

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

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### **TEACHING NOTES**

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The authors prepared this case solely as a basis for class discussion and not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. Although based on real events and despite occasional references to actual companies, this case is fictitious and any resemblance to actual persons or entities is coincidental.

## Teaching plan

These teaching notes were written with the purpose of giving the instructor the ability to organize and structure the case in order to be able to help the students achieve the articulated objectives of learning. These notes will also be beneficial for other instructors in the manner of being more effective during the case discussions. In this text the instructor will be able to find the background to main issues of the case as well as proposals of different types of questions to ask in class, the teaching notes will further provide a time plan and a board plan as two helpful tools to use while presenting and executing this case. The following section will briefly summarise and mention the background of interest to the case.

## Case synopsis

Microsoft is in the first place of the 10 top brands 2009/10 (Roper & Fill, 2012), and is most known for software and hardware systems and solutions such as the Office package and the operating system Windows. What characterises them among many things is their longevity in the industry, as one of the pioneers in the technical world. Microsoft has previously acquired companies such as Skype, LinkedIn and Mojang, the owner of Minecraft. Microsoft has now also entered the gaming market even more, with its strong foundation in the area with the Xbox console. In January 2022 Microsoft made the biggest acquisition in game history - they acquired one of the biggest gaming companies, Activision Blizzard (Reiff, 2021). Microsoft's intention with the acquisition is to be able to compete in the future metaverse (Microsoft, 2022), alongside other big companies such as Meta, formerly known as Facebook inc. Since the Metaverse is dominantly filled with gaming, Microsoft believes in a repositioning towards the younger generation and an embracement of the current world of technology and social engagement (Tedder, 2022). The acquisition was made after a huge scandal had escalated within the company of Activision Blizzard, where women were unequally treated and paid, and where sexual harassments were part of the corporate culture (Greenbaum, 2022). The scandal made the acquisition easier for Microsoft, however, the deal cost Microsoft \$68.7 billion, inclusive of Activision Blizzard's net cash. Although the pricing of the deal has been frequently discussed in media, there are other things to consider when looking at the acquisition. What does an acquisition like this mean for Microsoft as a corporate brand?

## Learning objectives

In the following section, several key learnings will be presented and defined, which are the main learnings the case audience should obtain. Not only is this case about the biggest acquisition in the gaming world, but it has broad implications regarding issues of corporate brands identity and reputation. Not just concerning Microsoft and their acquisition of Activision Blizzard, but also for other companies when making acquisitions in general. Hence, it is expected that the reader will

experience a wide range of learning opportunities within the area of corporate brands and acquisitions.

## Acquisitions and corporate branding

In today's organisation environment, mergers and acquisitions are very common which leads to the high importance of corporate branding (Roper & Fill, 2012). In order to get a consistent board of stakeholders, the merged identity is necessary. One issue could be that the product brand is more powerful, leading to the corporate brand not succeeding. However, van Riel and Fombrun (2007) suggest four key factors to consider in order to implement a corporate branding strategy in the state of a merger or an acquisition. First, the strategy among the business units and the degree of relatedness, second, how much control the HQ has over the business units and the degree of centralisation, third, how much identification amongst the employees with the HQ as opposed to the business units, and lastly the degree of the expected reputation and performance benefits to be acquired from the corporate brand. The possibility of companies getting too big and too powerful has given rise to anti-branding movements (Roper & Fill, 2012). It is argued that the financial power that such powerful companies can acquire is unhealthy, and that such brands have the actual power in societies. To reduce the impact of anti-branding movements, it is important that the brand stands for something and brings value to the consumers.

One possible outcome from an acquisition is explained through the halo effect, where the positive associations of one brand can be reflected on the other one. However, joining two brands together can create reputational issues and outcomes can be both positive and negative for both of the organisations. Roper and Fill (2012) discuss the mergers and acquisitions in terms of arranged marriages, where the respective corporate cultures may clash or become too fragmented, creating less of a unified culture within the firm. An acquisition can also lead to an organisation reconsidering its identity as in the case of when L'Oréal acquired The Body Shop. One of The Body Shop's brand core elements was that they were not testing on animals. However, this was not the case for L'Oréal, which made people question the acquisition. Aligning with this example, the failure rate for acquisition has been and remains high (Roper & Fill, 2012). As for Microsoft, there is a need to consider how the corporate brand identity is affected by acquiring Activision Blizzard and whether there are elements that ought to change their current identity and positioning. A secure and stable company such as Microsoft may provide Activision Blizzard with positive associations. At the same time, a gaming pioneer such as Activision Blizzard can provide Microsoft with positive associations regarding its status in the gaming industry.

## Corporate brand identity

As mentioned in the previous segment, it has become even more important to differentiate between the product brand and the corporate brand (Roper & Fill, 2012). The organisation today has to establish its corporate brand identity to create intangible value. Brands are today seen as balance sheets, with values, just like tangible products

have. The corporate brand's value exists outside of their products and is something to rely on because it provides the organisation with differentiation and distinction. Corporate branding allows an organisation to make use of their values and identity in their identity and marketing, which is more difficult for other competitors to imitate. Effective management of corporate identity can be transferred onto the brand's reputation as well as image in a positive matter (Roper & Fill, 2012). As previously stated, identity is a central tenet when it comes to acquisition. Therefore, it is interesting to look at both Microsoft's and Activision Blizzard's identities and how they choose to position each brand in relation to the other when the acquisition is done.

A corporate brands' persona, value proposition, and the promises it makes to itself and its stakeholders can be illustrated in the corporate brand identity matrix (Urde, 2021). This matrix gives a holistic structure, answering questions such as *why* a company is doing what they are doing, *how* the company is working in order to perform the why, *what* their value proposition is, and *by whom* the value proposition is created. Moreover, Urde (2021) emphasise that a company's brand meaning, and value, are shaped both by internal and external forces, initiatives, and influences. Elements such as values, goals, and the company's purpose mold the company internally, and external forces mold the company's position and meaning. The identity core is a home base, that you constantly return to for understanding when you build your corporate brand and its reputation (Urde, 2021). Furthermore, according to Kapferer (2012), the identity core remains unchanged for a longer period of time, whilst the other elements can change over time. Here, Microsoft takes on the role of a mother brand while the other brands are referred to as daughter brands.

The acquisition of Activision Blizzard leaves question marks whether the brand of Microsoft will work as a corporate brand in the shadow, or if they will take on a more prominent role. Urde (2021) puts emphasis on that no matter what brand structure they choose to adopt, the corporate brand will always be central and vital. However, there is an ongoing trend to place more focus on the corporate brand instead of solely product brands, which might incline that Microsoft will try to enhance their brand when communicating the daughter brand. Microsoft currently adopts a hybrid brand architecture, where they include both master brands and sub-brands. For example, their name is visible in many of their brands and products such as Microsoft 365, with programs such as Word, Excel and Teams, while their name is not apparent when it comes to sub-brands such as Xbox and LinkedIn. Based on the corporate identity matrix, see **Figures 1 and 2**, one can see that the two companies have different outcomes in the different elements, particularly on the dimensions of trustworthiness and credibility.

## The corporate brand identity and reputation matrix

The corporate identity matrix summarises the corporate persona, including both internal and external elements. It functions as a map that organisations can return to when they need guidelines for future decisions and strategies. It features eight elements all surrounding the brand core and if these are coherent, they are echoed in the center of the matrix. Although organisations may have similar elements to some extent, the matrix pinpoints how your specific organisation is unique. Outside of the

squares, there is the second outer layer of reputation, beyond the rhetorical parts of communicating the identity. It features what people think about the organisation, when the communication is done (Urde, 2021). Down below, the corporate identity and reputation matrixes for both Microsoft and Activision Blizzard are featured in an attempt to capture the essence of each of the brands.

**Figure 1. Corporate identity and reputation matrix - Microsoft**

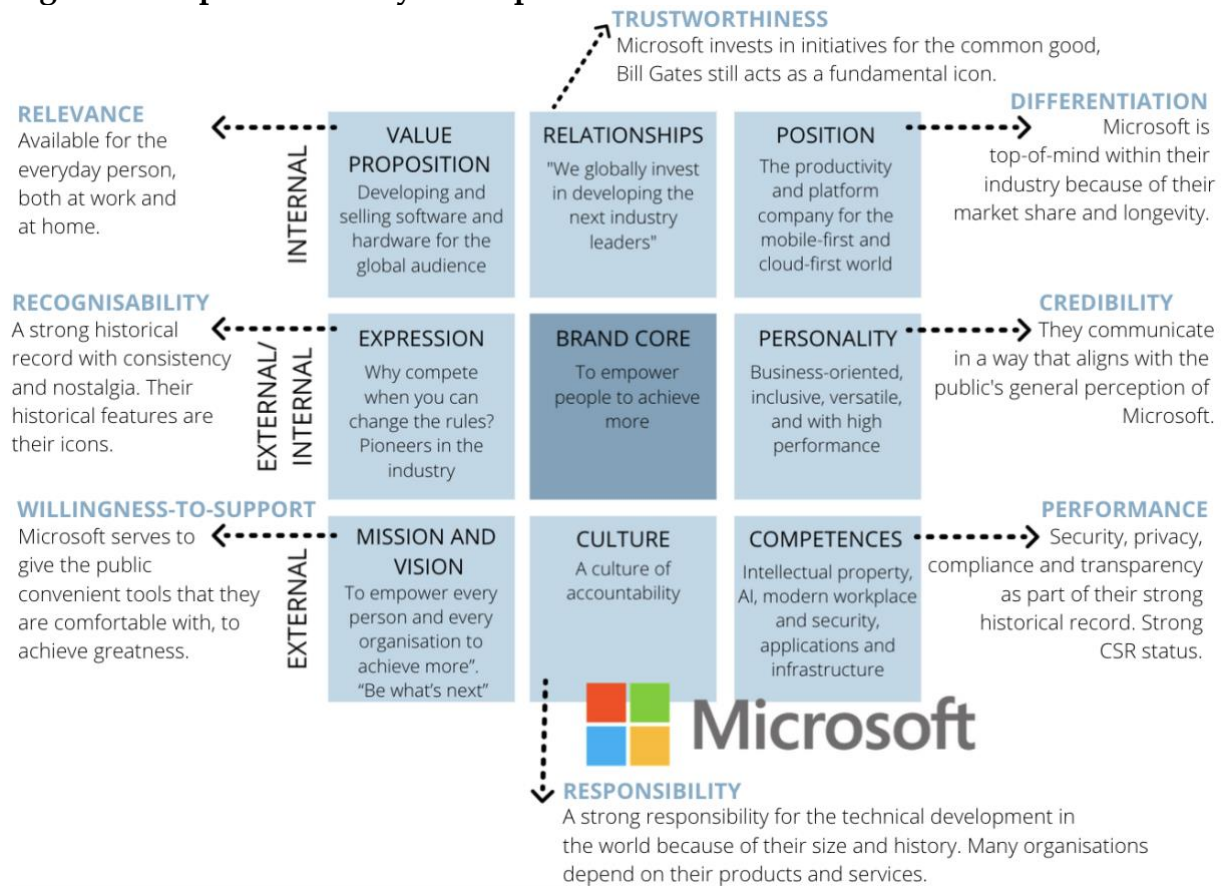
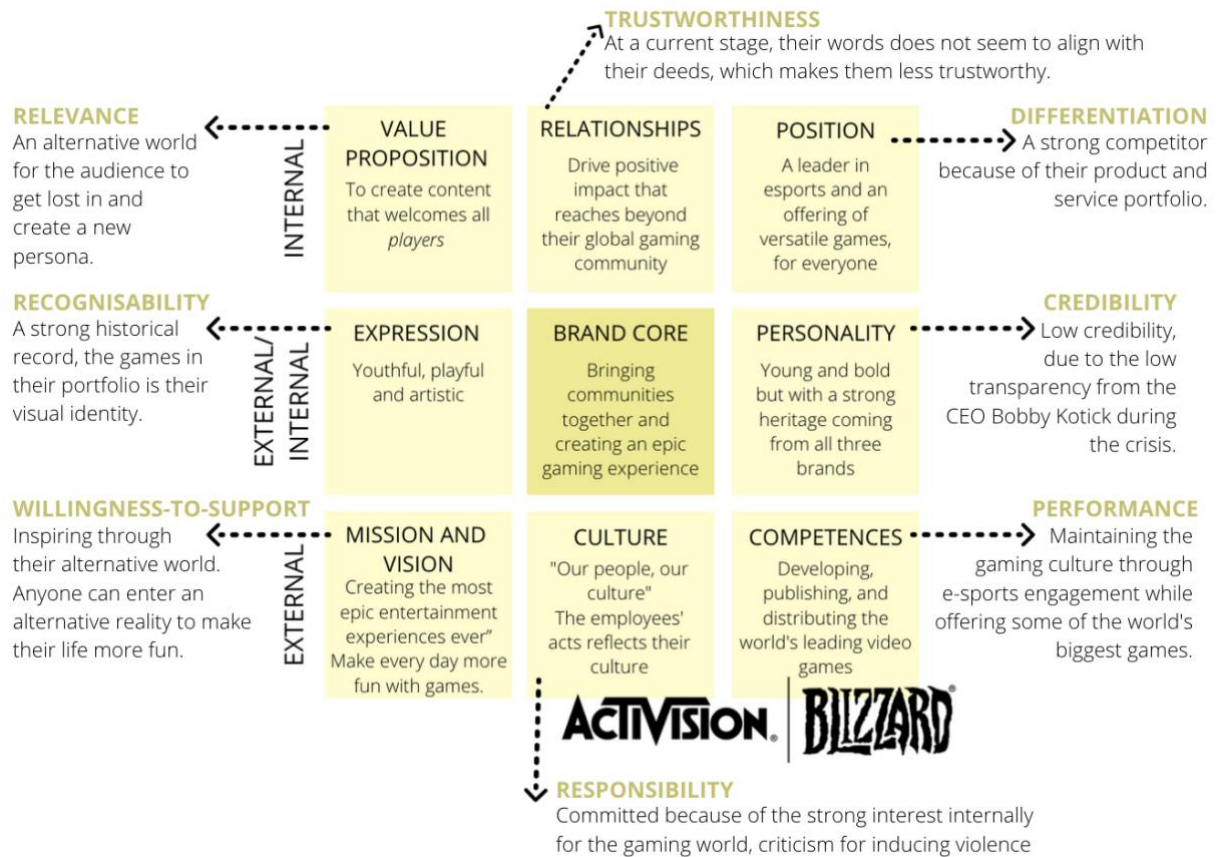


Figure 2. Corporate identity and reputation matrix - Activision Blizzard



## Corporate brand reputation

In accordance with Greyser (2009) organisations need to distinguish the “what” and the “who” in order to understand what the reputational threats might be and who is involved (Greyser, 2009). One of his categories that might be relevant for this case to consider further is the social responsibility gap, which can relate to the question of whether Microsoft’s identity will stay authentic when Activision Blizzard is acquired since Activision Blizzard’s scandal about the bad working conditions they have been criticised for. When building, sustaining, and defending reputation, authenticity becomes an important part. Today, trust is, according to Greyser (2009), one of the core dimensions of corporate reputation when looking at the public’s and opinion leaders’ attitudes toward business in society. What happens in an organisation from the internal perspective since honest insights into the reality is also a way of acting authentically, and due to what has been discussed about the internal problems about people being exposed to, for example, sexual harassment and the CEO’s denial of it might be contradictory.

Authenticity can take place in four different situations where dimensions of building, sustaining, defending, and communicating reputation constitute the basis. However, authenticity is formulated in the way of talking authentic, being authentic, staying authentic and defending authenticity. The question is whether Activision Blizzard will achieve all four dimensions of authenticity to be enough aligned with Microsoft’s core identity since they have expressed transparency (see Figure 1) and

concluded that the point is to be genuine and authentic, not by being everything to everyone, instead, it is essential to be true to the mission and values (DePalma, 2020). Microsoft believes that authenticity is valuable in marketing purpose since people are more interested in supporting a brand with authentic advertising and that being true to its values are highly relevant to building trust (DePalma, 2020). Will this be difficult to maintain when Activision Blizzard is becoming a part of Microsoft since their past has not been the most authentic, at least regarding the internal environment and workplace (see **Figure 2**)? Activision Blizzard could eventually exploit Microsoft's reputational reservoir which has been built through its communications (Sharma, 2022), behaviours in relation to its core values, and the way of staying true and managing its core values (Greyser, 2009). Microsoft must have an understanding that its identity is not only what they say it is, it is moreover how others see the company that constructs the image and reputation, which will be crucial to have in mind when looking at this acquisition.

## Overview of key learnings

The aim of this case is to establish an understanding of how an acquisition of a company will affect the corporate essence of the company acquiring. The case evaluates the core brand identities of each company, as well as the reputational elements, in order to outline possible outcomes the acquisition will have, reflecting on Microsoft's core essence. The brand structure of Microsoft is also evaluated, in order to conclude the function the corporate brand will have in relation to the acquired brand, Activision Blizzard and how Microsoft will position itself after the acquisition. An overview of the key learnings are illustrated in **Table 1**:

**Table 1. Overview of key learnings**

	General	Microsoft
<i>Remembering</i>	... that an acquisition can have effects on your corporation	... that Activision Blizzard's history might affect Microsoft as a corporate brand
<i>Understanding</i>	... that there are corporate risks when making an acquisition	... that Microsoft might risk being too fragmented as a corporate brand
<i>Analysing</i>	... how to stay true to your corporate identity during an acquisition	... possible outcomes the acquisition will have, reflecting on Microsoft's core identity
<i>Evaluating</i>	... brand reputation and changes on brand essence after an acquisition	... Microsoft's reputation and brand essence after the acquisition of Activision Blizzard
<i>Comparing</i>	... two different corporate identities	... the differences and similarities of Microsoft and Activision Blizzard

## Discussion questions

In contemplation of achieving the learning objectives and pursuing an engaging case discussion, it is essential to construct questions to be asked to the audience. One main question and several assisting questions are presented below, to be used by the instructor. The audience should take an executive perspective.

### Main question:

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

### Assisting questions:

- Is this acquisition in line with the rest of Microsoft's identity? By looking at the matrixes. In what ways are they similar and in what ways do they differ?
- Is there a possibility that Microsoft is becoming too big and fragmented as a corporate brand?
- What brand architecture should Microsoft make use of when they buy Activision Blizzard? Should they just be a name in the background?
- What brand structure should Microsoft adopt in order to preserve its corporate brand identity?
- If the idea behind the acquisition is that Microsoft wants to compete in the metaverse - is it valid to not include the Microsoft name and logo when communicating for Activision Blizzard?
- What recommendations do you have to Microsoft concerning the affections on their corporate brand when doing a big acquisition like this?
- What recommendations do you have concerning to alter or not to alter their current identity and positioning?

## Teaching suggestions

In order to proceed with a smooth and effective case presentation and discussion, the following chapter will provide the instructor with helpful suggestions regarding preparations before the presentation, media usage, teaching guidelines, discussion, and outcome. A proposed time plan and board plan are attached in **Tables 2 and 3**.

Firstly, it is important for the case instructor to get familiar with the case. Especially since this is an ongoing case, it is appropriate to read recent news articles about what is currently going on. New things happen every week, which argues for the need to stay frequently updated. Microsoft is a huge complex corporation, which



is something the case instructor need to keep in mind. The cultural perspectives from the audience may differ, because Microsoft means different things for different people depending on where they are from. It might also be valuable to consider the age group and generation of the audience. The gaming culture is bigger among the younger public and therefore there might be a need to explain thoroughly what Activision Blizzard is if the audience is older. There might also be reason to explain what games are offered by the company and emphasise the dimension of the industry itself.

During the case presentation, the case instructor should incorporate several types of media, including any form of a PowerPoint that illustrates slides as visuals. Furthermore, the instructor should have a clear structure in the visuals, alongside a description of each respective slide and speaker notes. A whiteboard should also be used to present the discussion questions, and a summarise of the key discussion in class should also be made on the whiteboard. In this way, the audience will easily follow the discussion and enhance their participation. It is also seen as a benefit to ask some short questions before the case presentation begins, such as “what is Microsoft for you?”. It is believed that such questions will enhance the main case discussion with the main questions. This engages the audience from the beginning, letting them participate, and hopefully, they will more easily answer the main questions at the main discussion. It is also an advantage if the instructor shows some general and public opinions of the case, such as tweets from other companies, the company’s CEO, or other statements, letting the audience understand the public opinion and perspective of the case, in contrast to other statements.

As a managerial and theoretical tool, the corporate brand identity and reputation matrix (Urde, 2021) is used in order to analyse the identity and reputation of Microsoft and Activision Blizzard. These can advantageously be used to compare the two organisations when discussing how an acquisition can affect the mother brand or daughter brand. The discussion can revolve and elaborate on the matrixes to further come up with ideas on how to solve the case. Since this case is ongoing, there are no right or wrong answers, which should be encouraged by the case instructor.

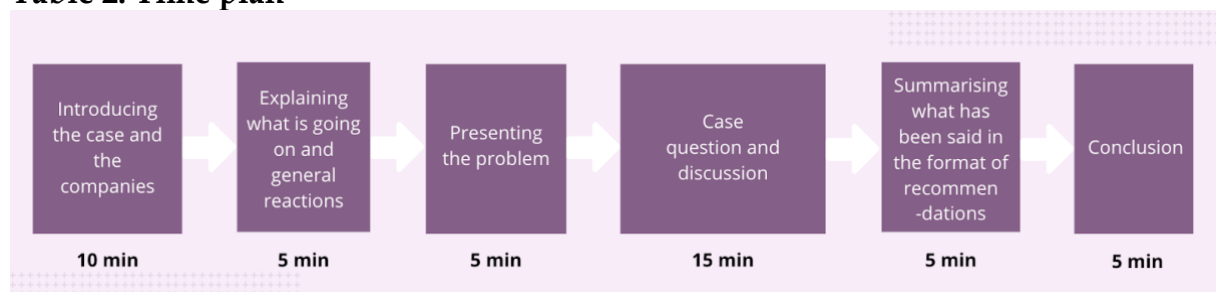
During the case discussion, the instructor should work as a discussion leader, guiding the discussion with influencing the debate. To not drift too far from the subject, the instructor should have the case questions always visible for the audience, ensuring an effective and in progress. The assisting questions should be used to keep an ongoing discussion. Again, emphasising that the discussion should be presented visually for the class on the whiteboard, following the structure of the board plan (see **Table 3**). This also assists the instructor in categorising arguments and combining thoughts.

Depending on how the class discussion develops, and what is concluded in class, there are two different scenarios to consider. Scenario one is that the class agrees upon one possible outcome of the case, leading the instructor to end the discussion by summarising what is agreed upon. Scenario two is that the class is split between several outcomes, which engender a class vote. The majority of common votes will be the conclusion and end of the discussion.

## Timeplan

The following time plan is a guide to understand how to distribute the proportions of each part of the case. The case is proposed to be executed in 45 minutes, however, it can be altered depending on the available time frame. Firstly, the case will be introduced, with relevant information on both Microsoft and Activision Blizzard in order to make the audience familiar with each of the companies. Then, the instructor paints a clear picture of the eventual problems that can come with an acquisition and shows examples of how the public reacted to the news. Then the audience is given the main question and the discussion is started. Because of the non-existing managerial decisions in an ongoing case, the instructor(s) together with the audience summarises what advice they would give to Microsoft in this specific situation.

**Table 2. Time plan**



## Board plan

In the form of a board plan, the case instructor should use a pre-prepared structure to organise the main discussion points. The board plan is divided into *challenges*, *consequences*, and *recommendations*. Challenges will cover the main points that the audience proposes concerning the challenges of the acquisition. Consequences concern what the challenges could lead to for Microsoft. Recommendations are the proposed solutions for the challenges that Microsoft might eventually face. This structure is advised to be used during the presentation discussion in order to pinpoint what is actually concluded.

**Table 3. Example of board plan**

Challenges	Consequences	Recommendations
<ul style="list-style-type: none"> <li>• The internal scandal at Activision Blizzard</li> <li>• Communicating towards different generations</li> <li>• The current product portfolio of Microsoft</li> <li>• The product portfolio of Activision Blizzard</li> <li>• Differences in brand and reputation matrixes</li> <li>• Risks in Microsoft being too fragmented</li> <li>• Competing in metaverse</li> </ul>	<ul style="list-style-type: none"> <li>• Microsoft becoming the hero</li> <li>• Microsoft becoming the villain</li> <li>• Difficulties in managing two corporate identities</li> <li>• Too fragmented</li> <li>• Difficulties in identifying the brand promise of Microsoft</li> <li>• Gaming is a niched industry, leaving Microsoft's current customers confused</li> </ul>	<ul style="list-style-type: none"> <li>• Deal with the issues currently happening at Activision Blizzard</li> <li>• Take a prominent role as a mother brand</li> <li>• Building Activision Blizzard as a daughter brand, and staying in the shadows as a mother brand</li> <li>• Communicating gaming in their channels</li> <li>• Incorporate gaming in Microsoft's brand identity</li> </ul>

## Epilogue

When the case has been presented and discussed there will hopefully be some essential insights gained on how an acquisition may affect a corporate company. The case is supposed to capture an interesting discussion and upcoming solutions for a current and ongoing case that has no final solutions at the moment. This case mainly focuses on the brand identity and reputation matrix, analysing how an acquired company's matrix will fit in Microsoft's portfolio, and also embraces whether there will be a change in Microsoft's reputation and positioning. This case generates broad implications within the area of corporate brand management and reputation, and also an understanding of the consequences, good or bad, an acquisition can have relating to the brand core, identity, and reputation of a company. The gaming industry could to some extent be difficult to get acquainted with for people without any gaming experience since all of the industry's many actors and entities might make it complex. However, it is believed that this industry can contribute with great learning objectives for marketing students.

Ultimately, the insights of this case can be beneficial not only for the topic of acquisitions and reputation, but other management topics as well (e.g. ethical management, risk management, communication management, etc.).

## Reflection

This case has been written as a part of the course Corporate Brand Management and Reputation by students at the Master's program in International Marketing and Brand Management at Lund University School of Economics and Management. It was ~~challenging finding a relevant case in the beginning since we wanted to find a case~~

that was up to date. The situation with Microsoft and Activision Blizzard happened in January this year, and the case writing started in February. So when the news came to us, we were sure that our case was supposed to apply to the newly arisen acquisition of Activision Blizzard by Microsoft.

Writing the case has been a journey for the three of us, especially since no one was previously invested in the gaming culture. It took a lot of research on the area as well as discussions with family members with gaming interests and diving into the deep forests of gaming forums. What was particularly interesting about this case is that it most probably hits people differently. If you are deeply invested in gaming, this acquisition may seem sane and plausible, if you are not, it might seem completely out of the blue because Microsoft as a brand means something entirely different to you. This made us realise that as case writers, we needed to make the teaching notes in-depth, since an eventual instructor might not have extensive knowledge within this specific world. Even as teachers, we are in a constant state of learning. When researching a matter thoroughly for a period of time, it becomes even harder to pinpoint what knowledge that needs to be distributed to the future audience. What seems apparent for us as case writers might not be as clear for the receiver.

When reviewing appropriate literature, the case could take different angles and perspective, which made it hard to determine what frameworks that would help us explain the case of Microsoft and Activision Blizzard in a manner that was our aim with the study. It has been difficult to overlook the crisis that last year occurred in Activision Blizzard and how it affects both companies even in this situation, however, we have tried to not focus too much on that matter, although it undeniably is an evident factor in the case. During the research phase of the case, we got the opportunity to look at the problem from different viewpoints, which ultimately increased our analytical skills. However, the fundamental concept has always been to understand how a specific situation or action may affect the reputation of a company, which we believe that this case can contribute to.

Moreover, it has been both challenging and exciting to work with a case that is a very current and ongoing case. For us, this has meant that there has not been any stated solution to the case to be reflecting upon. When we wrote the different parts of the case e.g. written case, teaching notes, etc. we had to change the perspective we were writing from. Depending on what part we wrote we had either to write as a student, an instructor, or a case writer.

At last, we think this case will give the participants several interesting insights into the way acquisition can affect a corporate brand identity and reputation, thus by investigating it today as if in several years ahead. We also think that an ongoing case with no definitive answers can enhance the engagement of the audience, since they will not be scared to get their answers wrong. The openness of an ongoing case is a strength because it is harder to leave behind you when the case presentation is finished. Hopefully, the students will continue to follow what happens in the future for Microsoft when entering the metaverse.

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