Change to be analyzed is what happened in the years 2014 – 2017 when Satya Nadella became MS CEO

Introduction :

an American [multinational](https://en.wikipedia.org/wiki/Multinational_corporation" \o "Multinational corporation) [technology corporation](https://en.wikipedia.org/wiki/Technology_company" \o "Technology company) which produces [computer software](https://en.wikipedia.org/wiki/Software" \o "Software), [electronics](https://en.wikipedia.org/wiki/Consumer_electronics" \o "Consumer electronics), [personal computers](https://en.wikipedia.org/wiki/Personal_computer" \o "Personal computer). Its best-known software products are the [Microsoft Windows](https://en.wikipedia.org/wiki/Microsoft_Windows" \o "Microsoft Windows) , [operating systems](https://en.wikipedia.org/wiki/Operating_system), the [Internet Explorer](https://en.wikipedia.org/wiki/Internet_Explorer" \o "Internet Explorer) and [Edge](https://en.wikipedia.org/wiki/Microsoft_Edge" \o "Microsoft Edge) [web browsers](https://en.wikipedia.org/wiki/Web_browser" \o "Web browser).

Microsoft was ranked No. 21 in the 2020 [Fortune 500](https://en.wikipedia.org/wiki/Fortune_500" \o "Fortune 500) rankings of the largest American corporations by total revenue;[[3]](https://en.wikipedia.org/wiki/Microsoft" \l "cite_note-3) it was the world's [largest software maker](https://en.wikipedia.org/wiki/List_of_the_largest_software_companies" \o "List of the largest software companies) by revenue as of 2016. It is one of the [Big Five](https://en.wikipedia.org/wiki/Big_Tech" \o "Big Tech) American IT companies, alongside [Google](https://en.wikipedia.org/wiki/Google" \o "Google), [Amazon](https://en.wikipedia.org/wiki/Amazon_(company)" \o "Amazon (company)), [Apple](https://en.wikipedia.org/wiki/Apple_Inc." \o "Apple Inc.), and [Meta](https://en.wikipedia.org/wiki/Meta_Platforms" \o "Meta Platforms).

But, Microsoft was not always in the bed of roses. Over the years Microsoft has undergone significant leadership changes and the direction, scope, and culture of the companies have changed significantly.

Microsoft highlights perfectly the growth potential achievable from a combined approach of **change and innovation.**

It’s is a great company with huge customer loyalty and fantastic products.

**History:**

If we look back In the early 2000’s, there was a problem with Microsoft, it could be argued that antitrust legislation has had some negative effect on Microsoft, but it was just a **calm before the storm,** if we make a close analysis it shows that they had failed to give consumers what they really want; i.e innovative products that constantly push boundaries.

However, During this time, Apple, on the other hand, had flown in completely the opposite direction. It has taken its customers from the iPod to iPhone to iPad. Microsoft has seen some success with its Xbox, but contrast to compare to Apple’s successes.

Microsoft’s underperformance and transition to new CEO, Satya Nadella

IF you look at the leaders of Microsoft, there were 3 people. Bill gates, Steve Ballmer and Satya Nadella.

Steve Ballmer, succeeded Bill Gates as CEO of Microsoft in 2000 and held the office till 2014 when Satya Nadella took over.

During Ballmer’s tenure, Microsoft was really struggling.  
Microsoft’s share price was 40% lower than it was in 2000, while Apple’s share price has risen from around $50 to over $500 during the same period.

ASSESSMENT OF THE CHALLENGE

The change mangement in Microsoft was clearly high. Due to multiple reasons. The first thing is,

**Cutthroat competition:**The market has a cutthroat competition. With likes of Apple, Google, Amazon and Cisco. Microsoft needs to come up with innovative products and services in order to stay relevant in the market. If you see in terms of Cloud, Microsoft Azure has direct competition with Amazon web services, in terms of products, demand of Microsoft PC’s are being replaced with Apple’s Mac, phones, and Tablets.

**New Product Development ?**Should Microsoft create new products in existing market ? Since they are competing directly with Google and apple who are constantly bringing new products. When it comes to the technology industry, it is easy to fall behind. This is because technology is constantly evolving, and customer demands are constantly changing. Developing new products can also provide increased revenues as a higher value for Microsoft.

**Impact on current products and services:**Or Should Microsoft focus on current products and services rather than taking risks by developing new products.

**Organization culture:**

During the time of Steve Ballmer, there was an infamous performance management system. Empolyees were slotted into top, good, average, below average and poor positions. The forced distribution meant that 1 in 10 people always received a poor rating, regardless how much they contributed. Therefore, you had to play dirty politics otherwise your character would be assassinated.

Management practices like this killed collaboration, employees felt that giving away their best ideas could damage their position. There the priority was what would help them to achieve highest ratings over the quality of work. Employees felt that political game in the company was important for their career development, they were rewarded not for doing well, but for making sure their colleagues failed.

**Adjustment in the dynamic environment (costs and customer expectations):**

Microsoft were too late in terms of mobile technology, it tried to enter smart phone market by acquiring Nokia in 2013, but it was impossible to compete with the likes of Apple, Samsung and Huawei. 2013 was the year where there was dramatic decrease of demand of PC’s, because people were more into buying smart phone and Tablets rather than traditional PC.

**Problem Summary:**

**Ineffective Strategy Implemention:**  
Microsoft had an strategy but they were far behind in terms of effectiveness of implementation. They were clearly ineffective.  
Effective implementation means having clear, consistent, long term goals, profound understanding of the competitive environment and objective appraisal of resources.

What they lacked most, was understanding their competitive environment and also not appraising their resource of human capital within their company.

**Lagged behind in innovation:**Microsoft’s biggest competitors are Google, Apple and Amazon Web Services (cloud services). Where Google out-performs Microsoft’s Bing search engine and has a prominent cloud presence. Apple has been innovative and proficient in their cloud computing which has allowed an ecosystem of products to allow connectivity across many devices that they offer. Microsoft is best known for their Windows operating system and their strategy has been focused on a “Windows first” outlook. After windows Microsoft has lagged behind the innovations of technology across their market.

**Not paying close enough attention to their competitive environment :**In 2015, the new CEO Satya Nadella, changed the focus of the “Windows first” strategy to a “mobile-first, cloud- first” strategy. But, the issue here is coming in late to the game that has already started. Microsoft allowed their competitors to leave them behind because they were not paying close enough attention to their competitive environment.

**Existence of Top-down management approach**:

Before, Satya Nadella Microsoft had a **top-down management approach**. What it means is that The company culture consisted of everyone trying to be the “smartest person in the room” and became an internal competition, not a team culture. This created a very formal and impersonal company culture. This type of culture hinders lower levels of the company to make beneficial contributions on the basis of creativity, intellect, and other human capital contributions.

However, Nadella believed “that everyone can grow and develop,” and the purpose of “leadership is to bring out the best in people, where everyone is bringing their A game and finding deep meaning in their work.

Here, there are 2 issues.

Failing to understand the competitive environment and **top-down management approach**

These two issues with along with failure to implement successful strategy had and affect in their long-term profitability because to restructure and refocus takes a lot of money and resources to do so. When they have fallen behind in their market trends, they have lost potential revenues. The hope was to speed up with the current market and stay ahead of their competition so their long- term profitability is not affected any more than it already has been.

Analysis:

**Segregation of Department into different sections:**

Microsoft formulated a business structure that segregated each department into five distinct sections. Each division had its own management team and profit and loss statements.

**Windows and Windows Live Division, Server and Tools, the Online Services Division, Business Division, and the Entertainment and Devices Division**.

**Performance metric for each department:**A performance metric was put into place in order to monitor its internal structure based on revenue by divisions. Each department was accountable for their operational functions and continually focused on how performance could be enhanced. The performance metrics were a way to ensure that the strategy of the firm was being implemented.

**Competition:**  
Microsoft had to align itself with its external environment by finding its strategic fit within the industry. They had big competitors such as Apple, IBM, Google and Cisco. It focused on competing with Apple and IBM with its operating system; Google with its search engines and cloud services and Cisco with its networking products. The competition in this industry is scattered over several different products and services.

**Mobile first Cloud first Approach:**Microsoft’s strategic focus was “Windows first”, then “devices and services” and then “mobile and cloud-first” approach. In 2013 Microsoft wanted to stay relevant within the industry and thrive in the market so their new CEO, Satya Nadella decided to change strategies converting to a “mobile-first, cloud-first” approach in 2015. The new focus was to try and develop a stand-alone cell phone service in order to compete with Apple and Samsung. This change in strategy ended up failing miserably costing the firm 7.6 billion dollars.

Proposal for change management team:

For the change management CEO played a vital role, Satya Nadella played a vital role to implement change in the company.

Similarly it would be important to include every departmental head for the change. Because it would. Likewise,

Alignment Matrix:

**Product Development:**

One of the best strategy for Microsoft to implement would be the product development strategy. If Microsoft were to penetrate the market with new and desirable products, they could implement their systems into their product. For example, they could use their search engine for new devices. That would cause consumers to adapt to Microsoft software and begin to use it. The real challenge is creating a product that people want to buy, if they cannot do that, the company would suffer a great loss.

The product they choose to create needs to be innovative and offer something their competitors cannot. Overall if Microsoft can offer a new product that enforces their software, they can still compete with other technology companies at a successful rate. For the plan, Microsoft should implement the market penetration strategy. It has little to no risk, and can bring in profit. Although they must lower the prices of their preexisting products, there is a demand and guaranteed profit.

**Market Penetration:**

Market penetration is existing products in existing markets and implementing lower prices. They talked about offering Windows 10 for free to give it away to certain users for free, this is an example of market penetration. Microsoft also created Microsoft Teams, OneDrive, Outlook, Skype, and OneNote. These are all software that are essential to businesses today.

Acquisitions and partnerships as a market penetration strategy is also a benefit. Market Penetration is one of the safer alternatives. Market penetration can raise brand awareness, quick way to gain market shares, and overtime can possibly make the firm more profitable.

Some of the successful acquisition that Microsoft has made are Github, Linked In, MineCraft, Skype etc.

**Diversification:**

Diversification strategy where the company is entering new markets with new products.

One good way for Microsoft to effectively implement diversification is through acquisitions. Microsoft tends to avoid risk, but it could be beneficial to them to take the risk in order to grow.

**Autonomous Vehicle Hardware :**

Autonomous-vehicle hardware, for example, but Microsoft chose not to go after that business, instead focusing on the AI and analytics tools necessary to sell self-driving technology to the likes of BMW, Nissan, and Volkswagen.

They are not pushing a Microsoft brand in the car. “They can give you the brain and provide all the elements to create your own .