Paper 12

IMPLEMENTING PRODUCT DIVERSIFICATION STRATEGIES FOR THE SUSTAINABILITY OF A TECHNOLOGY COMPANY - A CASE OF MICROSOFT CORPORATION

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Abstract

Started in 1975, with a view to develop and vend BASIC interpreter, today, Microsoft develop, produce, license, support and sell worldwide software, user-level electronics, personal computers, and allied services. The company is world-famous because of its best software products Windows operating systems, Office suits, IE and Edge. The company's notable hardware pieces are Xbox and Microsoft Surface family touch-screen computers. The company is listed as the top software company by Forbes Global for many years. From its inception to date, the company is maintaining top ranking technology-wise, product-wise, service-wise, revenue-wise, and growth-wise. It is possible for the company to sustain growth because of the integration and implementation of product diversification strategy. Over the years the company transformed from just a developer and seller of interpreter to producer & marketer of wide variety of software-hardware products. This paper analyses the strategies the company adopted and incorporated in diversifying product and services lineup to sustain growth and maintain market stability. It also analyses the relevance and acceptability of different Microsoft products, its customer base, and software market share and near future strategies.

Keywords: Microsoft, strategies, product diversification, Windows, generic, intensive.

1. INTRODUCTION

Microsoft is Redmond based American company founded in the year 1975. It develops and supports computer software, IT services, PC hardware and solutions, which afford customers with a special value and help individual users and corporate customers, realize their potential. The company proffers a variety of services and business solutions together with cloud to customers and business. Microsoft presents software, services, platform and content to customers and support & consultation to enterprises. It includes operating systems, productivity/server/business solution applications, system management tools, application development tools, games, support to cloud, IoT, cyber security and design, manufacture & trade devices such as PCs, tablets, gaming & entertainment consoles, intelligent devices and connected accessories. Its business platforms and software tools enable small business to

drive productivity, large business to build competitive advantage, and public-sector to compel efficiency[1-3].

2. BACKGROUND

From a mere developer and seller of the BASIC interpreter for the Altair 8800 systems to produce operating systems, application of different types, system management tools, software development tools, support to emerging technologies and design, manufacture & trade devices, the company has been recording steady growth and maintaining top rankings in the global software company rankings. The company is considered as one of the top-notch technology establishments in the world. The brand Microsoft and its products are ubiquitous today. One may think, what made Microsoft so much famous, relevant and versatile? It is because of the implementation of its own strategies, which placed Microsoft in competitive advantage compared to other technology enterprises. This paper analyses the strategies the company incorporated in diversifying product and services lineup to sustain growth and maintain market stability. It also analyses the relevance and influence of different Microsoft products, its customer base, and software market share and near-future plans [2].

3. THE PROGRESS

Bill Gates and his high school friend Paul Allen established "Micro-soft" on 4 April, 1975 in Albuquerque at New Mexico, encouraged as a result of a strong contract they just signed with MITS to market and distribute their translator as ' Altair Basic. With Bill Gates as its CEO, the company recorded $16,000 income in total in the year with 3 employees on the roll.

Microsoft was registered in 1976. It developed FORTRAN, COBOL and Assembler, in tune with expanding the PC's capacities in the fields of science and business. In 1978, Microsoft's first offshore office was opened in Japan. In 1979, the company transferred its operations to Bellevue in Washington. With the addition of a fresh Belgian representative, Vector Microsoft, the company is expanding its service to the Europe. By the time, Microsoft has already under agreement with several OEMs. In 1980, Microsoft introduced Z-80 SoftCard, the company's first hardware product, which facilitated to execute programs originated for the CP/M OS on the Apple II computers with very minimum modifications. The year saw entry of Microsoft into the OS business with Xenix. Same year Microsoft introduced Pascal language. However, MS-DOS, the flagship product of the company of the time, consolidated the dominance of the company in the operating system market.

The major break of the company was in 1981 when IBM entered into a partnership to produce and supply crucial operating system, MS-DOS 1.0 to IBM PCs. Microsoft reorganized into a private company in the same year. Gates and Allen took over the responsibility as President & Chairman and Executive Vice President respectively. The company incorporated into Microsoft Inc. The enhanced version of BASIC, GW-BASIC was released in 1983. In the same year the company introduced programming language Microsoft C. The company's first application software Microsoft Multiplan spreadsheet was introduced. Microsoft unveiled Microsoft Windows that provided a graphical operating environment. With the release of Microsoft Mouse the company expanded into different markets. Microsoft Press, the company's own publishing division was started.

Microsoft's decennial celebrations are marked with the launching of Microsoft Windows 1.0 in 1985. The company launched Microsoft Works in 1986. In the same year, Microsoft

shifted its headquarters to Redmond in Washington. The company's stock goes public. In 1987, corporation introduced OS/2 produced with IBM to OEMs. Microsoft brought into its ambit Forethought, Inc and made it as its Graphics Business Unit. It announced the shipment Microsoft Bookshelf, a CD-ROM application containing 10 most popular and helpful creations in a single disk. Microsoft also announced Microsoft Excel for Windows and LAN Manager. The company announced Microsoft SQL Server in 1988. Microsoft moves to Canyon Park, Bothell's new manufacturing and distribution location. The Office Suite was released in 1989 bundled with separate productivity applications.

Microsoft launched Windows 3.0 in 1990 and Windows 3.1 in 1992. Microsoft announced Access Database for Windows in 1992. This relational DBMS offers simple, transparent data access; strong, usability-tested instruments; and a solid environment for development. Windows NT, a client-server solution with a strong, consistent and open platform was unveiled in 1993. In the same year the company introduced 'Creative Writer and Fine Artist', its first ever produce designed exclusively for children. Encarta, the first electronic encyclopedia was made available to the customers in 1994. Microsoft took over SOFTIMAGE Inc. Well known company tag line "Where Do You Want To Go Today" released.

Windows 95 and MSN was made available on its 2nd decennial birth year, 1995, Microsoft Bob for Windows, a social interface, with all new user-interface and eight core features (E-Mail, Address Book, Calendar, Letter Writer, Checkbook, Household Manager, Financial Guide, and GeoSafari) was announced. SideWinder 3D Pro was also announced. In 1996, the company announced ActiveX Technologies. SQL Server 6.5 and Flight Simulator for Windows 95 were also released.

In 1997 Microsoft made available the Office 97 worldwide and acquired Interse Corp. IE 4.0 was released. The year 1998 is most memorable for the company as it made available one of its best sold products Windows 98 worldwide. In the same year the company launched its India Development Center in Hyderabad. Microsoft's commitment to build innovative products for Macintosh continues as it published Office 98for Macintosh, a variety of Office Suite to Mac customers. Exchange Server made remarkable progress as it outsold Lotus Notes in 1998.

In 1999, Microsoft launched Encarta Africana. Microsoft unveiled its first online store, Shop. IE5.0 and Office 2000 were launched. Microsoft acquired Visio Corporation in 2000. Bill Gates assumed a fresh position for himself as Chairman and Chief Software Architect and Steve Ballmer becomes President and CEO. Microsoft launched Windows 2000.

Microsoft Windows XP, MS Office XP and Xbox made available in 2001. In 2002, Microsoft Visual Studio.NET launched incorporating. Tablet PC was launched. In the same year company released Windows Server 2003, announced Windows Mobile & Microsoft Office System. Microsoft unveiled Windows XP Media Center Edition 2005 in 2004.

The company launched Xbox 360 in 2005. Windows Vista was released in 2007. Windows Server 2008, SQL Server 2008 and Visual Studio 2008 were introduced in 2008. Windows 7 was published in 2009. Same year Bing decision engine was also launched. In the same year the company opened its first physical store in Scottsdale, Arizona. In 2010, Microsoft launched Office 2010, Windows Phone 7 and Microsoft Lync. Microsoft launched Office 365 in 2011. It formalized the acquisition of Luxembourg-based Skype in the same year.

Come year 2012, Microsoft acquired Yammer. It released Windows 8, Windows Server 2012, Visual Studio 2012, and Microsoft Surface. Microsoft launched Office 2013 and expands Office 365 in 2013. Microsoft launched Office for iPad in 2014 and also announced

the availability of Office apps for Android tablets. It acquired of Nokia with a nomenclature Mobile Qy in the same year. Also it acquired Mojang, the video game development company. Satya Nadella became the CEO.

Microsoft's Windows 10, Surface 3 and Office 2016 released in the year 2015. SQL Server 2016, and Dynamics 365 launched in the year 2016. Microsoft acquired LinkedIn in the same year. The first HoloLens headset introduced with blended reality technology. It introduced Visual Studio 2017 and Xbox One X in 2017.

Opening of campus in Dublin, Ireland, announcement of Surface Hub 2, unveiling of Xbox C, made available of Surface Go, release of PowerShell Core 6.0 for the macOS and Linux are the highlights of 2018. Company completed the acquisition of GitHub [2-5].

4. GROWTH STRATEGIES

Microsoft Corporation has adopted two classes of strategies - generic and intensive growth strategies to keep company at competitive advantage in the PC software and hardware business. As shown in below Fig. 1, its generic approach directly intensive approach. This arrangement optimizes companies overall performance. Generally, the generic strategy of a company shows the overall approach to ensuring company competitiveness and intensive growth strategies outline the methods used to guarantee company growth & development.

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Generic Strategy (Competitive advantage)			
Intensive Strategies (Intensive growth)			
Market Penetration (Primary Strategy)	Product Development (Secondary Strategy)	Market Development (Supporting Strategy)	Diversification (Supporting Strategy)

Fig.1: Microsoft's generic and intensive strategies alignment

4.1 Generic Strategy

To keep company in competitive advantage over to its rivals, the company uses 'Broad Differentiation' as its competitive advantage strategy. This implies that distinctive software-hardware products targeted to a broad chunk of customers. The company doesn't keep any stone unturned to make its products distinctive in terms of varied characteristics. Through this approach the company expands its market, reaches wide range of customers and establishes its competitive benefit.

4.2 Intensive Strategies

a. Market Penetration

Microsoft's this strategy aims to see company's products present in every part of the global market. The company ensures market penetration by selling variety of products to the market where the company presently operates and introducing new products to prospective markets. This approach is responsible for the worldwide dominance of the company's brand in the PC operating system industry. Effectively, the corporation ensures market presence by the

generic approach which utilizes product distinctiveness to draw customers from different parts of the market.

b. Product Development

By innovation and up-gradation the company ensures new products are released and existing products are upgraded with modified and added features. This is how the company see that the products of Microsoft are relevant always in line with customers requirements. This is again in alignment with its generic strategy, which insists product distinctiveness as a competitive advantage.

c. Market Development

Market development signifies the expansion of company's market by entering into new & emerging markets. Though this approach is not that significant to Microsoft on its current business performance as its products are already accepted globally and available everywhere, but through this approach the company expanded its markets at its early years.

d. Diversification

Product diversification is the key factor which helped Microsoft to register growth over the years. Introducing new products and upgrading existing products at regular intervals the company put its customers guessing. This is again in tandem with its generic strategy "product differentiation"[6-7].

5. FINANCE & HUMAN RESOURCE

Microsoft Corporation's earnings rose 14 percent to $125.84B for the fiscal year ended June 30, 2019. Net income rose 22 percent to $36.8B before exceptional products. Revenues represent an rise in the segment of Intelligent Cloud from 21% to $38.99B, an increase in the segment of Productivity and Business Processes from 15% to $41.16B, and an increase in the segment of Personal Computing from 8% to $45.7B.[10] As on June 30, 2019, Microsoft has 1,44,106 employees on roll worldwide, among them 1,37,160 are in USA and Puget Sound(Washington State). 45% of employees under Engineering functions, 15.9% in Global Sales and Maintenance & Operations, 17.9% in Worldwide Commercial Business, 10.2% in LinkedIn, 6.1% in Business Functions and 4.8% in Finance, HR & Legal [8]. The company's growth with respect to revenue & income and human resource stock in the last 7 financial years is shown in the Table-1 below.

Table 1 : Microsoft's financial and human resource account for last 5 years.
(Period ending: 30/06)

Year	Revenue (US$M)	Net income US$M)	Total Assets (US$M)	Workforce
2019	125,843	39,240	286,556	144,106
2018	110,360	16,571	258,848	131,000
2017	96,571	25,489	250,312	124,000
2016	91,154	20,539	193,468	114,000
2015	93,580	12,193	174,472	118,000

6. MARKETING MIX

The marketing strategy of the company exhibits how the mixture of innovation and efficient solution drives the company to maintain and sustain market share. It is based on 4Ps - Product, Place, Promotion & Price, which determines policies and tactics for a market plan of the company. To safeguard digital products, Microsoft utilizes internet technology and technological interventions. The company is enjoying massive revenue as a significant player in the PC software and hardware industry. This market position is, however, threatened by competitive rivalry and linked problems. To guarantee ongoing achievement on the global market, Microsoft requires matching its marketing mix with the trends of target markets globally [9].

7. ORGANISATION STRUCTURE & ITS ELEMENTS

Microsoft's organizational structure enables the its trade to grow, particularly, after the change in structure introduced in 2015. The organizational structure of a company relates to the organization's anatomy and arrangement and its elements. The corporate organizational structure signifies the significance of company production in the case of Microsoft. As an eminent player in the OS market, the corporation employs its organization-structure to keep competitive advantage in phase with development approaches. The long-standing success of the business relies on the appropriateness of its organizational structure to market circumstances and strengths of the segment. The company is employing "product-type-division" structure. The essence of this type is the structural divisions based software & hardware products. Following are the highlights of this type structure.

Product type divisions	Global corporate groups
o Productivity & Business Processes	o Office of the CEO
o Intelligent Cloud	o Worldwide Commercial Business
o More Personal Computing	o Marketing
o Corporate & Other	o Global Sales, Marketing & Operations
Geographic segments	o Corporate Strategy and Operations
o United States	o Cloud and Enterprise Group
o International	o Human Resources
	o Finance
	o Business Development
	o Applications and Services Group
	o Windows and Devices Group
	o Technology and Research
	o Legal

Fig-2 : Microsoft's organizational structure and its elements [10].

7.1. Product Type Divisions

Divisions based on product-type are the main element of the organization-structure of Microsoft. It utilizes product/production as the significance criterion for grouping staff & associated resources. Also, this structural characteristic exhibits product innovation ability of the company in the organizational structure. The product-type divisions are highlighted in Fig.-2.

7.2. Global Corporate Groups

The very organization-structure of Microsoft is defined by these groups. They are very crucial to company as technology based business totally relies on the task oriented components. The corporate groups are shown in Fig.-2.

7.3. Geographic Segments

The corporate structure of Microsoft Corporation also embodies geographic sections, purely used to group operations in the company's fiscal reports. The geographic divisions are made known in Fig.-2.

8. SWOC ANALYSIS

SWOC Analysis is an instrument used to determine organizational strengths and weaknesses (inner strategic factors) and company (external strategic factors) difficulties and possibilities. These variables underline the significance of Microsoft's situation of distinctive product development, cyber security, and company diversification. The business can attain continuing development in the market for computer hardware & software through these methods. Figure Fig.3 highlights company's strength, weaknesses, challenges and opportunities [11].

Strengths	Weaknesses
- Dominant brand image - Product alignment with positive externalities - Strong alliances with other firms	- Vulnerability to cybercrime - Imitability of some products - Lack of dominant computer hardware products
Challenges	Opportunities
- Cybercrime - Piracy - Strong competitive rivalry	- Business diversification - Innovation for computer hardware products - Stronger security against cybercrime

Fig. 3 : Microsoft's SWOC analysis outcomes

To continue as one of the foremost players in the computer software & hardware industry, Microsoft Corporation has the needed business characteristics. One of the main contributors to such a market condition is the powerful brand image and positive facade. Therefore, Microsoft is recommended to continue to enhance its brand image. It is also suggested to boost the company's collaboration with other enterprises in order to polish & enhance positive facades.

9. MAJOR COMPETITORS

Microsoft is a foremost performer in the computer software-hardware-IT services markets. The company is expanding its business in Media, Games, MSN TV, Mobile software & hardware and Social Networks. Though the company is unparalleled in operating system market, it is facing hard competition in these areas of business. In Mobile Software, Media

and IT services category, the company's product are under the pressure enforced by big players like Google, Apple, Amazon, and IBM. In social networking the company's presence is challenged by Facebook and Google+[12].

Domain	Expansion	Main competitors
Computer Software / IT services	▪ Media ▪ Games – Microsoft Studios, Xbox game console ▪ MSN TV ▪ Mobile soft- and hardware Skype, Bing, MSN, Surface (tablet), Windows Phone ▪ Social Networks LinkedIn	▪ Mobile software Google (Android); Apple (macOS, iOS); Apple-IBM ▪ Media Amazon, Google, Apple, game developers ▪ IT services Google, Apple, Amazon, IBM ▪ Social networks Facebook; Google+

Fig.4 : Microsoft, areas of expansion and main competitors

10. STAKEHOLDERS & CSR INITIATIVES

For Microsoft safeguarding the interest of its core stakeholders stands above to its own interest. The company identified, on priority basis, customers, employees, communities, investors and government as its prime stakeholders. It focuses on customer satisfaction & customer retention with respect to customers, human rights, equal compensation, & sophisticated work environment with regard to employees, environmental sustainability & community-reach approaches in view of customers, maximum return, total transparency & time-to-time reporting in case of investors and fall in-line with the prevailing legal & regulatory procedures with respect to government. Figure Fig.5 showcasing key stakeholders of the company according to the priority anti-clockwise from customers to government.
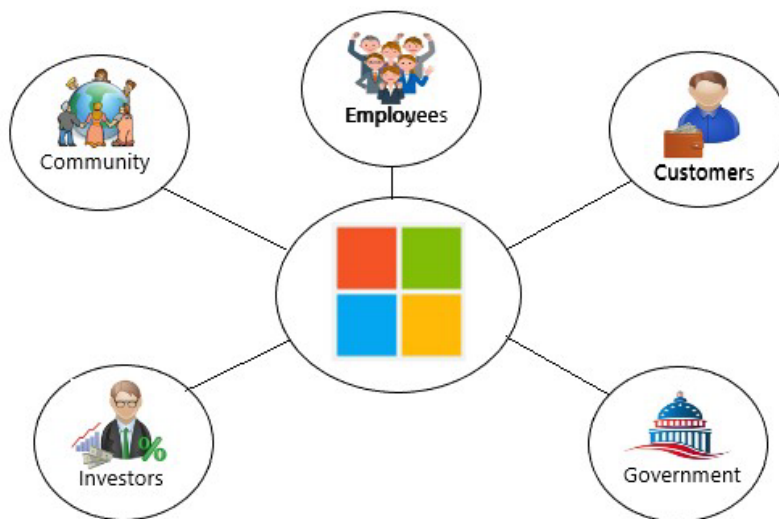

Fig 5 : Microsoft's stakeholders

1. Customers (Top-Priority Stakeholders). For the sustained growth and long-time existence, Microsoft considered customer as its major stakeholder. The key interests of this

group are diversified, fairly-priced, efficient & user-friendly products and high quality after-sale service. In this regard the company striving hard to bring out variety of software and hardware products priced differently keeping in mind target customers and providing high-quality customer service through top-notch service centers penetrated across the world. Furthermore, feedback systems allow the business to solve the complaints and problems experienced by clients when using the products of company. Microsoft provides some client specific discounts to further fulfill the interests of this group.

2. Employees. Microsoft considers human resources, that is, workforce is the second most significant stakeholders. It views human rights, industry-standard compensation package, congenial work atmosphere and respectful treatment of staff as the interests of this group. The involvement of this group directly onfluence the production and performance of the Company. To fulfill the interests of staff, the corporate take care of competitive reward and continuous improvement in employment procedures to safeguard the freedoms of workers. These in turn promote the enhancement of human resources while improving workers' morale and skills.

3. Communities. Microsoft considers communities as one of the most precious stakeholders as its product and services, both software and hardware oriented are made for the direct use by the public. Taking care of this group's interest directly benefit Microsoft to enhance business and maintain prevent brand-image. To address this, the company included number of provisions in its market issues like discounts for students, defense staff and ex-servicemen. Also, Microsoft Philanthropies donate fund and extend aid to wide range of CSR programs. Such initiatives improve the accessibility of a large group of users to company's products. Moreover its policy on environmental sustainability reflects Microsoft's commitment to minimize its environmental effect.

4. Investors. Microsoft considered investors in its software-hardware business as another significant stakeholder. Investor supply capital to the Company. Sustained business growth and accurate & transparent fiscal reporting are the key interests of this stakeholder. The corporate responsibility attempts of Microsoft meet interests of this group through a multitude of company.   Business stability of the company also addresses the interest of investors in company development.

5. Governments. For Microsoft, government is un-separable stakeholder as rules & regulations and policies of the states directly affect the functioning of the company. In the compliance of legal and regulatory procedures of Microsoft, the involvement of government is desirous, so also in the contribution of economic growth. Microsoft fulfills the interests of this group through the organization's strict policies.

11. CONCLUSION

Microsoft Corporation, being a technology company that deals with producing and selling of computer software, hardware and services across world, has been rising significantly since its inception. The company has registered growth in its revenue over the years from $16,000 in 1975 to $125,843 million in 2019. Began with just 3, including the founders, the company has 144,106 employees on a roll today [12]. Microsoft products are ubiquitous today. The company has in its control $286.556 million assets spread across the world. As of June 30, 2019, more than 800 million devices are loaded with Windows 10. The company has already analyzed more than 6500 billion messages to find out threat issues and by that protecting its valued customers. 18 billion questions has already been asked to Cortana, intelligent

Assistant of Microsoft since its launch. These facts emphasize the popularity of the company. Microsoft continues to grow as a technology giant confronting and overcoming all odds. In line with its 'Be What's Next' tagline, the business has so far succeeded in guessing its customers [14].

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