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Bus 109
05/15/20

1. **Current Situation**

    a. **Current Performance:**

        i. Microsoft is still renowned as the makers of the Windows Operating System. Currently they have adopted a reputation as a "cloud player." Due to the fact that, in this day and age, the technological industry's competition is higher than ever, and continues to see growth over the years through companies like Apple and Google; therefore, Microsoft has acknowledged that they need to constantly strategies ideas for growth. The company intends to invest heavily in research and development in order to improve their existing products and services. Through research and development they hope to come up with more successful products and services to add onto their portfolios. As a result of this dynamic push to continue growing the company within a year has gone from $85.3 billion dollars to $90 billion dollars (and through their research and development hope to come up with more successful products and services to add onto their portfolios. A lot of their profit can be attributed to the success they've had with the cloud business. Due to the fact that innovation for new products has not shown much growth or success the company currently seeks to grow faster through acquisitions and partnerships. These acquisitions include Linked and Azure services.

        ii. *Linked* - Their partnership with Linked provided an opportunity for the company to get other networks to embrace their brand, and was a direct way for the company to get more people using/familiar with their cloud business (specifically leading professional networks).

        iii. *Microsoft Azure* - this partnership has shown promising growth through it's quick and sustaining success through the recent years. According to Microsoft usage has doubled in less than one year. In order to reach more

customers the company has broadened the amount of products and services that it offers. Some of the services that come with Azure are: Cognitive services APIs for vision, speech, text, translation, emotion, etc.

2. **Strategic Posture**

    a. **Mission:**

        i. Developed in 1980 for Microsoft Co. by Bill Gates: "A computer on every desk and in every home."

        ii. Updated in the early 2014 their new mission statement is: "To empower every person and every organization on the planet to achieve more."

3. **Objectives:**

    a. **Mobile-first, Cloud-first**

        i. Microsoft intends to be a brand of empowerment and to obtain value through their customers in this way. Their approach will stem from what CEO Satya Nadella calls "a mobile-first, cloud-first world." He mentions "Today, we live in a mobile-first, cloud-first world, and the transformation we are driving across our businesses is designed to enable Microsoft and our customers to thrive in this world," Nadella said, emphasizing that mobile-first means the "mobility of experiences" that are "orchestrated by the cloud," and not just about mobile devices (techradar.pro). Nadella's statement is a clear indication that Microsoft is not afraid of a cross platform approach in order to achieve the growth that is necessary for them to sustain their longevity as a company. By adopting this mentality, the company has more opportunity to bring the best of Windows, Offices, and the other services to users around the world. The most prevalent example of this cross platform approach can be exemplified through there Office Application being available to iOS and android, as well as Cortana being ported to non-Windows devices.

    b. **To the cloud and beyond**

i. This is a reflection of the company pursuing this title of "services company" due to its positive evolution and growth. We see this mainly in their product services like Windows and Office that are always providing Ming users with updates and the latest versions. "This intern enables us to attract applications to our cloud platform and attach our differentiated capabilities such as identity management, rich data management, machine learning and advanced analytics" (Nadella, techradar.pro). In order to achieve the execution of this strategy the following are Microsoft's three objectives: to reinvent productivity and business processes, build the intelligent cloud platform, and create more personal computing.

4. **Strategies:**

a. *Global growth*

i. Since their establishment in 1975 Microsoft's brand now operates across the world in more than 210 countries worldwide. Windows 10 is currently active on more than 800 million devices worldwide. Continuous innovation for convenience is what has given Microsoft a presence in this market for so long. Globally, the company develops licenses, support for an array of different software products, services, and resources within their own devices that help people with their innovation/discoveries. The company does not limit themselves to only providing convenience and innovation for big companies, but they are very adamant about spreading this message of being a universal tool/resource for big and small businesses around the world. Their global presence, accessibility, and ability to create convenience is definitely a major contributor to what makes them competitive in the market.

b. **Artificial Intelligence**

i. AI has shown incredible potential in terms of increasing productivity and profit. Therefore the technology industry has gone under transformation in terms of the value placed on the products that can thrive in this market.

This is another way Microsoft intends to optimize their opportunities for massive growth. The Xbox has sustained its presence in the industry and has grown past $100 billion. Therefore, investing in modern technology that provides convenience and enhancement are major areas of opportunity for the brand.

   c. **Affordability**

      i. Microsoft brand intends on extending their market presence through an affordability of services approach. A few of the products in their portfolio are still costly, but the majority of their services do not pose a threat to their overall message of convenience in hopes of empowerment for all. An example of affordability can be found in their software packages. The packages that provide multiple products and services are more affordable than purchasing things one-by-one.. This strategy, of affordability, is used to target individual customers but also larger audiences. This is how Microsoft has and continues to intend to grow in the market faster.

5. **Policies:**

   a. **Lobbying**

      i. Microsoft is adamant and intends on sustaining their positive reputation with the protection of shareholders. They do this by actively lobbying(while complying to federal law) for the issues presented in Congress that have the ability to affect the direction of the company.

   b. **Export Policy**

      i. Since the United States has certain laws that banned the export of certain softwares and hardware; Microsoft respects and complies with such rules. They comply with the law in order to do their part in protecting national security through the conservation of limiting resources.

   c. **Fair Information Practices**

      i. Microsoft recognizes their global presence and influential voice and intends on using it to maintain a safe environment for users when seeking

information. They have various initiatives promoting using the internet wisely.

    d. Diversity

        i.   Having a successful workplace provides more opportunity to onboard a talent group of individuals. Recognized as assets, Microsoft seeks and welcomes diversity, and also stays true to Equal Opportunity regulations.

6. **Strategic Managers**

    a. Board of Directors:

        i.   Fourteen board of directors- Voted in by "Governance and Nominating Committee." Nominees are voted in accordance with: experience with the company, character, executive ability, independence, personal and professional ethics, business judgement, ability and willingness to commit sufficient time to the board.

        ii.   One nominee has been a director since 1981. The rest range from (2014-2017).

        iii.   Experience, expertise, or attribute qualifications: financial, gender, ethinic, national, or other diversity, global business, leadership, mergers and acquisitions, public company board services and governance, sales and marketing, and technology.

    b. **Top Management:**

        i.   Management is elected from within through a series of reports regularly given by current members of the Governance and Nominating Committee. They include: "reporting to the Board on the performance and effectiveness of the board, presenting to our board individuals recommended for election to the board at the annual meeting, and assessing the committee's own performance" (Microsoft, Election of directors).

        ii.   Very experienced individuals and have great representation on a diverse stand point. Welcoming diversity in order to achieve a wide range of

viewpoints to address issues and come up with new ideas in regards to customers, partners, employees, the government, and global stakeholders.

III. External Environment

A. Natural Environment

1. Coal is the world's most important resource for electricity. Most of the terawatt-hour of electricity that maintains the Information Communication Technology (ICT) ecosystem is produced by coal. It is a finite resource that is in demand.
2. Land consumed to sustain data centers.
3. Dam access to harness affordable hydropower to fuel ICT.
4. Technology has outpaced efforts towards environmental conservatism.
5. Investment in solar power is behind.
6. Lacking wind power expansion.

B. Societal Environment

1. Economic

   a. Pandemic has caused economic uncertainty. People have become financially unstable as millions of jobs have been lost. **(T)**
   b. More people staying at home means they are looking for ways to entertain themselves online. **(O)**
   c. There are now individuals that have started to work from home because of the pandemic. **(O)**
   d. The world is looking to stay connected online now more than ever before. **(O)**

2. Technological

   a. Combining TV white space technology with existing wireless systems. **(O)**
   b. Artificial Intelligence is growing. **(O)**
   c. Businesses and individuals rely on cloud computing directly or indirectly. **(O)**

3. Political-Legal

a. Europe's interpretation of the General Data Protection Regulation. A law that was implemented in 2016 to guard the data and privacy of individuals within the European Union. **(T)**

b. California's Consumer Privacy Act. **(T)**

c. Trans-Pacific trade affects the tech sector. Tensions between the U.S. and China will impact the momentum of artificial intelligence. **(T)**

d. State sponsored cyberattacks which Microsoft has already experienced. **(T)**

e. Rise of activism in tech. **(T)**

f. Governments around the world are increasing the desire to have data centers in their own country. **(O)**

4. Sociocultural

a. Rural communities are getting more access to the internet. **(O)**

b. Infrastructure spending has been discussed in the United States by the current administration. **(O)**

c. More people are working online and require productivity software. **(O)**

d. Individuals are finding more of their friendships online. **(O)**

C. Task Environment

1. More countries are becoming technologically advanced. **(O)**

2. The global operating systems market is increasing. **(O)**

3. Sectors are in need of cloud security and cloud providers possess far greater security capabilities. **(O)**

4. Fixed and accessible networks with high capacity and fast speeds are on the rise. **(O)**

5. **Rivalry High.** Amazon and Apple are industry leaders with great capabilities. **(T)**

6. **Buyers' Power Low**. Technology in these segments is difficult to copy and scale. **(O)**

7. **Power of Other Stakeholders Medium.** Licensing agreements reduce stakeholder influence by selling to all and not just one. **(O)**

8. **Distributors' Power High.** Majority of PC makers rely on Windows OS. **(O)**

9. **Threat of Substitution Low. (O)**

10. **Entry Barriers High.** New entrants are unlikely except for established industry leaders who decide to invest in new sectors. **(T)**

Exhibit 1: EFAS Table for Microsoft 2020

External Factors	Weight	Rating	Weighted Score	Comments
Opportunities				
Global online integration	.20	4.0	.80	Global brand recognition
❏ Need for Cloud Computing is growing	.25	4.5	1.13	Second most cloud market share
❏ Increased infrastructure spending	.05	1.0	.05	Low revenue impact
❏ Use of productivity software is on the rise	.10	5.0	.50	Industry leader
❏ Artificial Intelligence growth	.10	3.7	.37	Well positioned
Threats				
❏ Amazon and Apple are strong industry	.05	3.0	.15	Well positioned

leaders				
❏ Government Regulation	.05	2.5	.13	Possible implications
❏ Unstable Economy	.10	3.0	.3	Few segments have experienced negative impact
❏ Trade tensions	.05	1.0	.05	AI momentum at stake
❏ Tech activism expanding	.05	4.0	.2	Well positioned
Total Scores	1.00		3.68	

IV. Internal Environment

    A. **Corporate Structure** - Microsoft has a divisional structure with a focus on innovation.**(S)** This change was made in 2015 in an effort to support Microsoft's strategic direction as a productivity and platform company. The CEO, Satya Nadella, runs two divisions within the organization. One division is strictly for engineering groups with all business functions falling to the second division. **(S)**

    B. **Corporate Culture** - Microsoft's corporate culture revolves around five main characteristics: Accountability, Quality and Innovation, Responsiveness to Customers, Growth Mindset, and Diversity and Inclusion. **(S)** These characteristics help to support Microsoft's business goals of continued global success. Microsoft's internal culture tries to embody the ethics of founder Bill Gates. As he is no longer leading the company this can lead to outdated processes. **(W)**

    C. **Corporate Resources:**

        1. **Marketing**

a. Uses a wide range of marketing communication channels such as: advertising, sales promotion, events and experiences, public relations, direct marketing and personal selling **(S)**

b. Their main focus is on the product element in the marketing mix, accepting high levels of user convenience of its products and services as the unique selling point associated with their brand.**(S)**

c. Their main market target is customers that value effectiveness and efficiency **(W)**

2. **Finance**

    a. In 2019, Microsoft generated more than $125 billion in revenue, $43 billion in operating income, and over $50 billion in operating cash flow. **(S)**

    b. Of that amount, $30 billion went directly to shareholders and their gross margin expanded to 63%. **(S)**

    c. Their annual revenue saw a 14% increase from 2018 to June 30th, 2019 **(S)**

3. **R&D**

    a. Microsoft development focuses on 5 main objectives **(S)**:

        i. Applications and infrastructure
        ii. Data and AI
        iii. Business Applications
        iv. Modernization of workplaces
        v. Gaming

    b. 13% of microsoft's budget goes into internal R&D projects.. They aspire to full technical control over all of their products and services.Thus limiting outside resources and opinions. **(W)**

    c. Their main R&D facility is located in Redmond, Washington but they also operate facilities in Canada, China, Denmark, Estonia, Germany, India, Ireland, Israel, and the UK **(S)**

4. **Operations**

   a. Microsoft runs specialized and segmented operations centers. Each one specializing in different forms of operations support. This segmentation can lower quality control among the various facilities and centers. **(W)**

   b. Segmented operations cover large areas. The regional center in Ireland supports European, Middle Eastern, and African regions; the center in Singapore supports Japan, India, Greater China, and Asia-Pacific regions; and their centers in Fargo, North Dakota, Forty Lauderdale, Florida, Puerto Rico, Redmond, Washington and Reno, Nevada support Latin America and North America. This segmentation focuses on small centers in large support areas, causing barriers in language and culture for support centers. **(W)**

5. **Human Resources**

   a. Microsoft has an incredibly high employee retention rate of 94% and an annual turnover rate of 5.8% **(S)**

   b. Microsoft has a known policy that they let go the bottom 5% of employees based on performance every year. This causes a cutthroat and competitive environment among co-workers on the lower-rung of the corporate ladder **(W)**

   c. Microsoft does not have any type of unions associated with it and, therefore, does not have collective bargaining agreements. In the current age of programming "crunch" and burn out, employees may be subject to intense work environments with little improvement in pay or benefits. **(W)**

6. **Information Systems**

   a. Microsoft is notoriously vulnerable to cybercrime and cyber attacks. Being one of the largest tech companies in the world, they are a primary target by the global cybercrime community. **(W)**

b. Microsoft faces high amounts of internet piracy and a significant portion of their R&D budget goes to development of piracy prevention and anti-piracy software for their products and services. **(W)**

c. Microsoft's technology developments and internal use of information systems is a world standard and they are on the forefront of business innovation **(S)**

Exhibit 2: IFAS Table for Microsoft 2020

Internal Factors	Weight	Rating	Weighted Score	Comments
Strengths				
❏ Strong Corporate Structure	.05	4.5	.225	Clearly defined and laid out structure
❏ Solid Culture Characteristics	.05	3.8	.19	Embody the characteristics as a whole company
❏ Great Marketing and Brand Recognition	.20	5.0	1	A globally recognized brand
❏ Stable Upward Financial Growth	.10	5.0	.50	Safe investment and easy choice for investors
❏ Global Innovation Focused R&D	.05	2.5	.125	Multiple cultures contributing to R&D efforts
❏ High Employee Satisfaction	.05	4.0	.20	Low turnover so little investment in new training

❏ World Class Information Systems	.10	4.8	.45	The best in the business and highly sought after
Weaknesses				
❏ Large recent change in leadership	. .05	2.0	.10	Unclear expectations
❏ R&D based solely within the company	.10	3.6	.36	No outside ideas or opinions
❏ Limited foriegn operations	.10	2.2	.22	Low diversity in operation sections
❏ Highly competitive work environment	.05	3.0	.15	Bottom 5% eliminated every year
❏ Vulnerable to cybercrimes	.10	4.5	.45	Customers are weary of data breaches
Total Scores	1.00		3.97	

V. Analysis of Strategic Factors

   I.   **Situational Analysis(SWOT)**

        A. **Strengths**

1. Microsoft has many strengths that help distinguish it from its competitors. These strengths are its brand loyalty, brand reputation, vast market reach, and it's easy to use software. Microsoft is said to have one of the greatest brand loyalty with millions of customers throughout the world. Microsoft feels that it is important to make the customer feel special through the use of its products and customer service. Microsoft spends vast amounts of time and money bringing back return customers. Microsoft's brand reputation is one of the strongest in the technology industry. This is because it is a leading provider on developing, manufacturing, licensing, marketing, and support software products. Microsoft has a brand value of about 250 billion dollars. Microsoft has a vast market reach. Microsoft has a foothold in over two hundred different countries around the world. This is partly to do with the fact that Microsoft offers many different products and services which can meet the needs of the individual to the large corporation. Microsoft's software is easy to use. The hi-tech and quality products offered by Microsoft's products and services add to its strength. For example, the Windows OS and Office software are easy to use and understand while still being a high-quality product.

B. Weaknesses

1. Microsoft suffers from its own set of weaknesses which are its competition, lacking innovation, and unsuccessful acquisitions. Microsoft faces a lot of challenges from its competitions. Microsoft is a multinational technology industry because of this Micsofot also faces off against many other technological giants. These companies include people such as Apple, Google, Oracle, and Salesforce. Microsoft has been lacking its parts of its innovation to be more specific to its hardware development. This hardware includes products like the surface pre computers whereas its competitors have left Microsoft in the dust. Microsoft has had many

unsuccessful acquisitions. Many acquisitions have led to failure and subsidiaries sell-offs.

C. **Opportunities**

1. Microsoft has quite a few opportunities to see growth within itself. They have opportunities in their cloud business growth, artificial intelligence, and partnerships and acquisitions. The cloud business growth has seen a lot of growth in the past few years. Microsoft Azure provides ease of access by allowing individuals to work from anywhere. Since the cloud business has seen a large amount of growth, it provides great opportunities to expand Microsoft's business. Artificial Intelligence is another opportunity for growth. AI has the potential to be very innovative and successful even if it is only in its early stages still shows a lot of promise. Research and development into this area will most likely see successful growth. Partnerships and acquisitions can be another area of strength if taken cautiously. IF they can focus on getting quality business to team up with them, then they will see a potential increase in their market shares. One example of a successful acquisition is Linkin which proved very useful.

D. **Threats**

1. Microsoft faces many internal and external threats. These threats are aggressive competition, open-source projects, cybercrime, and rapid preference change. Microsoft is constantly facing aggressive competition from other large technology companies. This competition leads to pressure put upon the companies which lead to higher overall costs. Microsoft's open-source projects are another potential threat. With open-source projects, there is a lot of competition against Microsoft. Products like Linux OS are an alternative to a few Microsoft products. These open-source products have seen relative success in the past few years. Cybercrimes have been rising which has come to affect Microsoft security

systems. This would cause potential for loss of customer trust in the company. Rapid preference change is another threat to Microsoft. Customer change of preference changes all the time. Microsoft has to predict these changes and stay ahead of them.

II. Review of Current Mission and Objectives

A. Mission Statement Appropriate

1. Microsoft's current mission statement is "to empower every person and every organization on the planet to achieve more." This mission statement does seem to be appropriate for Microsoft because the company has started to take steps towards becoming more culturally appropriate. They also aim to make the lives of everyone easier through the innovation of their products.

B. Goals

1. Microsoft has a few goals it wishes to achieve. They wish to empower communities by providing technology that will change the lives of everyone. Microsoft wants to exceed expectations to show that it cares for its customers. Finally, Microsoft wants to show that it will not exclude anyone and that it can cater to anyone's needs.

Exhibit 3: SFAS Table for Microsoft 2020

Strategic Factors	Weight	Rating	Weighted Score	Short	Intermediate	Long	Comments
Strengths							

Factor	Weight	Rating	Weighted				Description
❏ Marketing and Brand Recognition(S)	.10	5.0	.50		X	X	Dominate in Industry
❏ Strong Corporate Structure	.125	3.6	.45			X	Well laid out
❏ Stable Upward Financial Growth	.125	3.5	.438	X		X	Constant increase
Weakness							
❏ R&D based	.125	3.8	.475		X		Only within the Company
❏ Recent Change in Leadership	.075	3.0	.225	X			Unknown
Opportunities							
❏ Cloud Computing	.15	4.5	.675			X	Second in cloud market shares
❏ Artificial Intelligence	.10	3.0	.30		X	X	Great Potential
Threats							
❏ Competition	.05	3.5	.175		X		Well-positioned

❏ Unstable Economy	.10	2.0	.20	X		X	No Control
❏ Tech activism expanding	.05	2.4	.12			X	Constant Change
Total Scores	1.00		3.59				

VI. Strategic Alternatives and Recommended Strategy

I. Strategic Alternatives

A. Growth through Concentric Diversification: Acquire a company in a related industry.

1. [Pros]: Ability to bundle products and offer multiple products in one purchase for the consumer in order to prevent consumers from shopping elsewhere.

2. [Cons]: Too many products (Diversification) will lead to competition in too many markets.

B. Operations Strategy: Determines how and where a product or service is to be manufactured, the level of vertical integration in the production process, the deployment of physical resources, and relationships with suppliers.

1. [Pros]: Maintain strong sustainability in order to meet consumer demands

2. [Cons]: Constant investment in R&D in order to maintain efficiency in product manufacturing, distribution, etc.

C. R & D Strategy: Deals with product and process innovation and improvement.

1. [Pros]: Constant output of new products to strengthen competitive advantage in the market.

2. [Cons]: Constant investment in R & D in order to create and produce new products.

II.   Recommended Strategy

A. Recommended Growth through Concentric Diversification. Market for technology is constant changing, updating and shifting the market

B. Acquisitions should focus more on firms in well-established markets.

C. Ability to enter new markets through previously acquired firms well established in the market.

D. Offer consumers products that work together from one single firm

    1. Bundling up Microsoft Office 365 (Software) and their OneCloud Service (Cloud Storage) along with their Windows 10 (OS) can create a great experience for consumers.

VII. Implementation

1. Microsoft's management administers the company's strategic plan while their employees who are involved in day-to-day tasks improving products and services are carrying out the company's strategic plan. Over time, Microsoft has been able to expand its product portfolio with a wide variety of products and services. However, as competitors have begun to develop substitute products and services, the core of the company's business strategy is differentiating their products. Microsoft has attained a reputable reputation through its years of operations, however, since CEO Satyya Nadella became the new face of the technological conglomerate, the company business strategic plan has shifted their focus on three new elements: 'cloud-first, mobile-first', growth through mergers and acquisitions, and researching and developing technologies related to Augmented Reality and Virtual Reality (AR/VR) and encouraging Tech Intensity.

2. In addition, the company altered its business tactics to succeed within the three new sections. The cloud segment has brought a great deal of success to the company, strengthening Microsoft's competitive advantage. However, to sustain this level of success in cloud services, the company utilized its brand image, resources, and positive externalities to develop new sophisticated technology and promote its technology amongst all users. Growth through mergers and acquisitions has become a critical component for Microsoft, allowing the company to expand its boundaries into

unexperienced market segments. Microsoft is constantly investing resources in increasing their capabilities, product portfolio, and adding value to the company. As previously mentioned, Microsoft acquired LinkedIn, a social media platform allowing professionals to network with other users and recruit potential new candidates for their organizations. Through this acquisition, Microsoft has gained the opportunity to interact with a new audience in the market and promote Microsoft's brand.

3. Microsoft has invested a considerable amount of resources and time in developing augmented and virtual reality technology and encouraging tech intensity. Since augmented and virtual reality technology has been recently developed, the company has been able to demonstrate how effective the use of this technology can be. However, Microsoft firmly believes that to encourage tech intensity and promote AR/VR technology, intensive leadership within these segments can become a primary source for a competitive advantage for the company. Intensive leadership will involve positive connotations on how beneficial the technology will be from a long-term perspective.

4. Overall, the implementation of Microsoft's strategic plan is simply capitalizing on their current resources to continue enhancing their brand, applying intensive leadership, and utilizing their external measures. With the threats and weaknesses identified within the company and the newly added elements to the company's business strategy, Microsoft has the necessary assets to make the adjustments and achieve a new level of success.

VIII. Evaluation and Control

1. Microsoft is working to make sure that its customer service is better than its competitors. It is one of the goals that the company has set for itself. They wish to put their customers first and make the lives of its customers easier. Microsoft is constantly improving its customer service by the year. They use their customer service to view how they feel towards the general populace.

2. Microsoft's corporate structure helps put control of the company. It is responsible for controlling and properly evaluating how the company is doing. Microsoft looks for areas

of improvement which is why they do constant improvements towards its internal control. They use their financial reports to properly assess how effective their operations have been running. The CEO and the CFO use their control to manage the effectiveness of the corporations.