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TITLE OF THE PAPER: STRATEGIC MANAGEMENT PROCESS 1
DEGREE : BACHELOR OF COMMERCE
COURSE : BUS401 Full time & IDE
TIME ALLOWED : THREE (3 HOURS)

Instructions:

1. THIS PAPER CONSIST OF A CASE
2. ALL QUESTIONS ARE COMPULSORY
3. ANSWER ALL QUESTIONS AFTER READING THE CASE STUDY

Note: You are reminded that in assessing your work, account will be given of accuracy of language and the general quality of expression, together with layout and presentation of your final answer.

THIS PAPER MUST NOT BE OPENED UNTIL THE INVIGILATOR HAS GRANTED THE PERMISSION

Entrepreneur Bill Gates founded the world's largest software business, Microsoft, with Paul Allen, and subsequently became one of the richest men in the world.

Who Is Bill Gates?

Entrepreneur and businessman Bill Gates and his business partner Paul Allen founded and built the world's largest software business, Microsoft, through technological innovation, keen business strategy and aggressive business tactics. In the process, Gates became one of the richest men in the world. In February 2014, Gates announced that he was stepping down as Microsoft's chairman to focus on charitable work at his foundation, the Bill and Melinda Gates Foundation.

Early Life

Gates was born William Henry Gates III on October 28, 1955, in Seattle, Washington. Gates grew up in an upper-middle-class family with his older sister, Kristianne, and younger sister, Libby. Their father, William H. Gates Sr., was a promising, if somewhat shy, law student when he met his future wife, Mary Maxwell. She was an athletic, outgoing student at the University of Washington, actively involved in student affairs and leadership.

The Gates family atmosphere was warm and close, and all three children were encouraged to be competitive and strive for excellence. Gates showed early signs of competitiveness when he coordinated family athletic games at their summer house on Puget Sound. He also relished in playing board games (Risk was his favorite) and excelled at Monopoly.

Bill Gates's Education

Gates was a voracious reader as a child, spending many hours poring over reference books such as the encyclopedia. Around the age of 11 or 12, Gates's parents began to have concerns about his behavior. He was doing well in school, but he seemed bored and withdrawn at times, and his parents worried he might become a loner.

Though they were strong believers in public education, when Gates turned 13, his parents enrolled him at Seattle's exclusive preparatory Lakeside School. He blossomed in nearly all his subjects, excelling in math and science, but also doing very well in drama and English. While at Lakeside School, a Seattle computer company offered to provide computer time for the students. Gates became entranced with what a computer could do and spent much of his free time working on the terminal. He wrote a tic-tac-toe program in BASIC computer language that allowed users to play against the computer. Gates graduated from Lakeside in 1973.

Did Bill Gates Go to College?

Gates enrolled at Harvard University in the fall of 1973, originally thinking of a career in law. Much to his parents' dismay, Gates dropped out of college in 1975 to pursue his business, Microsoft, with partner Allen. Gates spent more of his time in the computer lab than in class. He did not really have a study regimen; he got by on a few hours of sleep, crammed for a test, and passed with a reasonable grade.

Bill Gates and Founding Microsoft

In 1975, Gates and Allen formed Micro-Soft, a blend of "micro-computer" and "software" (they dropped the hyphen within a year). The company's first product was BASIC software that ran on the Altair computer. Microsoft's BASIC software was popular with computer hobbyists, who obtained pre-market copies and were reproducing and distributing them for free. At this time, many personal computer enthusiasts were not in it for the money. Gates thought differently. He saw the free distribution of software as stealing, especially when it involved software that was created to be sold.

In February 1976, Gates wrote an open letter to computer hobbyists, saying that continued distribution and use of software without paying for it would "prevent good software from being written." In essence, pirating software would discourage developers from investing time and money into creating quality software. The letter was unpopular with computer enthusiasts, but Gates stuck to his beliefs and would use the threat of innovation as a defense when faced with charges of unfair business practices.

Gates had an acrimonious relationship with MITS president Ed Roberts, often resulting in shouting matches. The combative Gates clashed with Roberts on software development and the direction of the business. Roberts considered Gates spoiled and obnoxious. In 1977, Roberts sold MITS to another computer company and went back to Georgia to enter medical school and become a doctor.

Gates and Allen were on their own. The pair had to sue the new owner of MITS to retain the software rights they had developed for Altair. Microsoft wrote software in different formats for other computer companies, and, at the beginning of 1979, Gates moved the company's operations to Bellevue, Washington, just east of Seattle.

Gates was glad to be home again in the Pacific Northwest and threw himself into his work. Although the company started out on shaky footing, by 1979 Microsoft was grossing approximately \$2.5 million. At the age of 23, Gates placed himself as the head of the company. With his acumen for software development and a keen business sense, he led the company and worked as its spokesperson. Gates personally reviewed every line of code the company shipped, often rewriting code himself when he saw it necessary.

Bill Gates appointed new CEO

It's been an eventful few days for Microsoft, but new CEO Satya Nadella appears to have emerged with investors still on his side. Last week, he announced plans to lay off 18,000 workers. This week, his company announced earnings that would have been unequivocally strong had it not been for profit losses tied to its \$7 billion Nokia Devices and Services acquisition, which accounts for two-thirds of the layoffs. Despite the tumult, and thanks to the quarter's stellar cloud and server revenue, Microsoft's stock has held steady since the job reductions were announced; within striking distance of \$45 per share, it's also up more than 20% since Nadella took over.

But that doesn't mean Microsoft has nothing to worry about. The company had plenty of strong financials to crow about during the most recent quarter, but Nadella's popularity hasn't just been about numbers. It's also been about his willingness to admit that Microsoft faces an uphill battle in many markets, notably smartphones and tablets. By initiating layoffs, Nadella has taken a big step toward installing the "challenger mindset" he says his company needs -- but many steps still remain.

Here are four pressing questions Microsoft and its new CEO must still face.

Will Nokia fit inside Microsoft?

Over the last week, Microsoft execs have gone out of their way to emphasize that the company is scaling down its device efforts. Yes, it will still make devices, because Windows Phone needs the help and because Microsoft wants devices that show off what its cloud services can do. But Nadella clearly knows some investors are leery of Microsoft's hardware ambitions, and he and other senior leaders have appeared determined this week to circumvent new concerns.

"We're not in hardware for hardware's sake," Nadella said during this week's earnings call.

That sounds good -- but what does it mean for Nokia? Microsoft execs spoke optimistically this week about Windows Phone growth in emerging markets, but they conceded that low-cost (and thus low-profit) devices drove most of the sales. Nadella said that, to generate high-end demand, Microsoft will create devices that "light up" Microsoft's digital services, such as Cortana, OneNote, and Office Lens. Will it work? Time will tell, but we'll know more after we see Microsoft throw its efforts behind a new flagship phone.

In the meantime, Microsoft will have to contend not only with Android, which is particularly dominant in the low-margin markets where Windows Phone has some traction, but also with the iPhone. Apple's smartphone could pose a particular challenge to Nadella's plan to situate Windows as the premier smartphone OS for productivity. Apple devices are already popular in the enterprise, could enjoy revitalized consumer growth when rumoured phablet models arrive this year, and now have the backing of IBM's enterprise software and salesforce.

Will Microsoft's hybrid cloud synergies continue to click?

Nadella's cloud-focused strategy looked particularly promising after this week's earnings report; Microsoft said commercial cloud revenue was up 147% year-over-year and is on pace for a full-year total of more than \$4.4 billion. Moreover, execs said the cloud momentum -- which includes products such as Office 365, Azure, Exchange Online, SharePoint Online, Dynamics CRM, Lync Online, and Intune -- isn't cannibalizing its

on-premises products "We don't see it as a zero-sum," Nadella said this week.

Indeed, Microsoft also reported server products were up 14% from the same quarter last year. The implication is that hybrid cloud flexibility is helping customers to find the right balance between managing resources on-site and moving some work to the cloud. Amazon still beats Microsoft in total cloud revenue, but Microsoft could win out in the long term, because it is building bridges between Azure and customers' infrastructure, which theoretically allows on-premises environments to move specific operations to the cloud at their own pace.

Microsoft has also upsold basic Azure customers to premium cloud services. CFO Amy Hood said this week that more than half of Azure customers also use products such as Microsoft's Enterprise Mobility Suite, which launched this year. Cloud resources such as storage and compute could become commoditized and thus subject to lower margins, so Microsoft's ability to add up-market services could prove another ace in the hole.

All of that sounds promising -- so where's the problem?

In many conversations, Microsoft's strategy has been reduced to "cloud" in recent months. But looking at where its revenue comes from, Microsoft is still more a server company. In the most recent quarter, its "Commercial Licensing" revenue, which includes income from server products and Windows Commercial, accounted for nearly half of the company's overall revenue. "Commercial Other" -- home to its business-oriented cloud services and their vaunted 147% revenue growth -- accounted for less than 10%. That's not necessarily a problem as long as synergies between server products and Azure continue to shine, but it puts into context where Microsoft gets its revenue.

Ultimately, Microsoft's cloud is growing quickly, but it's still a small piece of the pie. With Windows revenue potentially unsteady and costly device efforts still being brought under control, Microsoft's critics will be sensitive to any lapses in Azure momentum. Moreover, as it gains more cloud customers, it could become harder for the company to maintain the synergies that seem to be working well today. It also remains to be seen how Nadella will balance openness, evidenced by deals with Salesforce and SAP, with strategic strikes against competitors.

Can Windows rebound?

Windows still holds more than 90% of the PC market, but Windows 8 and 8.1 hold only around 12%, according to the web-tracking firm Net Applications. In the short term, this struggle hasn't impacted Microsoft's books as much as you might think. Windows revenue was actually up in the past quarter, thanks largely to business upgrades compelled by Windows XP's end-of-service deadline. But most of those businesses moved to Windows 7, not Windows 8.1. Microsoft's consumer Windows business, meanwhile, is as poor as it's been in recent memory. Windows is clearly living more on its past glories than on Microsoft's newest strategies.

Execs have shown only glimpses of the next version of Windows, which will converge Windows Phone, Windows RT, and full Windows into a single framework. Crucially, the desktop UI will have a Start menu. But will it help Microsoft maintain its PC dominance as Chromebooks eat into the low end and Macs remain popular at the high end? Will the Windows PC user base help the OS gain share on other form factors? Microsoft has only 14% of the overall computing device market, which includes smartphones and tablets in addition to PCs.

Will next-gen productivity experiences live up to Nadella's hype?

Right now, Microsoft Office sets the standard for productivity, but for many users alternatives such as iWork or Google Docs might be good enough. This broad parity, however, supposes that most users think of productivity in pretty old-fashioned terms: basic word processing, basic spreadsheets, and so on. Nadella believes Office will remain king not only because it remains the most sophisticated option for traditional productivity, but also because it will become a platform for entirely new types of productivity. "We believe productivity experiences will go beyond individual applications to deliver ambient intelligence that spans applications," Nadella said this week.

Source: Michael Endler joined InformationWeek as an associate editor in 2012

Answer all questions

Question 1

When Micro soft was established in 1975, the business had been growing and sustainable. Discuss four building block of the company's competitive advantage? **20 marks**

Question2

With reference to the case study above, prepare micro soft SWOT analysis since its inception to date. **30 marks**

Question 3

Using the SWOT analysis develop strategies for Micro soft TOWS matrix. **30 marks**

Question 4

Select four priority strategies the new CEO could pursue based on the prevailing situation and explain why? **20 marks**