

Global corporate strategy for microsoft corporation business plan sample

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Global Corporate Strategy for Microsoft Corporation

Executive Summary

After careful analysis of diversification events in the industry over the past ten years as well as an internal analysis of the company's relevant strengths and advantages it is recommended that Microsoft take two strategic actions. The first is to increase presence in the Software-as-a-Service market globally with head-to-head competition with CA, Inc, a strong niche competitor in IT Management software market in the United States. The second is to manufacture a mobile handset device to gain control of the value chain in the SmartPhone market, first domestically (United States) then European market such as Australia.

Based on empirical work in this report it is suggested that these strategic actions involving related diversification have the potential to be most profitable and create the most long-term value for the firm. The recommendations were also on Microsoft's strategic position and abilities as well as company goals and attractiveness of markets.

Microsoft Corporation

Microsoft Corporation was incorporated in 1975. Since then to date, the corporation has been expanding its operations and activities throughout the world. It is currently enjoying wider market and competitive advantage in resource portfolio and customer preference. To maintain its customers and further increase its span of operation, the corporation has to carry out

strategic analysis. Strategic analysis involves industry analysis, business strategy analysis, and evaluation of strategy and making recommendations.

In carrying out strategic analysis and market justification, Microsoft Corporation has set up objectives that it intends to achieve. Well-set objectives act as the nerve centre for ensuring the achievement of success by the Microsoft Corporation. The vision provides the view that the corporation intends to achieve. Accordingly, the vision of Microsoft Corporation is to ensure that its customers and other people are empowered “ through great software at all times, in all places and by using any of its devices. The mission statement outlines what exactly an organization intends to achieve. Microsoft’s mission statement is to enhance the realization of full potential by all persons and businesses throughout the world through the consumption of its product (Calabro, 2003).

In addition, the corporation has set some tenets, which enable it to realize its mission statement. This includes ensuring achievement wide customer connection, promoting innovation among leaders and customers, excellence in business, ensuring computing is trustworthy and ensuring that its products have a global outlook. The tenets are based on the principle of leadership in the field of operation (Microsoft Corporation SWOT Analysis, 2012).

Financial Management Section

Competitors were chosen in Microsoft’s industry based on the metrics mentioned below. When the data was sorted over the past ten years, the

selected competitors always appeared in the top ten in proximity to Microsoft.

Metrics used for Selection included: net income, market cap, total assets, total liabilities, PE ratio, employees, and daily price.

Competitors

The major competitors of Microsoft Corporation include CA, Inc., Oracle, Google, Apple Inc., Citrix, IBM, and Adobe Systems Incorporated.

Business Model

The major diversification events for Microsoft Company and its relevant competitors were identified based on the criteria listed below. Not every instance of diversification activity was included, just major events.

Criteria:

Events from 1998-2010

More than 100 acquisitions in total

The target company is 100% acquired

Successful and unsuccessful diversification

Global and Domestic Diversification

Related and non-related Segments

Type of industry

Revenue

Resulting Diversification Events:

CA Company: 27 acquisitions

Oracle: 30 acquisitions

Google: 18 acquisitions

Apple: 6 acquisitions

Citrix: 8 acquisitions

IBM: 13 acquisitions

MSFT: 42 acquisitions

Market's Response to Activities

In order to see the effect of acquisitions on the company we looked at a set of metrics to represent long-term firm value and event methodology to illustrate how the financial markets responded to the diversification activities. We used the announcement date and adjusted the stock returns for the S&P one day before and one day after the announcement.

We reviewed 137 acquisitions from 1998 to 2010, comparing share price one day before and one day after each transaction was announced in order to help in making assessment in the financial market's initial reaction. We found a positive correlation between these announcement effects and long turn value creation. From our analysis of announcement effects, we found that except the initial responses to the announcement, the activity was negative.

Long-term Effect on Firm Value

In order to see the long-term effect of the acquisition we used two parameters, the ROE and the MK/BK to see how this changed over time as well as determine how long term effect correlated to the number of acquisition of the company. The graph below shows the movement of the ROE of different companies.

MK/BK

Before the transaction Date

After the transaction date

Domestic Diversification related segments

Domestic Diversification non related Segments

Global Diversification related segments

Before the transaction date

After the transaction date

Domestic Diversification related segments

Domestic Diversification non related segments

Global Diversification related segments

Global Diversification non related segments

Findings: Domestic segment diversification events create more value and tend to be better leveraged than global segment diversification. Market Value/ Book Value are higher and ROE is consistent for diversification events in the Domestic Related segment.

Profitability Analysis

Below is the breakdown for 137 of the four types of diversification transactions that have taken place for Microsoft and the relevant competitors IBM, Google, Apple, Oracle, CA, Citrix, over the past ten years.

Types of Diversifications

Competitors

Microsoft

Global Related Diversification:

Global Non-Related Diversification:

Domestic Related Diversification:

Domestic Non-Related Diversification:

Microsoft Market Value/ Book Value (past 10 years):

Type of Diversification

MK/BK % Change

Global Related Diversification

-0.042

Domestic Related Diversification

Domestic Unrelated Diversification

The above chart shows Microsoft's average change of Market/ Book value before and after the transaction date and demonstrates that, the company value increased the most in the cases of Domestic Related diversification.

Return on Equity

Types of Diversifications

ROE % Change

Global Related Diversification

Domestic Related Diversification

Domestic Unrelated Diversification

The above chart shows Microsoft's average change of Return on Equity before and after the transaction dates and demonstrates that Microsoft was most profitable in Domestic Related diversification.

Based on the empirical findings Domestic Related diversification events have created the most value for Microsoft. One way that the company can use this information in the future is to begin entering markets domestically prior to creating a global product.

Strategic Analysis and Market Justification

Motivation for Diversification

Diversification is necessary in order for the company to retain its significance in the global market share. Microsoft will have a significant benefit by diversifying while attempting to repair the image that has been tarnished by competitors advertising campaigns as well as legal action in the EU and the disappointing launch of Microsoft Vista.

One main strategic advantage for Microsoft to diversify would be to leverage existing strengths. The company has strong brand, marketing and sales channels and these could be used to their advantage by enabling the company to increase or decrease the scope of marketing and distribution, different types of products as well as other efficiencies related to demand-side changes.

One of their significant abilities to leverage these scope economies lies in the fact that many software products that they sell come pre-packaged and downloaded on to personal computers at the point of purchase. It would be easy for the company to bundle a variety of new applications and services into its well-established network of customers and partners.

Competitor Analysis

The purpose of the competitor analysis is to analyze critical strengths and weaknesses, find areas of multi-market activity, and decide if Microsoft has the ability to succeed against major competitors. In this section key product, markets have been identified as well as the strengths and weaknesses of major competitors.

The company has a strong vision for expansion. Forces behind this vision include the company's desire to maintain its market leader status in the Software-as-a-Service market as well as gain great control of its mobile windows but pulling together pieces already in the portfolio to strengthen weak OEM relationships by the introduction of mobile phone vertical of its own.

SWOT analysis of six Major Competitors

Microsoft

Brand

Issues with EU

Cloud Computing

Competition

R&D

Consumer Electronics

Lawsuits over Patent

Balance Sheet

Virtualization

Piracy

Windows 7 Series

SAAS

Smart Phones

Apple

Brand

Product Recalls

Smart Phones

Competition

Balance Sheet

Patent Infringement

Retail Stores

Economy

R&D

Declining PC Sales

Citrix

R&D

Operating performance

Acquisitions

Competition

Strong Online Services

Partnerships

Economy

Virtualization

CA

Operating Performance

Depends on Mature Markets

R&D

Google

Brand

Product Integration

Advertising Market

Competition

Entrenched

Net-Books

Foreign Exchange

Infrastructure base

Smart Phones

Economy

Growing Market

IBM

Google

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Revenue growth

Cloud Computing

Competition

R&D

Google

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Health Care IT

Balance sheet

IT Outsourcing

Oracle

Entrenched

High debt

Enterprise Software

Competition

R&D

Google

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Patent Infringements

Defects

Economy

Microsoft Multipoint Competitor Chart

A multipoint competitor chart and strategic group maps are presented to illustrate MSFT's potential motivation for diversification that coincides with internal resources/strategic advantages.

The multipoint competitor chart is a useful tool to determine the level of competition in market segments that a company participates in as well as giving a broad overview of a company's diversification amongst those

segments quickly (Lashinsky & Eckl-Dorna, 2004). According to our analysis of Microsoft versus its relevant competitors, Microsoft is the most diversified company in the sample over the market segments in which these companies participate. The highest level of competition is found in productivity software, operating systems, and consulting services segments whereas the least competition within this sample is in the video game and SmartPhone segments. This information can be used to help determine attractive areas for diversification but can be somewhat limiting or misleading, based on the sample chosen. For example, while this chart suggests minimal competition in the video game market it is clear that an extremely different picture would result if the analysis had contained companies such as Nintendo and Sony.

The results of this analysis combined with the internal strengths of Microsoft and competitors' weakness has uncovered two interesting diversification possibilities. Expansion of Microsoft's presence in the SaaS market and entrance into the integrated SmartPhone (hardware plus OS software) market.

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Microsoft's competitive advantage is its ability to develop and market

software solutions to a diverse customer base along the value chain; product aim is wide availability, compatibility, and easy integration (flexibility).

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1. Expand presence in SaaS market – global related diversification

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Pros:

Related diversification (both domestic and global easily achievable)

Potential for increased presence in the productivity application software segment

Focus on the largest growing market, small and mid-sized businesses

Increase breadth in PaaS / SaaS market

In line with MSFT's strategic goals

Global licensing potential leading to increased revenue streams

Current 3rd party developers and acquisition options to gain 'quick' win(s)

Clear ability to exploit competitive advantage ☺ expertise in 'localization' of software for specific markets

Minimal capital investment necessary

Minimizes need for additional management

Eliminates the need to perform upgrades and backups

Reduces cost associated with in-house implementation and deployment

Cons:

Significant development necessary; MSFT needs improve to offerings for small and mid-sized businesses

Complexity need to be reduced

Unattractive, emerging industry (many substitutes, powerful and price-sensitive buyers, many competitors)

Many SaaS freeware providers exist for the largest growing market (SMB)

All customers SaaS vendors use the same software; no customization for specific clients

Features or added functionality becomes available to all customers (all or nothing pricing; no option for value pricing)

2. Enter the SmartPhone hardware market –domestic to global related diversification

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Pros:

Vertical integration; ability to control value chain and more effectively achieve scale of economy (cost control)

Ability to exploit competitive advantage; with MSFT's established flexibility and compatibility their SmartPhone offering can specifically target the business (enterprise) segment to compete heat-to-head with RIM

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1. RIM Blackberry: 14. 9 million
2. Apple iPhone : 8. 9 million
3. MS Windows Mobile : 7. 1 million
4. Palm WebOS : 2. 8 million
5. Symbian : 1. 2 million
6. Google Android : 1. 0 million

Cons:

Currently manufacturing of many of these devices is centralized in Asia
however, Microsoft does not currently have manufacturing facilities in Asia

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Timing – Apple is projected to introduce a new iPhone model this summer;
would MSFT be able to enter the market within this timeframe?

Design – Would MSFT be able come up with a design that feels and carries

out the same functionality at least as well as the competitors?

Market share – The SmartPhone market is projected to grow to \$250 million by 2011. If MSFT were able to capture to 5 to 15% of the market this would equal \$12.5 to \$37.5 million annually. It is uncertain if the benefit would outweigh the cost of introduction

Pricing – It will be essential that MSFT enters the market with a ‘relatively cheap’ offering to compete in the market effectively.

Integration – Matching the seamless integration of hardware, music store, application store, etc. into one cohesive SmartPhone to compete in the market may be challenging effectively.

Reputation – Due to the less than stellar introduction of Zune MSFT has to focus on effectively marketing to its target customer to encourage adoption.

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Microsoft Corporation must diversify in order for the company to continue to retain significant market share while fostering growth in emerging fields. It will be beneficial to the company to make diversification decisions while attempting to repair the image that has been tarnished by competitors advertising campaigns as well as legal action in the EU and the disappointing launch of Microsoft Vista (Bell, 1995). To accomplish such diversification the Corporation will consider some business strategies:

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The Microsoft Corporation is motivated to expand in various parts of its current business as well as creating a niche into new markets and verticals.

The company derives this motivation from factors such as the need to remain market leader in the Software industry.

For the company to win customers and remain competitive, it intends to create new products. However, this effort is not enough because it will also require differentiating itself by marketing innovative services. The corporation plans to add extra value by surrounding the already existing products with valued added services; this may be services such as on-site support (Beaman, 1993).

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The company has a significant ability of leveraging the scope of its many software products that they sell because they come while they are pre-packaged and downloaded on to personal computers at the point of purchase. It will be easy for the company to bundle a variety of new applications and services into its well-established network of customers and partners.

Software development is all about being innovative. The corporation is creative in extending the already existing products so that they can perform better. Such extended products have proven to attract new customers in the market, as well. According to research, companies generate the most income

from products that have already existed. These products have a greater impact in both small and giant corporations. With the world consolidating efforts towards maintaining a green economy, if Microsoft plans to develop new environmentally compliant products, this will be a significant growth as well as a competitive opportunity (Financial Executives Institute, 2005).

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Marketing plan for Microsoft Corporation's Products

Microsoft Corporation is developing plans aimed at restructuring its marketing strategies. This move may see many see the company take two strategic actions. The first is to increase presence in the Software-as-a-Service market globally with head-to-head competition with CA, Inc, a strong niche competitor in IT Management software market in the United States. The second is to manufacture a mobile handset device to gain control of the value chain in the SmartPhone market, first domestically (United States) then European market such as Austria.

These strategic actions suggest that the company's diversification decisions have the potential to be most profitable and create the most long-term value for the firm. The recommendations were also on Microsoft's strategic position and abilities as well as company goals and attractiveness of markets.

The changes embraced by the company may shift some of its technical marketing team to other departments. The plans will cut on workers whose skills are irrelevant and whose duties and responsibilities have been

duplicated in other departments. This will revamp the company's marketing groups because employees will be placed at the right place where they fit in the company thus being more productive (Condrey, 2010).

The above plan to make reviews would cut on overlapping observed in job responsibilities. These changes are also designed in order to assist the corporation in giving the best response to threats from competitors such as Google and Apple, which have been making steps aimed at attracting Microsoft's corporate-computing customers (Bidgoli, 2010).

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A comparison of Microsoft and its competitors suggests that the company has strength that would enable it to implement its diversification possibilities. The expansion of Microsoft's presence in the SaaS market and entrance into the integrated SmartPhone (hardware plus OS software) market. Such strength lies in the fact that the company has a strong financial base for developing additional software applications through R&D for expansion into the market.

Microsoft Corporation has designed new strategy of developing and marketing its software solutions to a diverse customer base along the value chain; the company has a wide product aim availability, compatibility, and easy integration. Products such as Linux have placed the company at the top level in the industry as it is referred to as the " Goliath Microsoft". The company's strategy of maintaining its dominance in the soft ware industry has enabled it to have control of operating software for the majority of the

computer market (Rothwell & Kazanas, 2003). This strategy has succeeded in propelling the company to become dominate in the market and especially with the newly acquired Linux; Microsoft now has an opportunity to control the network server market. Finally, the corporation has plans to engage its Windows and the Linux operating systems. With this, the company can easily force its key competitors to exit from the market or even merge with Microsoft (Mag, 1992).

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Human resources management plan for Microsoft Corporation

Microsoft Corporation has a human resource group of approximately 1400 workers in over 100 countries. This group of HR employees is mandated to provide services to more than 80, 000 employees of the Corporation around the world (Bidgoli, 2010). This team of employees works together in ensuring that the company's customers and other people are empowered " through great software at all times, in all places and by using any of its devices.

In addition, the corporation HR team, works hard to enable the company realizes its mission statement. This includes ensuring achievement wide customer connection, promoting innovation among employees and customers, excellence in business, ensuring computing is trustworthy and ensuring that its products have a global outlook. The HR leaders are based on the principle of leadership in the field of operation

Microsoft Corporation has designed a strategy aimed at combining its HR and IT teams for the purposes of developing high quality solutions for the

company. The HR department is subdivided in to distinct entities that have to achieve different objectives for the company. This setup suggests that the company's IT department had to work together with HR department, and this left the HR department with more comprehensive knowledge of technology projects (Condrey, 2010).

The two departments, HR and IT were consistent in planning, continuity and had the ability to make priorities. The company's HR planning was in a superb condition resulting in IT projects, which majority of them was in line with the company's initial strategic objectives (Mathis & Jackson, 2011).

Microsoft IT had the required business driver information, which is effective in evaluating and prioritizing solutions in technology. This implies that the solutions available for the company were highly associated with the value of business. (American Management Association, 2001).

Microsoft Corporation had enough employees serving different function while the areas of need had enough applications to deliver the services. The company's employees got substantial support from the management and they were able to meet the company's objectives. There was consistent provision of HR tools and their functionality, as well. In general, Microsoft HR was strategic as it was expected because the company invested most of its time in resource portfolio and customer preference. (Beaman, 1993).

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Microsoft is a public corporation and the shareholders hold the responsibility of electing the board of directors. The boards of directors hire the top

executives including the officials, vice presidents, secretary, and treasurer. The company must abide by Washington and Exchange Commission regulations in addition to abiding by the Securities and Exchange Commission regulations for financial reporting. As of July 2012, co-founder Bill Gates held the title of the chairman, while Steve Ballmer was the CEO.

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The company uses divisional organization where each division or product group majors on a specific line of products and services. Each division has its own customer service and sales, and research and development staff. As described by Richard L. Daft in his book, ' Management,' this type of organization is expensive but enables each group to serve their customers more efficiently and professionally (2009). Each group is represented by one executive who reports directly to the company's president.

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Microsoft Corporation's businesses are divided into five distinct businesses: Server; Client; and Tools; Microsoft Business Division; Online Services Business; and Entertainment and Devices Division. Each division operates independently and focuses on specific concentration within the division. The firm's ambitions are anything but small. It is the world's leading software vendor selling a variety of products used by businesses and consumers. Its core products include the Windows PC operating system and the office productivity suite, which is sold in parts through PC vendors such as Dell,

Acer, Toshiba, and Hewlett-Packard. The firm also sells directly online with the aid of resellers.

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According to (Thibodeau, 2011), the company benefits from using a divisional organization or group because the whole group works in the same location thereby permitting better communication and interaction among employees supporting or developing one line of product or service. In addition, using smaller groups makes it possible for the company to develop new products and release them into the market faster, which therefore makes competition against rivals easier.

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In order to ensure that the company differentiates its products through innovation, it should consider developing more divisional groups that will be responsible for developing new products and services. The company should consider dividing some of its division or sending staff to new regions in order to provide on-site support to customers. This will help in getting first hand information from customers from diverse regions.

Different divisions should also coordinate in the process of developing new products in order to ensure that the company bundles up some of their

services and products that are sold separately. The current organization structure is however in a better position to ensure that the firm extends it's already existing products. In order to increase its competition with other rivals, the company should consider developing and deploying new units to other regions such as Austria. This will also help the firm in its efforts of diversifying to other attractive markets. The current organizational structure is expensive and slows the level of communication between different divisions and levels within the organization. The firm should consider devising an organizational structure that enables it to transmit information between different divisions and senior management level so as to enhance decision making process.

The changes embraced by the company may shift some of its technical marketing team to other departments. The plans will cut on workers whose skills are irrelevant and whose duties and responsibilities have been duplicated in other departments. This will revamp the company's marketing groups because employees will be placed at the right place where they fit in the company thus being more productive

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The convergence of web standards and information technology has culminated into the electronic business. In order to succeed in e-business, organization such as Microsoft will need to revamp their goals and strategies to meet the rules of demand and supply (Microsoft Corporation, 2011).

Organizations have been forced to redesign or reshape their management strategies in response to the changing technological, economic, and market forces the invented e-business. Traditionally, management focused on ensuring that employees conform to predefined goals and standards. Such organizational controls aim at ensuring conformity through enforcing task measurement, definition, and control, which to some extent might limit individual creativity. The growing importance of innovation and constant changes in customer needs require organization to adopt new business models that encourage experimentation (Bidgoli, 2010).

One of the management strategies that the organization could implement include the agenda for digitizing their enterprises, which requires the top executives to recognize and create viable e-business models by attending to essential s of flexibility and agility. The unprecedented scope and level integration of the flow of information within and outside an organization's boundaries can accelerate design of architectures based on integrated technologies (Condrey, 2010). In order to profitably and successfully compete in the global e-business, Microsoft's executives must take a holistic approach in developing inter- and intra-organizational systems that takes into account both technological design and organization culture, and structures supporting such systems. Such approach will be beneficial in providing the required balance between flexibility and integration for e-business architectures.

Another management strategy that Microsoft should consider involves protecting innovations. Microsoft's CEO, Steve Ballmar lacks vision and puts

little effort in creating innovative products. When compared to previous Apple's CEO Steve Jobs, it is evident that Jobs was a brilliant forecaster and innovates what people want even before the public notices it and brings products and services that satisfies that need. In addition to this, the company also has a problem with its corporate culture. While Apple focuses on coming up with new innovative products, Microsoft majors in protecting their existing products and markets which is not the best way to compete in this increasing innovative market. The company should change its management strategy to concentrate on innovating and bringing new products into the market before other competitors realizes such opportunities.

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