfaction strategies | - Legal entanglements and discrimination issues |

*Summary of the Macro-Environment Analysis for Microsoft*

*Source: Nkang, (2023)*

**STRATEGY AND MARKET ANALYSIS**

A key component of Microsoft's strategy and market dynamics is its commitment to anticipating and responding to changes in the market (Jae-woong and Geun-woo, 2010). Microsoft Corporation's success is attributed to its ability to find and retain talented employees, organize small teams, and create new mass markets. A flexible, incremental approach to product development and the relentless pursuit of future markets are complemented by this (Microsoft Corporation, 2024). In the area of business intelligence, Microsoft has employed various expansion strategies to increase its market share, including acquisitions and customer-focused initiatives (Qisman *et al*., 2021). Microsoft has been able to maintain its leadership position in the software industry through these strategies.

**CONCLUSION**

There are several challenges the company faces, including political tensions, changing customer preferences, and legal problems. As a result of Microsoft's strategic initiatives, such as proactive political engagement, environmental responsibility, and innovation, the company is positioned for growth and resilience. Microsoft's commitment to responsible business practices is exemplified by its focus on sustainability, carbon neutrality, and artificial intelligence-driven environmental initiatives. Its market leadership is enhanced by its ability to anticipate market changes, retain talent, and develop flexible product strategies. To sustain success in the dynamic technology landscape, Microsoft must balance technological innovation with adapting to evolving customer trends.

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