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Committee: Microsoft Board of Directors

Topic: Microsoft

Position Paper

Following the aftermath of Nokia acquisition, removal of Steve Ballmer, and remaining in the shadows of Apple, Google and other technological companies, the once-dominant software giant, Microsoft, is rising once again. With the release of new products, a solid financial position and efficiency in cloud business, Microsoft shows potential to regain its prominence.

Despite the overall decline in revenue, Microsoft's cloud services such as Azure, remains the bright spot for the company. According to Microsoft’s Q4 Earnings Release (2016), its cloud services highlighted third quarter of 2016, where Azure revenue grew by 120% and its larger rival Amazon Web Services (AWS) had its revenue grow only by 89% (Statista, 2016). The reason behind such rapid growth is due to its dominance in the desktop operating systems segment. Microsoft Windows, as of October 2016, powers over 90% of computers worldwide, while its rivals, including Mac OS X and Linux, hold only between 2% to 10% (Net Market Share, 2016) of market shares. Considering a very large majority runs on Windows, and Azure environment is similar to the standard Windows environment, it makes it easier to create a cloud version of an existing Windows application. Thus, the cloud service is becoming profitable for the company and the company believes that by investing and expanding its range of cloud services, the company will gain a higher margin of profit and popularity.

Furthermore, Microsoft can also boost its cloud platform by synergizing with the networking service, LinkedIn. Since LinkedIn is a vast dataset composed of millions of profiles worldwide, it would require a cloud infrastructure to protect its data. As Azure would serve as security for the networking service, LinkedIn would help the cloud system expand its cloud services further into enterprise software markets and more importantly, it would help Azure rise above its opponent.

Although Microsoft is currently mainly focused on its cloud business, the return of smart phones from the company could play a crucial role in maintaining and advancing its position in the competitive market. After all, Android's dominance in the smart phone market is a major threat; and now several other companies, including Apple, are driving towards the market. According to IDC, less than 1% of smart phones worldwide run on Windows Phone, whereas more than 80% run on Android and more than 10% run on Apple. However, following the Nokia acquisition, Window Phones have failed in the market place, with poor sales and low market penetration. In order to restore and regenerate their mobile market, Microsoft needs to make their mobile portfolio more effective in the mobile space. One of the best ways Microsoft can improve the Windows Phone is by adding more features and apps to make the phone more appealing, which can be done by merging its existing innovations. Microsoft's line can spark a new life by increasing Microsoft's popularity amongst the selected demographics that the HoloLens and Xbox appeal to and by pairing the HoloLens as a supplement to current Xbox's. New features can release when the two innovations are combined, allowing the users to use their phone as a Bluetooth device over Xbox live. Similarly, Microsoft store and Xbox store can be joined, where both stores will sell products with the same price. Other than focusing on its internal affairs, Microsoft needs to focus on its exterior issues such as its overall appearance. One of many ways this can be done is by merging Windows Phone with Microsoft Surface, so that the phone can adopt the design of the Surface. Thus, Microsoft should shift some of its focus towards the mobile market because having a strong mobile arm is important in order to keep consumers within a brand’s ecosystem.

Overall, Microsoft has the potential to rise to the top again, simply by making the right decisions with its strategic placement, its commitment to the mobile sphere and its recent acquisition of LinkedIn. While taking all three issues in consideration, the company believes that the committee should first address Microsoft’s biggest and most glaring shortcoming, which is its foothold in the mobile market.

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