**Character:** Dr. Helmut G. W. Panke

**Committee:** Microsoft Board of Directors

**Delegate Name:** Thomas Kidd

Dr. Panke was born in 1946, in Storkow, Kreiss Fürstenwalde, Germany. After graduating with a PhD in nuclear physics in 1976 from the University of Munich, he had a brief stint at the Swiss Institute for Nuclear Research (1976 - 1978). Shortly after, he dove into the corporate world with a position as a consultant at McKinsey & Company. In 1982, he moved to Bayerische Motoren Werke (BMW) to head planning and control, and steadily worked his way up BMW’s corporate ladder. By 1993, Panke had become the Chief Executive Officer of BMW’s US holding corporation. From 2002 to 2006 he served as the Chairman of the Board of BMW. On November 11, 2003, Dr. Panke was brought on to Microsoft as a nonexecutive director. He is currently the chairman of the company’s Regulatory and Public Policy Committee, and a member of the audit committee.

**Strategic Placement**

Microsoft has had little, if any effect on the consumer mobile market. As recently as May 25th, 2016, Microsoft slashed 1,850 jobs in its mobile division and incurred $950 million in costs. As of May 23, 2016 Microsoft’s Window Phone OS makes up less than 1% of the global smartphone market share. The numbers make is evident that Microsoft has not made a successful foray into the Alphabet (Google) and Apple dominated mobile consumer market. However, all of Microsoft’s sales have not been been similarly gloomy. In its Q3 2016 earnings report, Microsoft’s Intelligent Cloud revenue increased by $193 million (3%), Enterprise Services revenue grew by $137 million (11%), and Microsoft Azure, part of Server Products and Services, grew by 110%. The remarkable sales growth of all of these products revolve around one common theme: they are all enterprise products. While Microsoft has been painfully unsuccessful in the consumer devices market, its enterprise side has been steadily and reliably growing. The past few quarters of 2016 and 2015 have shown steady growth in enterprise related divisions such as Intelligent Cloud.

However, in spite of this enterprise market success, sales of Windows OS are down. Windows OS sales revenue decreased by $292 million in Q3 2016 and $871 million in Q4 2016. It increased by less than 1% in Q1 2017. Microsoft has allowed its staple product, Windows, to decline in sales and popularity while focusing its attention on mobile markets saturated with mature competitors. For the first time ever in history Microsoft Window’s market share dropped below 90%. As of May 3, 2016, it is now less than 89%. To continue as a sustainable, profitable corporation and increase sales of Windows 10, Microsoft must refocus its enormous Research and Development budget on the divisions which have historically perform best - its Windows OS and its enterprise software.

**Microsoft’s Commitment to the Mobile Space**

Despite Microsoft’s past failures in the mobile market, it now has a unique opportunity to break into the the marketplace. In the past, Microsoft has been unsuccessful as it has simply tried to emulate Alphabet by creating a mobile os with third party hardware and a closed marketplace for app development. With the differences coming down to minutia such as uniquely structured user interfaces, it is no wonder that the first Windows 7 Phone did not make a dent in the already established Android smartphone market. Today, Windows Phones represent less than 1% of the market share while Android OS has hit an all time high with an 88% market share in 2016. Emulating competitors is clearly not working.

Rather than following the lead of Alphabet and Apple, Microsoft should be taking a different approach to the mobile world. Microsoft’s Office Suite and Windows operating system is used by an overwhelming majority of the corporate world. It has recently acquired LinkedIn, the largest network of professionals in the world. Microsoft has, at its disposal, hundreds of millions of users who use Microsoft products. 400 million devices alone run Windows 10 and 80% of Fortune 500 companies use Microsoft Cloud. As of October 27th, 2016, LinkedIn has 476 million users. Rather than developing its mobile os independent of its enterprise software, or integrating game systems such as the Xbox or flashy technologies such as the HoloLens, Microsoft should be integrating its best selling products. Microsoft Office and LinkedIn are essential technologies for any individual or company to function in the business world. Their mobile os should be an extension of that ecosystem. Windows Phone OS should be fast, secure, and able to edit word documents, powerpoints, and excel spreadsheets with the efficiency of a desktop computer. It should be easy to use, have a familiar interface, and the ability to securely connect to multiple other Windows Phones for conference calls. Windows OS became the default operating system of the world not because it was flashy or sexy but because it was the product with which business was done. If Microsoft wants to dominate the mobile market it has the potential - it simply has to utilise its desktop market strategy in the mobile market.

**LinkedIn Acquisition**

For the LinkedIn acquisition to be successful Microsoft must take full advantage of its newest subsidiary by integrating it into its enterprise software, specifically its Productivity and Business Processes division. By integrating these two product divisions Microsoft can capitalize on its already existing corporate clientele. Microsoft Office alone has 1.2 billion users - Microsoft estimates the total addressable market for its productivity suite to have a value of $200 billion. The total addressable market of LinkedIn is valued at $115 billion. With care, Microsoft will be able to integrate Word, Excel, SharePoint, Skype, Outlook, and LinkedIn into one corporate ready package. Along with its Intelligent Cloud services, Windows OS, and ideally its new mobile division, Microsoft will be able to provide everything from complete communications to tech support to secure data storage - essentially every and any technological need - to any company in the world.

However, the best aspect of of the above strategy is that it will require minimal financial resources to execute. Microsoft has already integrated its entire productivity suite into one platform, Office 365. All that remains is to integrate LinkedIn’s functionalities into the existing model. While merging the two companies will still take time - the average time required for a successful merger is approximately 10 months, according to antitrust lawyer Paul Denis of Dechert LLP - the process will not by design incur additional significant expenses.

In terms of competition, the biggest and the only relevant competitor in this field is Alphabet Inc. (Google). Google offers a productivity suite, similar to that of Microsoft Office, which allows for users to easily share and simultaneously edit any kind of document on any type of device. Google Mail (Gmail) has over 1 billion users, Android has 88% of the mobile market share, and Google’s Chromebook laptops are cannibalizing PC sales. This is in addition to the fact there are more users of Google Chrome, Google’s web browser, than all other web browser users combined, and its flagship product, the Google search engine, has a 75.2% market share. However, in spite of this, Google will not retaliate, primarily because it has already struck the first blow. Google is already on its way to integrating its email services, productivity suite, cloud storage, and mobile device management into an simple package for corporations. It is therefore imperative that Microsoft begins the integration of LinkedIn and its Office suite immediately.

By merging its productivity suite, LinkedIn, and Intelligent Cloud Microsoft will set the stage for its ascension into a new field of the software industry. With this integration, not only will Microsoft increase sales revenues and retain customers at a greater rate, it will once again become one of the major players on the bleeding edge of software as a service. Ultimately, Microsoft’s products will become much more relevant to and necessary for anyone working in the business world, and the integration will set the stage for Microsoft to once again become the world leader of the technology industry.

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