# New wine in the old bottle case study essay sample

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The new CEO of Microsoft, Mr. Satya Nadella, is leading his big troop in a new developing adventure, facing an array of issues. Its company flagship products, Windows operating system and Office application products have enjoyed popularity for an era, but now they are being challenged by new popular products based on mobile platform and are also waiting for one clear direction to guide them to next level. Meanwhile, the biggest technology company lost valuable opportunity for getting leading position on mobile devices and online service. Moreover, the innovation and creativity of employees have been badly damaged by the office silos and politics. Also, they have to take challenge for the successful integration between Microsoft and Nokia

We can trace all above issues from internal environment of Microsoft and external environment as follows:

Internal Environment:

Outdated Business Model

Failure to capture market opportunity for mobile industry and online services

Uncertainty on integration of new acquisition of Nokia

Company culture

External Environment:

Fast change of Internet industry

Internal Environment

Outdated Business Model

Microsoft is well-known by the world for its Windows operating system and

Office applications for PC market from the beginning. In the old personal computer period, most of the enterprises have installed Windows PC and Windows Sever for their offices or computer rooms. And with all the enterprises apply Windows, it motivate developers to developed user-friendly applications aiming at Windows. With more good applications are developed, more users prefer to apply Windows, which builds one positive cycle. The positive cycle set the root for Microsoft to make money from its dominance of PC market. It is why Microsoft had never departed from its tradition of relentlessly protecting its dominance in personal computer operating systems and software licensing for the past.(1)

However, with the new development era of Internet industry, people are gradually shifting from PC to tablet and smartphone, in this way, the dominance of personal computers on devices are being quickly changed. If we count all the devices which can be accessed to Internet, personal computer, mobile phone and tablet, then the market share of Microsoft had collapsed from over 90% in 2009 to under a quarter in 2013(see Exhibit 1). Suffering so big collapse, it is not due to shrinking in PC market, actually, till now, Microsoft is still taking the dominance of PC market. The real explanation is Microsoft hasn't met the development trend dominated by mobile devices. The latter is engine of margin increase. Now the competitors, such as Google and Apple, have gradually destroyed the old business mode of Microsoft.

Failure to capture market opportunity for Mobile and online service
Mistakenly treating the tablets as a complement to Windows, Microsoft failed

to see the potential of tablets to revamp consumer's digital and technological lives.(2) With putting the development and marketing of the tablet under its Windows division, it cause inefficient developing speed, Microsoft didn't capture the market opportunity to launch its tablet, but in two and a half years after the iPad.

Meanwhile, both the operating system to support tablet and tablet itself can't meet the market expectations. Different operating system corresponding to different versions of tablet resulted in poor compatibility with other applications and cause bad user experiencing.

On Windows Mobile, Microsoft launched its Mobile almost 4 year earlier than Apple, but vendors were worrying that Microsoft would claim dominance in the mobile operating system, then all major vendors were reluctant to adopt the platform. By then, Microsoft can't abandon its old business organizing method, not thinking about to develop one unique operating system which is specific for smartphone. Actually if Microsoft can create one new mobile operating system to suit its Windows Mobile at that time, and taking advantage of its great power on operating system, it will be easy for Microsoft to capture the first-mover position.

It's a pity that Microsoft presented this priceless opportunity to Apple, After Windows Mobile, Apple launched iPhone equipped by unique iOS operating system and made great success. A company which is strong at operating system finally lost the opportunity on mobile because of its operating

system. Ironically, five years later after iOS launched, Microsoft finally

launches its specific smartphone operating system. But it is too late.

On online services, similar story happened again. Seven years after Google

incorporated, Microsoft built its own search engine-Bing which was dwarfed

by Google in many ways later. And Bing and its online advertising service

representing its online service division became the company's only

losing product group.

Uncertainty on Integration of New Acquisition of Nokia

Microsoft has successful experience on acquisition and integration of

software-related companies, but till then, no any successful reference on

acquisition of one non-software-related company.(3) Especially, Nokia is also

one big company with more than 30000 employees. With more than 100

years development, Nokia has already formed its own unique company

culture, so it will be really difficult for Microsoft to break into the culture and

lead all the Nokia's employees and Microsoft's employees in the right

direction to have perfect integration. Internally, Microsoft is also suffering

CEO transferring, which cast more doubt on whether Microsoft can make

smooth integration between two big companies.

Company Culture

The original objective of the stacking-ranking approach was to " balance

creativity and discipline", but with time passing, Microsoft deployed systems

and procedures to help manage almost every facet of the corporation (5).

Such strict and inhumane measurement system put employees in brutal

competition on performance evaluation. Such kind of evaluation system drive all the employees crazy for getting excellence on their performance evaluation within one team and leave team cooperation behind. It is not good to cultivate innovation and responsibility-taking, but to set root of office politics and silos. Under such kind of working environment, everyone try his best to make safety for himself, missing focus on team cooperation, but office bureaucracy. Thus, bad company culture came into being. The awful company culture is making Microsoft respond in the market at a snail's pace.

Although Microsoft finally abandoned the stack-ranking system in the end of 2013, but " Rome was not built in a day", in order to get rid of all the negative influence of stack-ranking system, Microsoft has to walk long way.

Old inefficient organization
The old organization based on products is not good to share internal resource for the different teams in the company and also easy to cause all kinds of silos and bureaucracy in the company.

External Environment

Fast change of Internet industry
The first wave of Internet Industry is featured in all the activities based on PC, but the second wave of Internet industry is based on mobile devices.

Action Plan

As the new leader of Microsoft, Nadella must drive his big troops to have quick responses to meet the fast change of mobile and cloud-first world.

To find new direction for windows and office

Since Windows and office are still in dominant position in PC market, Microsoft can't give up this market. But it still has to find the right way to guide them to next developing period. Nadella must set one clear developing strategy for Windows operating system and Office application for personal computers field to keep moving forward healthily. Meanwhile, he also must decide the strategy for the operating system of mobile device in order to have good support to the development of mobile devices. He also has to find the right way to keep balance between the device vendor and licensing.

Moreover, in order to have user-friendly experience, Microsoft must merge all the windows operating systems in to one for mobile devices, which will be good for upgrading and maintaining.

To create new business model

The old business model supported by windows and office almost come to end. So it will be quite important for Microsoft to create new business model to keep the development of windows operating system and operating system for mobile devices on the right track . To make margin through software and software licensing seems not sustainable, so it is really critical and crucial for Microsoft to build one ecosystem by merging PC platform and mobile platform, to find one way to make its platform open to consumers and more attractive to those developers. In this way, it will be helpful to keep balance for the possible competition for its vendors.

To ensure Nokia's integration

Considering Nokia was once a leading company on mobile devices, It's better for Microsoft to maintain it's leading parts. For instance, Nokia has very good brand recognition, Microsoft can take use of it for enlarging its market share of mobile devices to set good basis for its mobile ecosystem. Also, with more than 100 years developing, Nokia has already set perfect distribution channel for its mobile device, which is also can be shared by Microsoft. Meanwhile, Microsoft can support Nokia's mobile devices business by its excellent technology on operating systems and applications. In one words, that is to share their strong points by supporting with each other and keep comparatively independent.

To set healthy company culture

Nadella must make applicable motivating system in order to get different function groups to work for one target, that will be most important step for him to set healthy company culture. Meanwhile, he has to move all the bad effects caused by the old measuring system. To get all employees clearly know it is time for them to work for excellent innovation and team cooperation. One simple and fast way is to reward people bring innovation and team cooperation and punish those who are still playing office politics and silos. To set more good example in the team. With workable motivating system and good examples set, it is still possible for Microsoft to convert bad company culture into healthy one.

Conclusion

Although Nadella is facing so many problems, he still have opportunity to

lead his troop conquer most of the difficulties. But he has to move fast because market will not give him to much time.

Quote list:

(1) Ali Farhoomand MICROSOFT: NEW WINE IN AN OLD BOTTLE?

(2) Ali Farhoomand MICROSOFT: NEW WINE IN AN OLD BOTTLE?

(3) Ali Farhoomand MICROSOFT: NEW WINE IN AN OLD BOTTLE?

(4) Herbold, R. J.(January 2002) Harvard Business Review

(1)Ibid

Exhibit 1 Quarterly Unit Sales(m)

The practical effect of this is that Microsoft's share of connected devices sales (in effect, PCs plus iOS and Android) has collapsed from over 90% in 2009 to under a quarter today.

Source: by BENEDICT EVANS issued on July 20, 2013