

Microsoft

Introduction

Microsoft, one of the world's biggest technology firms, is at the cornerstone of digital innovation (Microsoft, 2024). Paul Allen and Bill Gates founded the firm in 1975, the firm has continually pushed the limitations of cloud computing, personal computing, and software development

(Microsoft, 2024). Its vision is to permit businesses and people worldwide to consider their complete potential by building technology that modifies how people communicate, play, and work. The firm's mission is to empower every organisation and individual on the planet to accomplish more (Microsoft, 2024). Microsoft's products include operating systems for computing devices, phones, and servers, server applications for distributed computing environments, desktop and server management tools etc. The firm revenue was \$236.584B for the 12 months ending March 2024 (Macrotrends, 2024). However, the firm has been criticised for the perceived reduction in the reliability and quality of its software (Chevers, 2023). Various lawsuits allege and customer complaints related to Windows 10 posing destruction to the user's systems' damaging the firm's reputation.

Organisation Size, Function, and Structure

- ***Organisation Structure***

According to Hynninen (2024), Microsoft's organisation structure has been explained as divisional, product-type. This structure involves divisions which are dependent on certain software and hardware products. Schlegelmilch (2022) notes that a divisional structure could aid the firm in gaining competitive benefits in the local market. By offering autonomy to managers to make business decisions in their scope, they could instantly change direction in relation to localized transitions. However, Singh et al (2020) argue that while the firm's entire revenue benefits from the divisional structure, there is a greater operating cost. The firm is also required to centralized corporate divisions to oversee the remaining firm, which could result in greater overhead costs.

Product-type divisions are the main feature of the firm's organisational structure, in which the firm employs outputs or products as the major criterion for grouping staff (Tintelnot, 2023). For instance, the firm possesses a self-contained division for intelligent cloud products and separate divisions for other products. This structure fosters communications between distinct functional experts in each product division and enables the firm to adapt distinct products more easily in relation to consumer necessities (Isac et al., 2021). However, Tyulin & Chursin (2020) claim the greater resources are required for maintaining and creating separate divisions or teams, thus, increasing financial burdens on the firm. Geographic segments are another element of the firm's organisational structure. These segments are employed to group operations in the firm's financial reports (Singh et al., 2020). The geographic divisions include; the international and the United States. Global corporate groups are another element, in which groups are dependent on the functions necessary in the computer technology business, such as Human Resources, Marketing, Finance, Technology and Research etc.

- ***Size***

Microsoft belongs to a larger enterprise company size, with more than 221, 000 employees. The firm's total assets are around US\$411.9 billion, total equity is US\$206.2 billion, and net income is US\$73.4 billion (Microsoft, 2024).

- ***Functions***

The firm builds and markets services, hardware, and software that offer higher convenience, new opportunities, and improved value to individuals' lives (Microsoft, 20204). Microsoft yields revenue by building, supporting, and licensing a range of software services or products by selling

and designing hardware devices as well as by offering relevant online advertising to the global customer audience.

SWOT Analysis

SWOT analysis is the framework, used to assess the firm's competitive position and to build strategic scheming.

Strengths

- **Significant Stock Capitalisation:** Microsoft is the world's leading firm with regard to market value. Its market capitalisation is around \$2.6 trillion and the market capitalisation of around \$776 billion (Carpenter & Lazonick, 2023). In terms of market value, the firm was the 3rd most valuable brand in 2019 worldwide and was ranked the 2nd biggest company in the firm (Alcaide, De La Poza, & Guadalajara, 2019). However, Cusumano et al (2024) claim that with the increased market value, the firm is encountering challenges in terms of raised competition, increasing client expectations, and increasing business speed.
- **Reputed Brand with Remarkable Customer Loyalty:** The firm is the fourth most precious brand worldwide and possesses great brand equity within the digital sector (Steenkamp, 2020). In 2022, the firm had 345 million commercial customers due to its brand reputation (Swaminathan et al., 2022). However, Efremov & Vladimirova (2020) argue that many consumers complain regarding Microsoft's Windows 10, which slowly declines the firm's reputation.

- **Acquisitions:** The firm's incorporation of GitHub and LinkedIn illustrates the firm's capability to diversify and expand its product offerings, outlining versatility and innovation (Agnihotri & Bhattacharya, 2021). However, Alaql, AlQurashi, & Mehmood (2023) argue that Microsoft is facing immense financial pressure owing to its diversifying its product offerings which destroys the Nokia acquisition investment.

Weaknesses

- **Overexposure to the PC Market:** The firm's revenue is declining and is threatened owing to the robust dollar and the PC market slump (Liu, 2023). Due to increased inflation, shoppers are cutting down on their laptop or computer purchases, attenuating the major product sales given by Microsoft.
- **Cybercrime Vulnerability:** According to Naibo (2022), Microsoft is exposed to various cybercrimes. The firm documented certain Russian-backed hackers "Nobelium", who were accountable for the Solar Winds Breach 2020 (Naibo, 2022).
- **Unfair Business Exercises:** The organisation has been charged for its antitrust violation because it developed a market monopoly by engaging a free browser (Forge, 2022).
- **Unsuccessful Acquisitions:** This firm has spent much money in acquiring various firms, such as Nokia (Semma Vergel, 2019). However, Microsoft has encountered certain misses during acquisitions. For example, Nokia was purchased at \$ 7 billion when it ran out of the market (Nyman, 2024).

Opportunities

- **Cloud Business Growth:** A few of Microsoft's services or products such as Office 365 are cloud-based. Over the years, these products have become famous among shoppers. Thus, the firm could enlarge its cloud-based services, which permits the firm to obtain competitive benefits (Zacker, 2023). However, there are significant concerns related to cloud-based services, such as data violations and misconfigurations (Gomathi, 2024).
- **Artificial Intelligence (AI) and Innovation:** The firm could invest in AI, which could be executed in virtually every facet of the firm's business such as customer service or product development. Microsoft has made major progress in this field, with the space for further innovation. AI could streamline the business process, reduce workload, and increase operational efficiency (Markelius et al., 2024). However, Rehan (2024) claims that by integrating AI into business operations, businesses could encounter increased financial burden, security issues, and data violation problems.

Threats

- **Increased Competition:** Although Microsoft possesses a good reputation, it experiences stiff competition from Apple and Google (Liu, 2023). These firms continually growing and innovating, putting pressure on Microsoft. Google in 2020 made its reputation by a move to remote working through Gmail and won major consumers (Hazlett, 2020). Google lead Microsoft in terms of an NPS score of 44, whereas Microsoft possesses an NPS score of 38 (Comparably, 2024).
- **Changing Customer's Habits or Needs:** Microsoft's future personal computers are uncertain as shoppers are moving towards tablets or smartphones (Sharma & Gandhi,

2024). This poses a threat to the firm as it concentrates on PCs and its incapability to stay adequately in the smartphone market.

- Lawsuits: The firms possess a major history of lawsuits, including claims such as patent infringement, contract violation etc (Benassi & Martin-Sanchez, 2022). This poses a threat as it destroys the firm's reputation and wastes its resources or time.

Internal Capabilities

- Non-core competencies: The firm's human resources capabilities for technological modification are not a core competency for the firm. Microsoft's efficient software functionality for business applications is valuable, however, other organisations provide identical products (Guo et al., 2023). Additionally, the firm possesses a distribution network with fewer restrictions, such as that several sellers of different sizes, locations, or types are involved. This capability is rare and valuable, but say to imitate. Also, the firm's increasing portfolio of goods of other platforms like applications for iOS, expands the firm's market range, but rivals could build their own mobile apps for similar platforms (Akter et al., 2023).
- Competencies: Microsoft possesses a robust brand image, which encourages the firm to compete as opposed to rivals such as Apple (Boehmer & Schinnenburg, 2023). In addition, the organisation's products possess higher compatibility with third-party goods, such as several laptop brands employing the Windows operating system (Čirjevskis, 2019). Also, the firm possesses the network externalities dependent on the enterprise-level cloud service market share and the firm has managed to lead the market.

Strategic Advantages

Strong branding, economies of scale, and network effect are the major strategic advantages (Teece, 2023). However, the firm functions in competitive markets which are changing at accelerating rates, making it hard for it to gain competitive benefit (Li, 2023). Also, the firm stresses that a cloud-first, mobile-first strategy increases the firm's competitive benefits as it gained USD 26.7 billion in revenues in 2018 (Zacker, 2023).

PESTLE Analysis

A PESTLE analysis is one of the strategic frameworks employed to assess the firm's external factors that could sway the industry or the firm.

Political Factors

Microsoft possesses powerful lobbying with the distinct countries' governments so there is a positive reputation of the firm within the government circles. The organisation has paid around \$10 million within 2 years for lobbying to develop a strong image within the political circle (Gorwa, 2024). However, Popiel (2018) argues that Microsoft's reputation in front of the government was destroyed owing to the anti-trust related problems. The government blamed the firm for building a monopoly because the firm was providing bundling software. Also, the UK government's support for the tech sector such as tax breaks and subsidies for Research and Development (R&D) provided benefits to the firm in terms of stimulating innovation (Jones, 2023). However, Shtub (2023) claims that the government subsidises the tech sector, thus, mitigating incentives for the organisations to cut costs.

Economic Factors

There is a significant variation in exchange rates, which increased Microsoft's profitability within overseas operations. A power dollar makes the firm's products highly expansive within foreign markets like the UK (Tokat, 2022). However, Spowage et al (2022) argue that the Consumer Price Index including occupiers' Housing cost (CPIH) in the UK increased by 4.4% in 2024, enabling customers to cut spending on luxury spendings such as laptops or PCs. This negatively swayed the firm's entire cost of doing business.

Social Factors

The rising demand for cloud-based services and mobile, driven by changing shoppers' expectations or behaviour, significantly sways the firm's product offerings and development. Moreover, there is an 85% digital literacy rate among UK citizens, which might raise the necessity for a range of innovative software and technology (Daugherty & Wilson, 2022).

Technology Factors

Machine learning and AI have encountered immense growth in the tech sector. Microsoft has made around \$10 billion in investment within the OpenAI, which boosted the firm's operational efficacy (Pedersen, 2024). However, Ottenheimer (2024) claims that Microsoft is encountering immense challenges in terms of data violation and security issues owing to the incorporation of AI into business practices. Also, blockchain provides the potential for new services or products, like secure digital transactions. The company has been investing in this, such as building Azure Blockchain as a Service (BaaS) (Alshinwan et al., 2023).

Legal Factors

With raising concerns regarding data privacy, regulations such as the General Data Protection Regulation (GDPR) could sway how Microsoft manages consumer data (Kuenzler, 2022). Also, Microsoft, owing to its size and impact on the technology industry, should adhere to antitrust laws intended to promote rivalry.

Environmental Factors

There is an increased stress on attenuating energy consumption and boosting energy efficacy. Microsoft scales carbon capture and carbon removal technology as well as energy-efficient technologies to move towards net-zero carbon emissions (Webb, 2023). This increases the firm's reputation in the market and boosts customer satisfaction (Glavič et al., 2023). However, Zero (2023) argues that investing in energy-efficient technologies puts a financial burden on the firm, making it challenging for it to operate smoothly.

Thus, key external factors that sway the strategic decision-making of Microsoft include technologies, market shifts, social forces, political factors, legal factors, regulatory transition, and economic factors.

Company Stakeholders

- **Shareholders:** Satya Nadella, Bradford L. Smith, and Kathleen Hogan are the major shareholders, owning 801,331, 570,826, and 159,764 shareholdings respectively (Microsoft, 2024).
- **Customer:** They are another major stakeholder as they are the key force of revenue and sales generation (Microsoft, 2024).

- **Employees:** Microsoft possesses 221, 000 employees, offering continual training opportunities to them to enable them to boost their expertise (Microsoft, 2024).
- **Suppliers:** The firm is employing a list of reliable suppliers who serve Microsoft's requirements, from operating expenditure items to capital expenditure. Suppliers are required to encounter accreditation procedures prior to they are permitted to conduct business with Microsoft (Microsoft, 2024).

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