

Microsoft corporation external analysis case study examples

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Microsoft Corporation: External Analysis

Introduction

External analysis is an important part of the strategy planning. It provides valuable inputs for the formulation of business strategy of an organisation.

The external analysis, primarily, constitutes of two parts: analysis of broader macro-economic factors and analysis of the industry that the company operates in. The objective of the paper is to conduct external analysis of Microsoft to identify the major outside threats and external opportunities for the company. The paper is divided into four parts. In the first part, a scan of macroeconomic environment of the company is conducted. The second part discusses the industry level external factors for the company. The third part discusses the major outside threats to the company that can adversely impact its ability to fulfil its organisational goals. The fourth part analyses the available opportunities for the company. The fifth part evaluates the module 2 SLP. The sixth part concludes the paper.

PEST Analysis

Microsoft Corporation founded in 1981, develops, manufactures, licenses and supports a wide range of software products for various computing devices (Research and Markets, 2009). A PEST analysis of the company can be conducted to analyse the macroeconomic factors of the company. The environmental scan of a firm is expressed in terms of Political, Economic, Social and Technological factors, which is commonly known as PEST analysis

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(QuickMBA. com, 2010). The political environment of Microsoft is stable. But, lack of government regulations on cloud computing is hindering the growth of the industry (Stoyanova, 2011). The US government's attempt to control the company through stringent regulations is also a concern. The economic environment is favourable with increasing consumer confidence in the country and in the overseas customers. The rising per capita income, economic liberalisation and increasing awareness are favourable economic variables. The social factors affecting the company are western influence on emerging markets due to trade liberalisation that is leading to changing life style, demand for new technology and boosting international demand. The technological factors affecting Microsoft are growing technology market, rapid change in technology and need for better security measures to avoid incidences of piracy.

Porter's Model of Five Forces Analysis

Porter's five forces framework helps in analysing the factors that influence the performance of the industry as a whole. The first force is the threat of new entrants in the industry. This threat is low for Microsoft given high establishment cost. The second force is supplier's power, which is low for Microsoft as switching cost is low for most suppliers except for a few cases where the supplier's brand is powerful. The third force is buyer's power, which is also low for Microsoft. This is because Microsoft is able to command dominance of its operating system and has good relation with PC manufacturers (QuickMBA. com, 2010). The fourth force is the threat of substitutes, which is medium as competitors are coming up with innovative

products in the market. The firm also faces threat of piracy products. The fifth force is the degree of rivalry in the industry, which is high for Microsoft. Though Microsoft is the dominant player in the operating system category, it faces huge competition from other big players like Apple, Linux and Intel in the product suite offering.

Major Threats for Microsoft

Based on analysis, the threats for the company are:

The existence of a piracy market.

High competition and launch of innovative products from rivals.

Rapid changes in the technological paradigm.

Attempts of government to put more control over the company.

Lack of sufficient regulations in cloud computing.

Opportunities Available for Microsoft

Based on analysis, the opportunities for the company are:

Growing market in the emerging economies.

Rising consumer confidence and growing consumer awareness.

Increasing per capita income of consumers.

Opportunities to diversify into innovative segments.

Evaluation and Learning for the Module

Threats are those external factors that are capable of affecting the company adversely. Opportunities affect the business positively. The key learning from this module is that the framework of PEST analysis and Five Forces analysis give an insight into the macroeconomic and industry level environment of a company. This external analysis helps in identifying opportunities and

threats for a company. These frameworks are easy to comprehend and simple to use.

Conclusion

Microsoft has significant growth opportunities due to its ability to command dominance in the industry and offer innovative and improved product lines. However, it is important that the company is aware of its threats in formulating its strategies.

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