

CORPORATE BRAND MANAGEMENT
AND REPUTATION

MASTER CASES

IS MICROSOFT TOO HIGH UP IN THE
CLOUD(S)?

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Corporate Brand Management and Reputation: Master's Cases

The "Corporate Brand Management and Reputation: Master's cases" is a case series for applying the case method of teaching and learning in higher education. The cases are relevant to brand strategists in private and public sector organizations, as well as academics and students at universities, business schools, and executive education.

The cases are written by groups of master's students as a course project. The specially developed case format is defined as: *"A management decision case describes a real business situation leading up to a question(s) that requires assessment, analysis, and a decision reached by discussion in class. The alternative approaches and recommendations from the class discussion are followed by a description of the choices made by the case company. This description is then discussed by the class."*

The student groups select the topics of their case providing updated and relevant insights into the corporate brand management. The cases can be used as "written cases" (handed out and read in advance, later to be discussed in class) and/or as "live case" (presented by the teacher following a discussion in class). Each case includes teaching notes, visuals with speaker's notes, learning objectives, board plans, and references.

The mission of the series is *"to develop cases for discussion providing insights into the theory and practice of corporate brand management and reputation, with the intent of bridging the gap between academic teaching and managerial practice."*

The series is a result of co-creation between students and teachers at the elective course Corporate Brand Management (BUSN35 – five-credit course/eight-week half-time studies), part of the master's program International Marketing and Brand Management at Lund School of Economics and Management, Sweden. The cases represent the result of the intellectual work of students under the supervision of the head of course.

Although based on real events and despite references to actual companies, the cases are solely intended to be a basis for class discussion, not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. The cases are free to be used and are to be cited following international conventions.

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WRITTEN CASE

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Is Microsoft too high up in the cloud(s)?

On the 18th of January 2022, Microsoft presented big news for one certain industry. They were about to make an acquisition, bigger than any previous ones, that would help them compete against other brands in the battle of the upcoming metaverse. The question is whether Microsoft is biting off more than one can chew or if they are actually making an investment that can support their future growth. However, an acquisition is not done without difficulties, which is the main focus for this specific case.

Microsoft

During the past five years, Microsoft has increased its market capitalisation by 380 percent, and rebuilt its position as one of the largest, most important, and most influential companies in the world of technology. Microsoft has done investments in the Azure cloud services, the Xbox game console, and the conversion of the Office package to a subscription service, which have all been successful investments. Moreover, Microsoft sees huge potential in the gaming industry; there are three billion people actively engaged in gaming activities today and the new generation is hugely invested in interactive entertainment, resulting in it being the fastest growing and largest appearance of entertainment. To embrace the current world of technology and the social engagement on different digital platforms, Microsoft believes in a repositioning towards a younger audience as well, as the metaverse seems to be dominantly filled with gaming. Furthermore, Microsoft claims they have enough artificial intelligence and mixed reality tools to help other companies develop metaverse applications.

The company has already touched upon the metaverse. Due to COVID-19, many companies have been forcing their employees to work from home. Because of this, meetings have been held via platforms such as Microsoft teams. Microsoft thought this kind of meeting could be impersonal and awkward and found a solution called Mesh, which enables collaborative and shared holographic experiences where people

in different locations can participate in virtual meetings, send chats, collaborate on shared documents, etc. Will this takeoff lead Microsoft further into the metaverse?

Activision Blizzard

Activision Blizzard is a huge part of the gaming industry since they own many of the most played games all over the world. They were originally two separate but similar companies which then merged into one, namely, Activision, with games such as Call of Duty and Vivendi games (Blizzard), with games such as World of Warcraft and Diablo. After the merger, they also acquired King, who owns mobile phone games such as Candy Crush Saga.

Activision Blizzard has been through a lot of media attention recently, with multiple scandals internally in the company. Most specifically, female employees have filed complaints regarding how they have been treated and how the existing culture within the company promotes a specific behaviour. After a two-year-long investigation, the California Department of Fair Employment and Housing sued Activision Blizzard. The underlying issue was they were accused of having a “frat boy” culture, and women employed in the company experienced constant sexual harassment, retaliation, and unequal pay. Nevertheless, women only counted for 20 percent of the employee population on Activision Blizzard.

The general attitude within the company was that male employees openly joked about rape, and occasionally passed over their working duties on female co-workers so that they could spend their time on gaming. The allegations made the fanbase of games such as World of Warcraft and Hearthstone furious, and they refused to play the games again. Furthermore, the CEO of Activision Blizzard has faced some allegations, including him sending voicemails to his female assistant threatening to kill her. Besides, he knew about the ongoing sexual harassment in the company but did not do anything about it.

The acquisition

Microsoft is set out to purchase Activision Blizzard, which in game history is the biggest acquisition deal ever. The acquiring of Activision Blizzard will cost Microsoft, in an all-cash transaction, \$68.7 billion, inclusive of Activision Blizzard’s net cash. When the deal and transaction is closed, behind Tencent and Sony, Microsoft will become the third largest gaming company, by revenue. When the news was released that the acquisition of Activision Blizzard was going to be made by Microsoft, Activision Blizzard’s shares increased by 36 percent. However, Microsoft’s stock price was at the end of the day of the announcement down by 2.5 percent from its opening price. The CEO of Activision Blizzard, Bobby Kotick, will remain in his position, and he and his team will further continue their work on strengthening the company’s culture and increasing business growth. The current plan is to feature Activision Blizzard’s games into a game pass, as part of a subscription service. The

acquisition has not yet been finalised and the final deal is expected to close in the fiscal year of 2023.

The intention of making the acquisition from Microsoft's point of view is to bring joy and make the community of gaming more accessible to everyone, and at the same time, it will possibly increase Microsoft's growth in the gaming business. This action plans to provide building blocks for Microsoft to intentionally compete in the metaverse. The CEO of Microsoft believes the partnership will create a future that allows people to play a certain game anywhere in the world (virtually) as they desired. Microsoft has the technology and expertise that Activision Blizzard wants for future development and they are also set out to help Activision Blizzard develop their culture to a more inclusive and welcoming one. Both brands think that the partnership will help them to advance in cloud computing and AI in order to make them more competitive.

Problematisation and managerial decision

"Culture eats strategy for breakfast" a wise man once said. However, Microsoft believes in the opposite. Microsoft puts strategy first, by doing the acquisition of Activision Blizzard. By the acquisition, Microsoft is entering the gaming market and is able to compete in the future of metaverse. However, the culture of Activision Blizzard has been rather problematic lately, with 700 reports from employees about injustice and various scandals, which perhaps makes the acquisition possible. Even though the scandal and the pricing of the acquisition have been frequently discussed, it is interesting and of high importance to look beyond such tangible aspects, and analyse whether the acquisition affects the corporate brand of Microsoft, taking the ethical issues of the scandal, and the new Microsoft portfolio of services and products into account. Important to remember is where each of the brands' identities currently stands (see **Exhibit 1 & 2**). This case will look into how Microsoft will position itself, in order to incorporate the newly acquired company whilst their corporate brand identity is not currently congruent with their reputation. **If you were to have the role of the executive team of Microsoft, how would you answer the following question:**

- *How will the acquisition affect Microsoft's corporate brand and how should they manage their position and identity?*

Exhibit 1 The Microsoft brand identity and reputation matrix

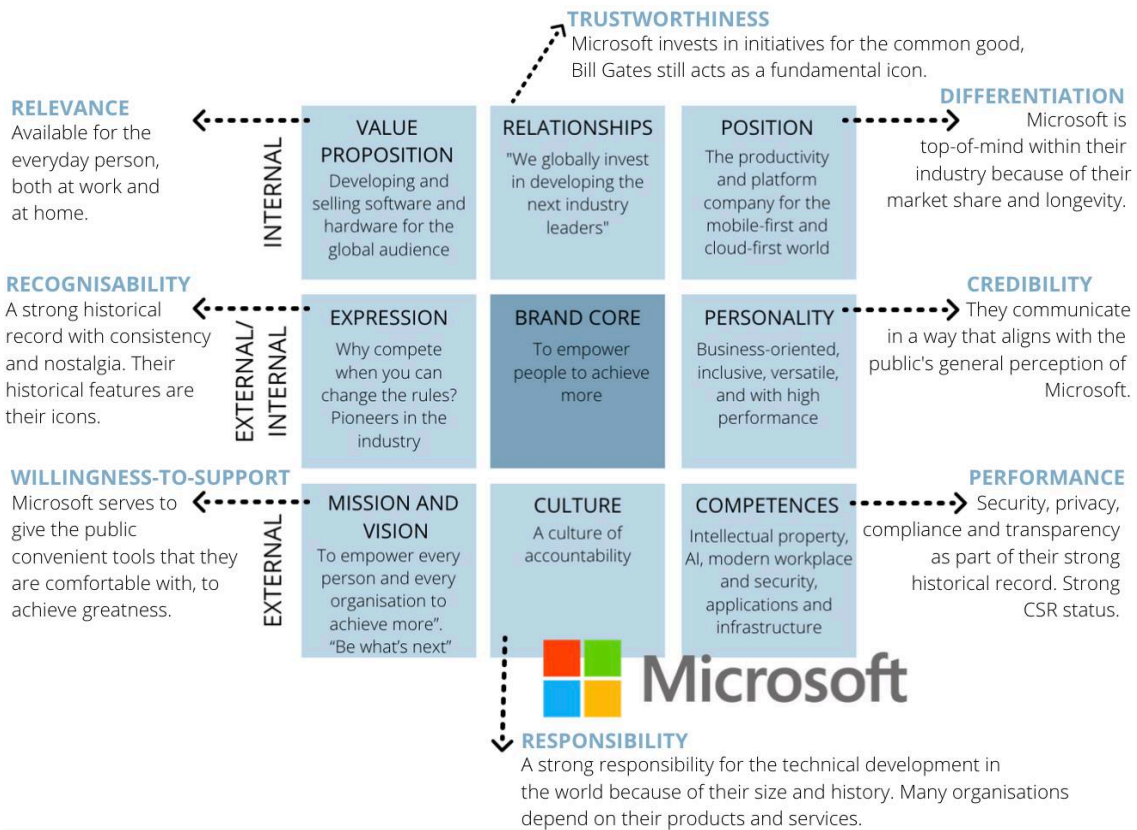


Exhibit 2 The Activision Blizzard brand identity and reputation matrix

