Microsoft group case analysis

Design

The company's line of products includes notably successful products such as Windows, the Office suite of productivity software, and the Oxbow gaming console. In December 2000, Microsoft had a market capitalization of $510 billion and was the wealthiest company in the world; however, by June 2012, this relevant market measure had dropped to $249 billion.

During this timeshare, there industry players, notably Apple, Google, and Backbone had zoomed past Microsoft In such product segments as electronic books, music, search. Social networking, and smart phones. The perceived reason is that in almost all of these instances, Microsoft failed to capture opportunities that were open to it. In the following analysis, we identify three broad categories of issues facing Microsoft, and subsequently provide recommendations for steps Microsoft could take to address, and hopefully resolve, these issues.

Issue 1: Culture Microsoft started the " lost decade" as a " cool" technology company; by the end of hat decade, that image had taken a beating. The degradation in perceptions of Microsoft's Image has at Its roots the fact that the company had gradually taken to over-bureaucratically, symptoms of which are revealed In Its slow Internal approval processes through numerous meetings, memos and relative inaction, all resulting in the company's slowness to market when it came to new products.

Invariably, this situation led a number of talented engineers to leave the company for competitors such as Google, further exacerbating the situation at Microsoft. Microsoft's internal environment underwent a change from the beginning of the lost decade to the end. For instance, the aging managerial population developed a reputation for a sense of entitlement, which was likely undeserved in light of the the company out-of-touch results relative to emerging trends.

Additionally, Microsoft's forced a ranking performance management system that contributed to internal competition (and outright sabotage at the extremer a model of incentives that ran counter to the company's own interests, stifling innovation that would have resulted from cooperation. Another problem with Microsoft's culture related to a deficit of trust In the company leadership and a low level of confidence In CEO Steve Babbler. There were tensions across " business side" people, sales, product engineers and developers.

This was a situation that led to conflicting priorities and, as a direct consequence, internal strife. Issue 2: Management Practices Microsoft's leadership projected an excessive focus on Immediate-term financial results, much to the detriment of long-term innovation and sustainability factors. A 1 OFF to revenue and profits in response to questions related to what some analysts called death in the company's innovation, high levels of attrition, or decline in favorable perceptions of the company (all non-financial questions).

Additionally, Microsoft's top management failed to communicate a clear vision, to prioritize innovation, and to inspire employees. The case blob offers a strong statement of dissatisfaction from employees based on consistent and detailed internal practices. The company relied heavily on his perennial staples: the Windows operating system and the Office suite of productivity software, repeatedly failing to take advantage of new opportunities thin its grasp only to see competitors come to market with products arising from those same opportunities.

Instance abound of how the company's parochial leadership scoffed at innovative ideas (that competitors latter implemented) or killed promising projects, simply because they did not fit into the mold of the company's existing offerings (specifically, Windows and Office). Microsoft failed to implement appropriate systems of control and coordination. For instance, the company concentrated decision-making at the top rather than diffusing it throughout the organization.

Yet, the real paradox lay in the fact that the company's product lines were autonomous and coordination among them was exceedingly difficult (which provides explanation for the tendency toward over-bureaucratically). Worse, the company failed to implement incentives for employees to cooperate horizontally across divisions; rather, incentive systems (such as stack ranking evaluation) actively encouraged internal unhealthy competition. Finally, as far as management practices go, Microsoft failed to be an " open system" in that it was not fully engaged with its external stakeholders, the most important of which would be its customers.

Indeed, Microsoft seemed to be out of touch with its customers in light of its failure to anticipate their needs-? whether expressed or latent. Coupled with its internal cultural issues and its failure to adapt its business practices, Microsoft's failure to properly nurture its interface with its customers led to many missed opportunities for developing innovative products and capturing customer value. Issue 3: Structure Microsoft suffered from Daftest " dilemmas of large size" in that the company (like many profit-seeking firms) feels " compelled" to grow.

While there are arguments in favor of large and small organizations, the key question facing any firm considering the issue of structure, and which Microsoft did not provide indication of satisfactorily addressing are: (1) by how much shall we grow? And (2) how, what is the growth strategy and vision? In other words, Microsoft did not appear to have properly managed its growth, but to have allowed growth to " happen" to it, seldom through acquisitions that brought little value to its core competencies.

Evidence for this assertion abound: the company's numerous fiefdoms, the internal strife and intention, the " inter-generational" inequities, the systemic stifling of innovation, etc. , all point to an organization that has grown for the sake of growth, without taking into account what kind of growth was desirable and in what way it should grow. Microsoft failed to take the steps necessary to create a learning organization capable of incremental course correction as the company grew.

It is evident that a lot of the internal practices and structures date back to the initial stages of the company, showing a competency trap pattern that the organization fell into without corrective he companies and technologies they acquired and as a result, worsened the silo effect of competing internal products. Recommendations Culture. For all its downsides, Microsoft's corporate culture continues to project a dogged determination to succeed. The company started by Bill Gates, arguably one of the most fiercely competitive businessmen of the previous century, retains the gritty persistence that defined its earliest days.

Microsoft's leadership needs to take advantage of the company competitive genes to more assertively dominate its industry in terms of product innovation and development. Furthermore, the company's leadership should take active and urgent steps to address employee morale with the understanding that happier employees faced with the right set of incentives tend to be more productive. Specifically, the company should modify the stack ranking performance evaluation so as to eliminate the incentive for unhealthy internal competition and sabotage.

Along these lines, Microsoft might be due for a value " refresh" along the line of that employed by IBM CEO Palominos. Such an exercise would engender the participation of Microsoft's employees in redefining the company's core values. Since the company's employees would be involved in the process, they would inherently " own" the outcome of the process. The end goal would be a new Microsoft in which employees behave as if they are on the same team and cooperate toward the goal of achieving Microsoft's organizational objectives.

If Microsoft continues to grow by acquisition, then another goal should be to introduce a system that rewards cooperation across product lines and divisions. This would help to actively promote and foster communication and integration strategies that will help to build a new culture that embraces innovation. Management Practices. One of Microsoft's key advantages is that it continues to dominate very important product categories in the technology industry, particularly with its Windows desktop operating system and Office productivity suite.

These two brands are well established as De facto standards in their respective niches. Furthermore, the company has made successful investments in the gaming console arena with its Oxbow and associated products (peripheral devices and games). Microsoft should continue to drive innovation as its key organizational factor; the company cannot rest on its (old) laurels. In fact, Microsoft cannot assume that because Windows and Office are De facto standards today that they will continue to hold that market position ten years from now. For instance, there is evidence that Google's is starting to establish itself as a credible alternative to Office, at least in some quarters.) Additionally, Microsoft should do everything it can to retain its existing talent and stem the tide of attrition. Structure. Microsoft's size and bureaucracy, for its drawbacks, certainly conferred advantaged on the company-? including providing the wherewithal to compete globally and to achieve economies of scale with regard to R; D, for example.

Microsoft should re-establish itself as a great place to work by flattening its organizational structure, rolling-back its bureaucracy, decentralization decision-making, granting relative autonomy to its business units, and instituting incentives for cross-divisional cooperation and innovation. These recommendations would help Microsoft become a more flexible and adaptive organization, and re- create the kind of entrepreneurial environment that high-tech workers tend to Culture, identity issue Organizational design issue

Environmental change issue Organizational leadership issue Organizational life cycle issue.