Microsoft and the Sweet Spot of Sustainability

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Abstract- There is a huge pressure on corporations to perform well and generate a profit for their shareholders, so they will continue investing their money. It is not easy to sustain their performance due to the huge competition they face in the market. Similarly, the green environment initiatives are a great way to save the planet that we live in, and ensure the resources will be available for next generations. Additionally, the social responsibility programs are important to improve the quality life of people. Although people appreciate the companies that participate in such activities, these programs cost them a lot of money which is not favorable for many stakeholders. Thus, it is crucial for the companies to ensure that they balance their operations in order to reach the sustainability goal.

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Financial Performance of Microsoft and its Competitors

Microsoft Corporation has been awarded the highest credit ratings by both Moody's and Standard & Poor's, as it has achieved a credit rating of AAA and Aaa from Standard & Poor's Rating Service and Moody's Investor's Service Inc., respectively. Additionally, Fitch has awarded Microsoft with AA+ Credit Ratings.

Income Statement Analysis: As figure 1 shows, Microsoft Corporation has enjoyed a yearly cumulative growth of 9.1%, as it stood at USD 40 billion in 2004 and then reached USD 87 billion in 2014 (Gurufocus Website). In most of the last 10 years, Microsoft has experienced positive growth in its top line revenue.
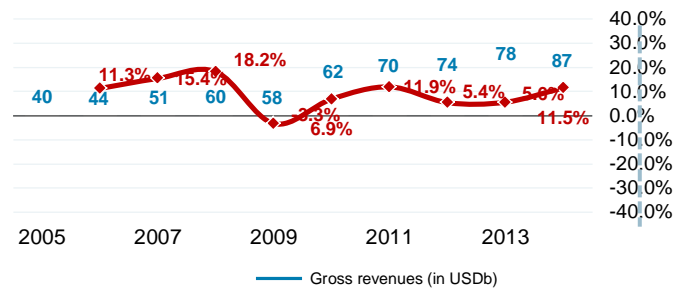

Figure 1: Gross Revenues for Microsoft

Microsoft Competitors: Microsoft's major competitors in its industry are Apple, Google and Oracle. In comparing Net Income Margin accumulated for the period (2004 - 2014), Microsoft has achieved the highest NI Margin at 28 % (see figure 2) compared with 26%, 24% and 22% for Oracle Google and Apple respectively.
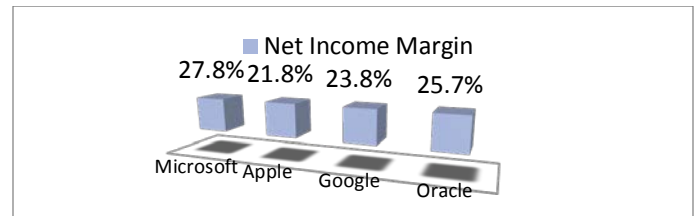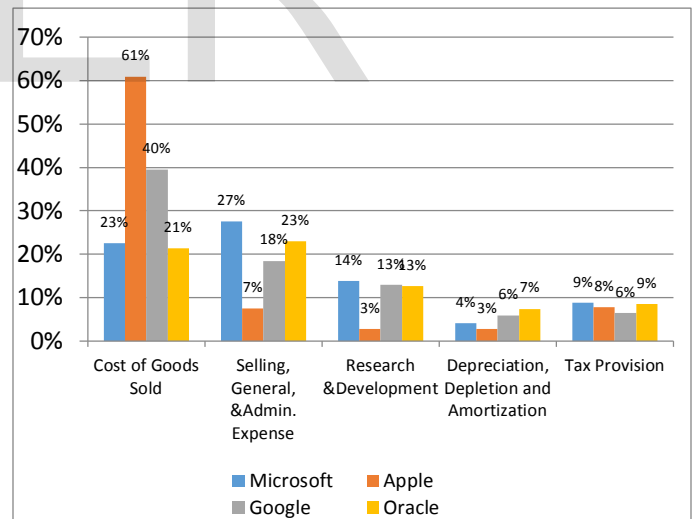

Figure 2 (Net Income Margin for Microsoft and its Competitors)

In viewing the major cost items to revenue ratio, Microsoft is generally in line with its peers. It incurred the highest SG&A and R&D at 27% and 14% respectively. It was in the lower range in COGS and Depreciation at 23% and 4% respectively (see the chart below).

Serving Communities

As per the company citizenship report, "Microsoft is committed to applying our technology, talent, and financial resources to serve the needs of communities around the globe where our employees, partners, and customers live and work" (Microsoft 2014 Citizenship Report). The Citizenship and Public Affairs Team develops different

strategies to satisfy the needs of various stakeholders. The team is working hard to make a significant impact by: "1) investing in the future of our communities by empowering youth with greater access to technology education and skills training to help them reach their full potential; and 2) donating technology to nonprofit organizations so they can do even more good for people they serve" (Microsoft 2014 Citizenship Report). In 2014, Microsoft announced that the annual giving exceeded $ 1 billion. This is the result of various social activities such as Microsoft YouthSpark, Technology for Good, Humanitarian and Disaster Response and Employee Giving and Volunteerism.

Microsoft YouthSpark: "Microsoft YouthSpark is a global company-wide initiative to leverage the power of technology to connect youth around the world with education, employment, and entrepreneurship opportunities" (Microsoft 2014 Citizenship Report). The program started in 2012 with a goal of reaching 300 million youth by 2015. To date, it supported 227 million youth, which includes 124 million youth in 2014 alone. The idea of Microsoft YouthSpark started when Microsoft figured out that young people lack the skills, technology and education due to economic and cultural factors. As a result, it worked with government, nonprofit and business leaders globally to close this gap and create opportunities for millions of youth around the world (Microsoft 2014 Citizenship Report).

Technology for Good: "Microsoft helps build nonprofits' capacity to use technology to be more efficient, effective, and innovative in doing their important work. In FY14, it donated more than $948.6 million worth of software and hardware to more than 86,000 nonprofit organizations around the world" (Microsoft 2014 Citizenship Report). In the same year, it launched Office 365 for nonprofits in 92 countries. The program offers free access to Microsoft's latest Office cloud service. It gives the employees of nonprofits access to Office applications and documents anywhere and from multiple devices. Moreover, the program facilitates collaboration through content sharing and saves both time and resources. The number of nonprofits receiving free Office 365 reached 11,455 employees in 2014. The program helped Nonprofits to perform their operations easily and reach their goals more efficiently.

Humanitarian and Disaster Response: In times of disasters, Microsoft works with government and humanitarian organizations to reduce their effects on the community. Also, it contributes its resources and technology solutions to support customers, communities, governments, and nonprofits. Microsoft's Global Disaster Response Team is responsible for establishing proactive strategies in order to handle the situation when natural disasters occur. "In FY14, Microsoft provided support to address disasters around the world, including flooding in the Balkans and Colorado and a major earthquake and typhoons in the Philippines" (Microsoft 2014 Citizenship Report). Also, Microsoft launched HelpBrindge Vesion 2.0, which is a free disaster response application that helps people "contact friends and family, donate cash and goods to relief agencies, and volunteer time in the aftermath of a natural disaster such as an earthquake or hurricane" (Microsoft 2014 Citizenship Report).

Employee Giving and Volunteerism: Microsoft encourages its employee's to participate in various voluntary activities. The employee giving benefits differ around the world. Outside the US, employees are eligible for up to three paid days off work to volunteer. In the US, the Employee Giving Program matches employees' donation of money and time to nonprofits. To enrich this program, Microsoft increased the annual matching funds from $12,000 to $15,000 per employee in the US. Furthermore, it reduced the number of volunteer hours to four in order to qualify for a matching donation. As a result, Microsoft donates $ 17 per hour to the qualified organization they serve. In 2014, the participation rate in the Employee Giving reached 66% of Microsoft's US employees (Microsoft 2014 Citizenship Report).

Responsible Sourcing

Microsoft requires all suppliers to act ethically in business and follow the various practices "prescribed in the company Supplier Code of Conduct—which aligns with the Electronic Industry Citizenship Coalition's (EICC's) responsible supply chain standards" (Microsoft 2014 Citizenship Report). Additionally, it implements many strategies and policies to maintain safety practices for raw materials. Concentrating on hardware and packaging suppliers, Microsoft applies risk-based tactics to assure the quality and responsibility of all suppliers. Furthermore, "Microsoft works collaboratively with suppliers on proactive initiatives to positively impact their workers, the communities in which they operate, and their own businesses" (Microsoft 2014 Citizenship Report). To protect the environment and encourage greenness, Microsoft focuses its efforts on: Accountability in Hardware Supply Chain, Responsible Sourcing of Raw Materials, and Addressing Non-hardware Suppliers.

Conclusion

To summarize, Microsoft is a powerful company that leads its industry in all aspects, and it works hard to sustain their position through continuous improvement of their operations. The organization reached the sweet spot of sustainability because it balances the financial, social and environmental activities. Moreover, it collaborates with governments, IT partners, NGOs and others to reach its goals properly. Microsoft feels the responsibility to keep the environment green. Although most of Microsoft products (software applications and programs) have no negative effect on the environment, it has verified its commitment toward a green environment and a better society. Also, Microsoft is a socially responsible company where millions of people have benefited from its initiatives such as YouthSpark and Technology for Good programs. The important thing is to sustain its growth, so shareholders are encouraged to put their money through investment.

Recommendations

Although Microsoft is doing well with its various initiatives, I believe that it can implement other practices to improve its ethical, social and environmental performance. As an industry leader, I expect more from a company like Microsoft and recommend the organization to:

- ❖ Use its power to convince its IT partners and others to participate in social activities and environmental protection programs;
- ❖ Encourage people to participate in different voluntary activities and support those who contribute;
- ❖ Establish a permanent endowment fund and then invest the money in innovating new ideas to save our community and protect the environment; and
- ❖ Create a yearly award for "The Most Responsible Company", socially and environmentally.

These recommendations are only some suggestions that Microsoft could take seriously to achieve its commitment toward society and the environment more efficiently.

References

"Microsoft 2014 Citizenship Report." *Microsoft Corporation*. Microsoft, 2014. Web. 25 Nov. 2014.

"Ten Year Financials for Microsoft, Apple, Google and Oracle." Gurufocus Website. n.d. Web. 25 Nov. 2014.