**INTRODUCTION**

Strategic choices are crucial in the organizational context, particularly for Microsoft, as they shape the company's direction and performance (Alhawamdeh, 2019). These choices are influenced by both internal and external factors, as well as the decision-making process (Genç and Şengül, 2015). For Microsoft, a thorough analysis of these factors is essential to ensure that strategic choices align with the company's goals and capabilities (Asikhia and Nwadiuru 2021). This will help maintain continuity and drive the company's success in the ever-evolving tech industry.

The integration of real options analysis (ROA) into scenario planning (SP) has been explored to enhance the benefits of both techniques (Favato and Vecchiato, 2017). This approach is particularly relevant for Microsoft, given the company's need to navigate a rapidly changing technological landscape. By combining SP-ROA, Microsoft can better identify strategic issues and generate options, allowing for more dynamic decision-making in the face of uncertainty (Khan, 2011). This is in line with the company's previous analyses, which have emphasized the need for a flexible and adaptive approach to strategy. Furthermore, the integration of SP-ROA can help Microsoft manage risk and capitalize on opportunities, aligning with the company's focus on innovation and growth.

**IDENTIFICATION OF STRATEGIC ISSUES**

The strategic issues faced by Microsoft can be analysed using the SP-ROA framework, which considers both internal and external factors. Schlange and Jüttner (2017) suggests using a cross-impact matrix to evaluate how these factors interact, while Abell (2018) emphasizes the importance of anticipating and responding to changes in the marketplace. Zhao (2022) applies SWOT analysis to Microsoft, identifying its strengths, weaknesses, opportunities, and threats. Kearns (2022) further emphasizes the need for a careful integration of internal and external factors in SWOT analysis. These frameworks can help Microsoft identify and address key strategic issues.

**KEY STRATEGIC ISSUE FACED BY MICORSOFT**

Microsoft faces significant strategic challenges, primarily centered around innovation (Gurel and Tat, 2017). Critics argue that the company often succumbs to a "me-too" mentality, replicating competitors' moves without addressing customers' specific needs (Bort, 2019). This approach has led to the abandonment of successful technologies, such as MP3 players, cloud-based Office applications, and webcams, in favor of unnecessary changes that fail to meet customer demands (Bort, 2019). The company's substantial investment in Research and Development has not translated into groundbreaking products due to this imitation-focused mindset (Loebbecke *et al,* 2020) .

Moreover, Microsoft's struggle to understand its customers and their resistance to change poses a significant challenge. The company, being hampered by its own success, finds it challenging to introduce innovations without disrupting existing systems (Bort, 2019). The enterprises, dependent on Microsoft's technology, resist constant changes, as demonstrated by their reluctance to upgrade from Internet Explorer 6. This tension between innovation and stability puts Microsoft in a precarious position, with the risk of losing ground to competitors in a rapidly evolving market (Thelwall, 2018).

Furthermore, Microsoft's inclination to build rather than partner for technology hinders its progress (Valentin, 2021). The company's insistence on creating its own solutions, such as hypervisors and gaming consoles, rather than collaborating with established players like VMware, has led to unnecessary expenses and missed opportunities (Warner, 2019). This tendency to go against market trends and competitors' strategies inhibits Microsoft's ability to stay ahead in the dynamic technology landscape (Neumann *et al,* 2019).

**FACTORS INFLUENCING THE STRATEGIC CHOICES**

Microsoft faces several key strategic issues that warrant careful analysis through the SP-ROA framework, considering both external and internal factors. (UKEssays, 2018)

**External Factors:**

1. **Technological Advancements:** In the rapidly evolving tech industry, staying abreast of technological changes is crucial. Microsoft needs to align its strategies with emerging technologies, such as artificial intelligence and cloud computing, to maintain competitiveness.
2. **Competitive Landscape:** Intense competition from companies like Apple and Google demands a keen understanding of market dynamics. Analyzing competitors' strategies, especially in areas like search engines (Google), helps Microsoft identify opportunities and threats.
3. **Regulatory Environment:** Given Microsoft's global reach, varying regulatory environments pose challenges. Navigating diverse regulatory frameworks requires adaptability and strategic foresight to ensure compliance while seizing opportunities.

**Internal Factors:**

1. **Innovation and R&D:** Microsoft must address concerns about its innovation capabilities. While maintaining its Windows operating system dominance, there's a need to foster a culture of innovation to create breakthrough products and services, as indicated by the SP-ROA framework.
2. **Employee Satisfaction and Retention:** Discontent among employees, as noted in the analysis, raises concerns. Employee satisfaction directly impacts innovation and productivity. Strategic initiatives should focus on retaining top talent and fostering a positive work culture.
3. **Product Diversification:** The SP-ROA framework emphasizes the importance of product diversification. Microsoft's overreliance on Windows and Office applications for revenue leaves it vulnerable. Strategies should explore new avenues, such as enhancing the market share of Bing or expanding into emerging technologies.

**STRATEGIC OPTIONS FOR MICROSOFT**

1. **Innovation Hub Creation:** Microsoft should establish an Innovation Hub dedicated solely to generating creative ideas and fostering a culture of innovation. This hub will function independently, free from the constraints of routine product development, ensuring a constant influx of novel concepts.
2. **Strategic Partnerships:** Embrace collaboration by forming strategic partnerships with niche entities in the tech industry. This approach will bring fresh perspectives and varied expertise into Microsoft's ecosystem, facilitating the development of unique end-user devices and expanding market presence.
3. **Customer-Centric R&D:** Shift the focus of Research and Development towards understanding and fulfilling customer needs dynamically. Utilize customer feedback systems to gather insights, ensuring that product features align with current demands, thus enhancing customer loyalty.
4. **Diversification in End-User Devices:** Explore a diverse range of end-user devices beyond smartphones. Introduce products like wearables, tablets, and innovative gadgets to tap into evolving consumer preferences and stay competitive in the tech market.

**LIMITATIONS AND MITIGATIONS**

The approach in identifying strategic issues may face limitations in overlooking internal biases or being overly reliant on historical data. Mitigate this by fostering a diverse team for unbiased insights. Generating options may be constrained by industry norms; overcome this by encouraging "out-of-the-box" thinking, promoting unconventional solutions.

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