

Navigating Intensifying Competition in Cloud Computing: A Strategic Analysis of Microsoft's Market Position

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DOI: <https://doi.org/10.70670/sra.v4i1.2620>

Highlights

- Microsoft's cloud business faces sustained competitive pressure from AWS and Google Cloud despite the company's US\$3 trillion market capitalisation and scale of R&D investment.
- An integrated PESTLE, Ansoff, and VRIO analysis shows that regulatory and geopolitical constraints, particularly around cross-border data transfer, meaningfully limit Microsoft's growth options even as its ecosystem integration remains a durable advantage.
- Mendelow's power-interest matrix identifies shareholders and employees as the stakeholder groups requiring closest management attention under these competitive pressures.
- The paper combines three complementary strategic-management frameworks within a single, current case analysis, addressing a gap in the literature between economic, regulatory, and framework-based studies of cloud-market competition.
- Recommendations centre on sustained AI and quantum-computing investment, targeted expansion into under-penetrated markets, strengthened security, ecosystem partnerships, and improved customer-feedback mechanisms.

Abstract

Cloud computing emerged as one of the most competitive areas of the tech sector, and although Microsoft has surpassed a market cap of US\$3 trillion in early 2024, remains under heavy pressure from Amazon Web Services (AWS) and Google Cloud. This paper explores the strategic problems that Microsoft is facing in the cloud computing market and how well it is prepared to maintain its competitive edge. The study examines the macro environment, growth-strategy and resource-based perspectives of Microsoft's cloud business (Azure) by means of three well-known frameworks: PESTLE, Ansoff Matrix and VRIO. A stakeholder assessment in line with Mendelow's matrix of Power and Interest is first used to understand the impact of the challenges identified on the key stakeholder groups for Microsoft. The results suggest that a combination of growing price and innovation competition and political, economic, and regulatory pressures, especially the latter regarding data transfer restrictions in China and evolving EU data-protection and market-conduct regulations, limits Microsoft's growth prospects, despite its long-lasting position as a market leader and its deep pockets for research and development. The paper ends with recommendations of continued investments in AI and quantum computing, focussed investments in new markets, cyber security, partnerships in the ecosystem, and better mechanisms for customer feedback.

Keywords: cloud computing; competitive strategy; Microsoft Azure; PESTLE analysis; Ansoff Matrix; VRIO framework; stakeholder management

Introduction

Cloud computing has, in the last 10 years, evolved from an ancillary IT delivery service to a key foundation for the operation of much of the world's digital economy. Since the onset of the COVID-19 pandemic, organizations have been increasingly focusing on their digital transformation initiatives, and cloud platforms have become a strategic cornerstone in their efforts, with businesses in nearly all industries depending on cloud-based data storage, computing power, artificial intelligence (AI) services and software delivery. It's a massive change that has made cloud computing one of the most significant, and competitive, areas of the tech industry. It has become a market dominated by a handful of firms, mostly Amazon, Microsoft and Google, and the competition for the win among these firms has significant implications for the cost, security and reliability of the digital services offered to businesses and governments that rely on them more and more. This is a battle that involves Microsoft Corporation at the heart. Microsoft has expanded to a market cap of over \$3 trillion in early 2024 (Forbes, 2024) and its cloud strategy is centered on Azure, which is now part of the company's three operating business pillars: Windows, Office 365, and Azure. Unlike many other major cloud players, Microsoft's cloud business is not separate and distinct, but it's part of a wider portfolio of productivity software, operating systems, developer tools and, more recently, generative AI services that enable the company to provide a more comprehensive solution to enterprise customers than its rivals. This integration has played a key part in the growth of Microsoft as well as in the company's effort to secure market share in a very competitive market. Meanwhile, the company's size and scope means that any changes to Azure – from competitive, regulatory, or technological – have impact beyond the company itself, on its employees, investors, enterprise customers, regulators and its communities.

However, even at this size, Microsoft's cloud business is grappling with a collection of interrelated strategic issues that aren't new and aren't likely to be quickly solved—and may even have worsened since 2023. The first is direct competition from rival providers, especially Amazon Web Services (AWS) and Google Cloud, which are also pricing themselves very competitively, offering a wider range of services and rapidly innovating with AI functionality. The first is direct competition from other providers, such as AWS and Google Cloud, who are also offering deep competitive pricing, more services and a lot of innovation in AI. The second is regulatory complexity: rules concerning data protection and cross-border data transfers, as well as market-conduct regulations (especially in the European Union, the United States and China) have increased compliance costs and, in some instances, directly limited Microsoft's ability to operate in certain markets. The third shift is in the nature of demand itself: hybrid working is entrenched, services are becoming more AI-powered, and customers' demand for cybersecurity and data privacy is increasing, all of which is changing the nature of what enterprise customers require from a cloud provider and how quickly they want new capabilities. The third shift is in the nature of the demand itself: It's an era in which hybrid working is firmly in place, services are becoming more AI-powered, and customers' demand for cybersecurity and data privacy is increasing, all of which is changing the nature of what enterprise customers require from a cloud provider, and how quickly they want new capabilities. These three pressures do not work alone, however—they can influence one another, and a restriction in one market can alter the competitive landscape in a different one, and a shift in customer expectations can speed up the rate at which competitors will have to innovate in order to stay relevant.

It's significant for several audiences to understand the pressure that impact the Microsoft and how it can react to the pressure. The analysis is relevant to Microsoft's and its shareholders' concerns about the future growth path of Microsoft and its profitability in one of its most important business segments. It raises the company-wide and policy issues of market concentration and market resiliency in cloud infrastructure services. In academic circles, as described in more detail below,

it presents an opportunity to use and combine existing models of strategic management within an actual, fast-changing context, before the competitive landscape of cloud computing is transformed by the rapid adoption of generative AI. This paper aims to resonate with each of these audiences and should include a stakeholder analysis and an evidence-based review of Microsoft's external environment and internal resources.

The most acute of these challenges examined here is the increased competition in the global cloud computing market, and the impact this increased competition is having on the stakeholders of Microsoft, the company's growth strategy, and its competitive resources. What it adds to the set of analyses is that it integrates the macro-environmental (PESTLE) and growth-strategy (Ansoff) perspectives, and the resource-based (VRIO) perspective, plus a stakeholder assessment, all into an integrated and up-to-date analysis of one of the world's largest cloud providers, one that other single-framework or single-dimension studies of cloud-market competition do not offer. In practice, the analysis is meant to guide the thinking of large and diverse tech companies in how they may maintain competitive edge in a cloud market that is consolidating around a handful of hyperscale providers and that is also splintering based on regulatory considerations. The remainder of the paper is organised as follows. In Section 2 the study is placed in the context of the relevant academic work in the field of cloud-market competition, technology regulation, and strategic-management frameworks, and how the paper aims to fill the identified gap is explained. In Section 3, the competitive challenges faced by Microsoft are detailed in greater depth, based on secondary market information. The purpose and scope of the study is defined in Section 4 and the methodology used in Section 5. In Section 6 a stakeholder analysis is presented based on Mendelow's power-interest matrix and in Section 7 this external environment, growth options and the internal resources of Microsoft are evaluated using the PESTLE, Ansoff and VRIO analysis. The findings are presented in Section 8, actionable recommendations in Section 9, limitations of the study and suggestions for future studies in Section 10 and conclusions in Section 11.

Literature Review

The structure of a technology industry and the resource-based view (RBV) of the firm are long-standing traditions used to analyse competitive strategy in that industry, and with the rise of cloud computing the academic world is once again interested in these viewpoints. Barney (1991) developed the RBV, which suggests that sustained competitive advantage is the result of resources that are valuable, rare, imperfectly imitable and supported by organisational resources that can exploit those same resources, the logic applied later in this paper in the VRIO framework. Looking specifically at cloud computing, Choudrie and Zamani (2023) investigate how value is co-created in cloud-computing ecosystems in business alliances between cloud providers and third-party enterprises, and, despite the rapid commercialization of the cloud, how this value is created and sustained in cloud partnerships is comparatively an under-researched area. Another body of literature focuses on the market structure of cloud infrastructure economy. In a comprehensive economic analysis of the sector, Biglaiser, Crémer, and Mantovani (2024) report high and growing concentration in the global cloud infrastructure market, dominated by a few hyperscale providers, namely AWS, Microsoft Azure and Google Cloud, and outline switching-cost and network-effect dynamics that support this concentration, as well as warning that rigorous and peer-reviewed economic analysis of the cloud sector is relatively limited in number, given its economic significance. This concentration has also drawn increased interest from competition and regulatory scholars, such as Bostoen, Santos, and van der Veer (2024) who investigate whether dominance in one digital market can lead to competitive advantages in neighbouring markets, including that of cloud infrastructure, and the OECD (2025) and Centre on Regulation in Europe (CERRE, 2024), which focus on policy-oriented analyses of how vertically integrated cloud ecosystems can benefit the independent software vendors who rely on hyperscaler cloud infrastructure, leading to

efficiency concerns or competitive-fairness issues. A third relevant stream is related to the regulatory framework of cloud services, including the framework on data protection, cross-border data transfer, and market-conduct rules. Legal and policy scholars have identified how laws and policies, including the EU's General Data Protection Regulation and Digital Markets Act, have increased compliance costs for multinational cloud providers (Schäfer, 2024), and existing theories on the economics of competitive harm have focused on the ways in which non-price effects—e.g., innovation foreclosure in digital ecosystems—have complicated traditional competition-law analysis of cloud and platform markets (Mazzarotto & Wilkinson, 2024). The results of this body of work align with previous research on cloud specific legal risk, such as contractual and liability concerns resulting from cross-border data storage (Saini et al., 2022), and highlight the importance of regulatory compliance becoming a strategic concern for organisations like Microsoft. A fourth stream is related to the technology companies' strategic-management frameworks. The PESTLE analysis is still the most widely adopted method for organizing macro-environmental assessment for strategy research and practice and the Ansoff Matrix is still used to analyze growth-strategy decisions of an established technology incumbent company having to choose between penetration of existing markets and diversification into neighbouring markets. Similarly, the VRIO framework, based on the RBV, has been applied to evaluate the potential for sustained competitive advantage in technology markets enabled by intangible assets such as platform ecosystems, partner networks, and R&D capability (Mistry et al., 2024). Combined, this literature makes two points clear: the cloud infrastructure market is very concentrated, very important and concentration is receiving unabated regulatory and competition-law attention. What the literature does not yet give, however, is a comprehensive strategic description of the interactions between the macro-environmental exposure of a single major provider, the growth opportunities its business has to offer and its internal resource base; all of these interact in these conditions. Existing studies either take a specific macro-environmental (Biglaiser et al., 2024), growth-strategy (Choudrie & Zamani, 2023), or resource-based (Bostoen et al., 2024) angle on market concentration, value co-creation in cloud partnerships, and regulatory treatment of digital dominance, respectively, without integrating the three angles within a single applied case. While relatively small, it is significant when compared to the pace of shifting competitive landscape since late 2022 when generative AI investments began to accelerate. The authors investigate that question in this paper: In what ways do macro-environmental pressures and growth-strategy alternatives and the internal resources capabilities interact to influence Microsoft's capacity to maintain competitive advantage in the global cloud computing market? It does so by applying PESTLE, Ansoff and VRIO analysis to Microsoft's cloud computing business, as of 2024, by following a common approach in strategic-management research to using several complementary analysis frameworks to deliver a deeper understanding of a firm's market position than any single framework can do alone.

The Competitive Challenge Facing Microsoft

The biggest challenge for Microsoft in 2024 will be increased competition in the cloud computing space. In January of 2024, Microsoft became the second publicly traded company to reach a market capitalisation of \$3 trillion following Apple, with its stock price rising significantly due to investors' trust in the company's artificial intelligence (AI) and cloud technology initiatives (Forbes, 2024). Even at this size, Microsoft's cloud service, Azure, remains ahead of Amazon Web Services (AWS) in the global cloud infrastructure market share. According to academic estimates, based on industry tracking data, AWS currently accounts for around 32 per cent of the global cloud infrastructure market, while Azure holds around 22 per cent and Google Cloud (Biglaiser, Crémer, & Mantovani, 2024) accounts for around 11 per cent of the market. The competitive space is a direct limitation on Microsoft's prospects to gain market leadership in the cloud by lowering its

price tag and enhancing its service quality to win enterprise business, which is the reason for the fierce competition from rival service providers.

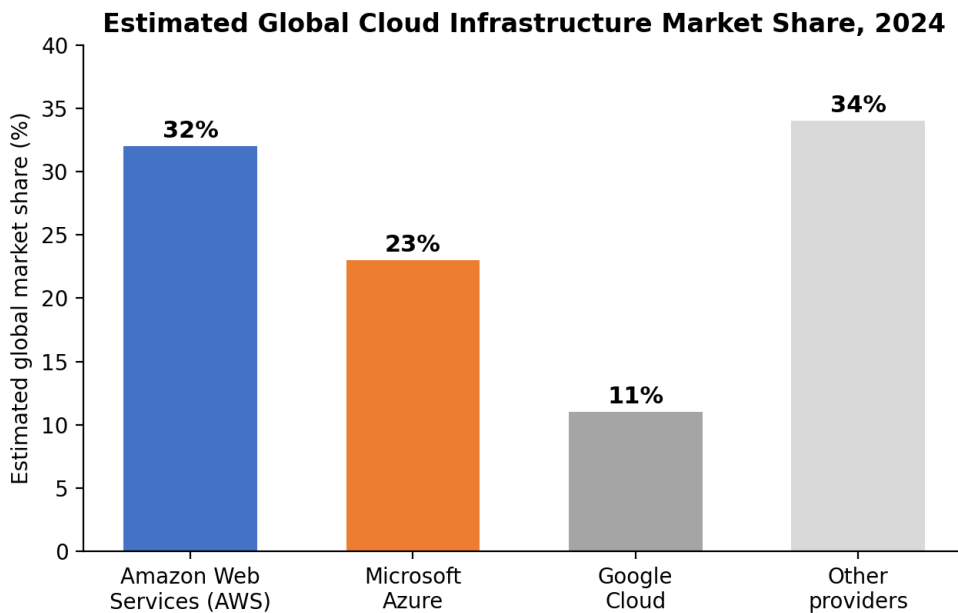


Figure 1: Estimated global cloud infrastructure market share, late 2023 (Source: adapted from Biglaiser, Crémer, & Mantovani, 2024)

The magnitude of this challenge is compounded by the criticality of cloud revenue to Microsoft's overall business: Azure was responsible for about 40 per cent of Microsoft's revenue in fiscal year 2024; the share was much lower several years ago. In order to defend this revenue base, Microsoft has invested vast amounts of capital in R&D to continue developing the cloud and AI engineering of its products, reporting company-wide R&D expenditure of about US\$27 billion for 2023 (Microsoft Corporation, 2023). With all this investment, margins are still under great pressure from price competition and the speed of innovation of competitors, leaving Microsoft no choice but to maintain a high rate of innovation. These competitive pressures are exacerbated by the macro, economic, tech and regulatory environment. As enterprise digitalisation continues, so has cloud adoption, but so has the competition between different providers, with global spending on cloud infrastructure rising at double-digit rates, with generative AI workloads playing a pivotal role (Biglaiser et al., 2024). Meanwhile, the increased costs of compliance and market conduct regulation such as the General Data Protection Regulation (GDPR) and the Digital Markets Act (DMA) in the European Union (EU) have helped to increase compliance and operational expenses for the cloud industry, including Microsoft (Bostoen et al., 2024; OECD, 2025). Drawing on Porter's Five Forces, the buying power is high because whilst switching costs are not insignificant, the variety of similar services is increasing, increasing the customers' bargaining power over price and terms of service. The threat from new entrants is relatively low, with the market being very capital intensive and the threat from substitutes, mainly on-premise data centres, down as cloud adoption has become mainstream (CERRE, 2024). Rivalry from current providers, however, remains the most important competitive threat, and they are competing head-on with each other on pricing and innovation. Overall, the cloud sector has the potential to generate significant revenue for Microsoft, but the amount of funding and investment that is needed for research and development, and regulatory compliance, is tremendous and poses a constant threat to Microsoft's profit margins (OECD, 2025).

Purpose and Scope of the Study

This study assesses the competitive pressures that Microsoft is currently facing in the cloud computing market and reviews the impact of external pressures, mainly increasing competition and regulation, on Microsoft's performance. The aim of its work is to provide insights that are then translated into strategic recommendations that will help Microsoft maintain its competitive edge, safeguard market share and help it tackle future challenges. These challenges are considered a key element to Microsoft's overall long-term growth, profit and ongoing dominance in a constantly changing industry.

Methodology

The study is a qualitative single case study with the unit of analysis being the business of Microsoft's cloud computing, namely Azure. The research question, namely how a specific, complex organisation is situated in relation to the rising competitive and regulatory pressures, is best answered by an in-depth and contextual analysis, as opposed to the use of large sample statistical testing (Skafi et al., 2020 adopt a similar contextual case approach to study cloud adoption). The data used in this study are purely secondary data, which have been collected from three data sources: (i) peer-reviewed academic papers and economic policy analysis on cloud computing, competition and technology-sector regulation, identified through a targeted review of recent (2020–2025) publications in strategy, economics, competition-law, and information-systems outlets, (ii) industry and market-intelligence sources, including the publicly available estimates of market share from Synergy Research Group as reported in Biglaiser et al. (2024), and (iii) data from Microsoft's own publicly disclosed corporate information, including its SEC filings, investor announcements and sustainability reporting. This research did not involve primary data collection (interviews, surveys, etc.) from users of the media, nor did it involve proprietary company data, and wherever possible, all numbers that were taken from secondary sources were verified against the original source.

The three complementary analytical tools have been selected purposefully, to explore various levels of analysis: PESTLE analysis was employed for the analysis of macro-environmental factors; the Ansoff Matrix was employed for the analysis of available growth options; the VRIO framework was employed for the analysis of Microsoft's internal resources and their competitive value. This analysis was preceded by the use of Mendelow's power – interest matrix to uncover which stakeholder groups are most impacted by and most influential on the strategic issues that are being addressed. Each framework was filled in based on the secondary sources mentioned above, and, wherever possible, figures such as market share and revenue estimates were triangulated across sources, to validate the figures where there were slight discrepancies. There are clear limitations to this design that need to be taken in to account when interpreting the findings. First, using secondary data introduces the risk of the analysis being based on estimates rather than verified internal company data and some of the data (such as market-share percentages) may be subject to variation from source to source and should therefore be considered approximate. Second, the findings refer to the situation of Microsoft alone, and do not attempt to generalise statistically to other cloud providers; however the analytical strategy used could be generalised when comparing other cloud providers in future studies. Third, the cloud computing and AI markets are rapidly evolving, and some findings might need to be adjusted as more data becomes available after this study was completed.

Stakeholder Analysis

Internal and External Stakeholders

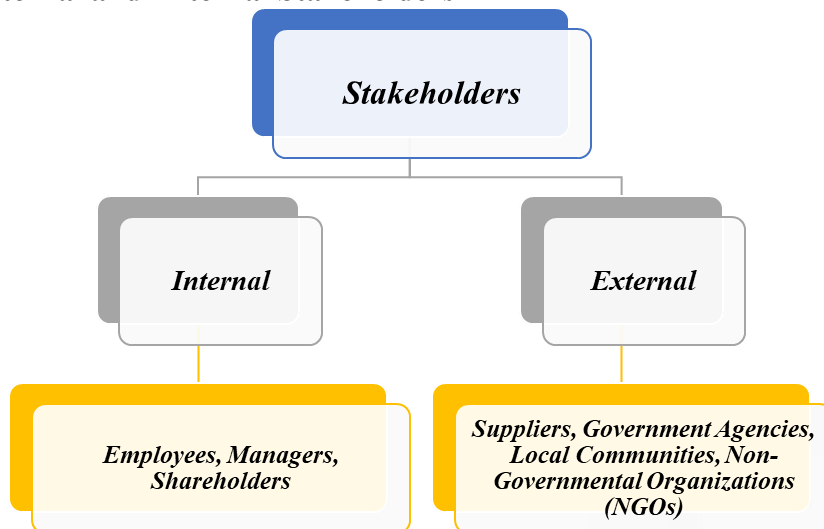


Figure 2: Internal and external stakeholders of Microsoft (Source: author's own construction)

Stakeholders of Microsoft can be classified as internal stakeholders (employees, managers and shareholders) and external stakeholders (suppliers, government, local communities and non-governmental organisations (NGOs)). Employees are the ones that directly impact the organization's performance by engaging in day-to-day activities and managers are the ones that serve as the conductor of the orchestra for key business functions. In return for their investment, the shareholders will be expecting a return. While suppliers guarantee the continuity of resource inputs, government authorities keep an eye on regulatory compliance, local communities experience the impact of the company's activities, and NGOs push for the social and environmental issues that Microsoft should be working to tackle (Query, 2024).

Stakeholder Relevance and Engagement

The importance of this analysis to the stakeholders of an organization like Microsoft is supported by the flow of interactions and cooperation between these groups. Employees give feedback that affects the work environment and employee satisfaction; managers interpret the feedback and market intelligence and apply it to company strategy that meets the company's objectives. Suppliers are involved in issues related to responsible resource use, regulators in legal compliance, community needs are covered through corporate social responsibility (CSR) programs and NGOs concerns become part of a company's wider social and environmental commitments (Panmore Institute, 2024).

Mendelow's Power–Interest Matrix

Stakeholder Group	Power	Interest	Recommended Approach
Shareholders	High	High	Manage closely
Employees	High	Medium	Keep informed
Suppliers	High	Medium	Keep informed
Customers	Medium	High	Keep satisfied

Government	Medium	Low	Monitor
Local communities	Low	High	Monitor
NGOs	Low	Medium	Monitor

Table 1: Mendelow's power–interest matrix applied to Microsoft's stakeholders (Source: author's own construction)

The power–interest matrix is a widely adopted stakeholder analysis and strategic management tool that is adapted here for the classification of stakeholders in terms of their power over and interest in Microsoft's strategic direction (Mudalige, 2023). Shareholders combine high power and high interest and are therefore stakeholders who must be managed closely, with regular and transparent performance reporting. Although employees play an important part in the operations of the organization, the interest they have in specific strategic decisions is more variable, but it is also high, so their communication keeps the alignment with the organization's objectives (Rivaldo & Nabella, 2023). Moderate to high influence on decisions made and satisfaction requirements, with the expectation that the quality of service will be actively managed by being responsive to their needs through product development. Government bodies have a great deal of regulatory authority, but not usually involved in day-to-day decision-making, and should therefore be monitored for any policy change (Shonhadji & Maulidi, 2022). A continuous collaborative partnership with suppliers is essential to ensure resources continue and to help achieve the goals of CSR. The local communities do not have direct influence on Microsoft's strategic direction, but their operations have an impact on them and proactive engagement helps in the reputational management. NGOs are also not directly in control, but can have a significant impact on public perception; their role is thus important for reputational and cultural alignment. When implemented across Microsoft, this matrix helps to facilitate more effective and specific stakeholder engagement across its activities.

Analytical Framework and Findings

This section is based on secondary sources and will explore the above challenges using three complementary strategic-management frameworks: PESTLE analysis, the Ansoff Matrix and the VRIO framework. These tools are all used to address Microsoft's external operating environment, its growth options, and the competitive value of its internal resource base.

PESTLE Analysis

The PESTLE analysis includes six macro-environmental factors that affect the operations of the Microsoft business in the cloud computing market, namely Political, Economic, Social, Technological, Legal and Environmental.

- Political factors: Microsoft has operations in different jurisdictions, which puts it at risk of facing different political conditions around the world. In addition to the increased geopolitical tension between the United States and China, and a new Chinese cybersecurity and data-localisation policy, foreign tech companies are increasingly hampered in their ability to operate in China profitably at scale, a market Microsoft has publicly acknowledged as more challenging to serve (Sun et al., 2024). On its own, geopolitical uncertainty related to the Russia-Ukraine situation has impacted hardware and data-centre supply chains, adding to the cost pressures to its global cloud services.
- Economic factors: Over the last year, the enterprise IT spend has continued to rise, but with inflationary pressure in most major economies in 2023-24, the costs of inputs such as energy, semiconductors, and skilled labour for cloud infrastructure as a whole have

increased — and as the overall scale of the cloud infrastructure market has continued to expand, with macroeconomic caution, there has been a more critical review of cloud spending by enterprise customers (Mistry et al., 2024). These factors drive the cost of cloud services up and can slow down the rate of adoption for some enterprise customers to sign up for new contracts at scale and higher price points.

- **Social factors:** The post-pandemic working patterns and continued use of hybrid working patterns are continuing to drive demand for cloud services, and growing online education and e-commerce is driving additional demand for flexible cloud architecture (Khatri & Nayak, n.d.). Simultaneously, the shift increases the pressure on providers to continuously prove that they are trustworthy and reliable, while at the same time raising the expectations of their customers in terms of cybersecurity, data privacy, and service reliability.
- **Technological factors:** Microsoft's cloud platform is a result of the company's extensive technology expertise, but technology is a constantly evolving industry that brings potential risks. Based on industry data, AI has seen a significant increase in its proportion of global cloud infrastructure spending in recent years, with generative-AI cloud services being among the fastest-growing segments in the industry (Biglaiser et al., 2024). Microsoft has been incorporating AI-powered tools into Azure, such as its Copilot products, and competitors are also steadily enhancing their AI and machine-learning capabilities, so the rollout of AI features into Azure needs to be accelerated to maintain differentials.
- **Legal factors:** Industry compliance requirements have grown due to regulatory changes in data protection and market conduct. As reported in public financial statements, the EU's General Data Protection Regulation and, more recently, its Digital Markets Act impose substantial compliance obligations on big cloud providers like Microsoft, but it isn't separately disclosed how much these particular companies are spending to comply with those regulations. The restrictions on cross-border data transfers and the new interoperability requirements under these regulations limit the company's flexibility in the European market (OECD, 2025).
- **Environmental factors:** As the environmental performance of large technology companies has grown ever more central, they are increasingly expected to deliver it. In 2020, Microsoft has pledged to become carbon-negative by 2030 and a Climate Innovation Fund of \$1 billion over four years for carbon-reduction and removal technologies (Microsoft Corporation, 2020). Despite this, the company remains under pressure from environmental groups and regulators to speed up this transition, due to the high and growing energy consumption needed by Azure's data-centre infrastructure, especially as AI workloads drive up electricity demand across the industry (Mazzarotto & Wilkinson, 2024).

Ansoff Matrix

Microsoft has four growth strategies: Market Penetration, Market Development, Product Development and Diversification that are evaluated using the Ansoff Matrix.

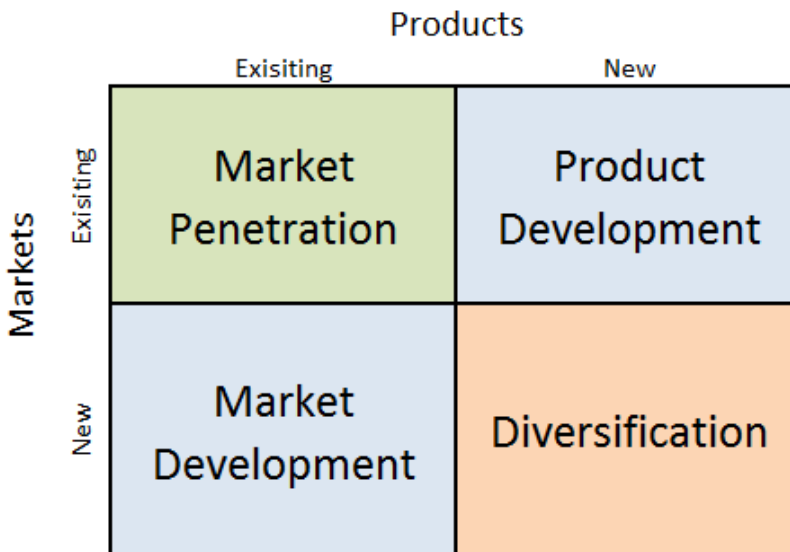


Figure 3: The Ansoff Matrix applied to Microsoft's growth strategy (Source: author's own construction)

- **Market penetration:** Azure has already secured a significant market position in the global cloud market, with the potential for further penetration in areas where cloud adoption is still relatively low, such as certain regions in Southeast Asia and Africa (Chen et al., 2024). While AWS maintains a better market share in these regions, and continued price competition is a threat to margins, Microsoft's approach has focused on competitive pricing and local solutions.
- **Market development:** Microsoft has continued to seek growth in new geographic markets via acquisitions, such as its data-centre expansion and cloud partnerships, happening in smaller markets but greatly scaled-up in later multi-billion-dollar partnerships from 2025 onwards. This expansion extends to also addressing local regulatory needs, such as data-localisation laws that mandate that certain types of data be stored locally (Parker & Van Alstyne, 2024).
- **Product development:** Microsoft has been trying to set itself apart from Azure by adding AI and machine-learning features; Copilot and Azure AI services have been a key feature in that effort and will continue to roll out throughout 2024. With AI workloads contributing to one of the fastest-growing sectors of overall cloud demand across the board (Huang et al., 2024), ongoing investment in new areas, like edge computing and quantum computing, will be crucial for maintaining differentiation among the competitors.
- **Diversification:** Microsoft has taken steps to diversify into related areas, such as cloud gaming with Xbox Cloud Gaming and, Microsoft Cloud for Healthcare, the health sector. These opportunities also result in new threats to its business: Gaming on the cloud is a relatively small business compared to Microsoft's primary cloud service, and its participation in the market is met with direct competition from other cloud gaming platforms like Amazon Luna and Nvidia GeForce Now (Adetayo et al., 2024). Diversification is thus a means of longterm growth, but must be carefully managed to prevent overextension in oversaturated markets.

VRIO Framework

The value, rarity, imitability and organisation criteria in the VRIO framework are used to evaluate the contribution of Microsoft's internal resources to the creation of sustainable competitive advantage.

Value. The flexible, hybrid cloud architecture that enables organisations to use a mix of public and private infrastructure is meeting a real need in the market, with the global cloud market expected to increase by around 20 per cent in 2024 as digitalisation continues (Parker & Van Alstyne, 2024). Microsoft's parallel effort into artificial intelligence and machine learning also adds to the value proposition of its cloud services to enterprise customers.

Rarity. In itself, Azure's core cloud offering isn't particularly uncommon as AWS and Google Cloud offer broadly comparable services. Microsoft's competitive edge, however, is the range of its inbuilt ecosystem, from software (Windows, Office 365) to cloud (Azure) to devices (Surface), that few can match in scale (Choudrie & Zamani, 2023). This is backed by a worldwide network of over 400,000 partners as of the end of 2024, giving a distribution edge that can't be matched by competitors.

Imitability. The more sophisticated capabilities of AI and quantum computing made by Microsoft, and its multi-billion-dollar strategic investment in OpenAI, are more difficult to copy in a short period of time. The company's history as an enterprise software provider, and the trust it has established among large organisation customers, further enhances its sustainable competitive edge, and the company continues to invest in research and development at around US\$27 billion in 2023 (Mistry et al., 2024).

Organisation. Microsoft's organisational structure seems to be ideally suited to maximising the values of its precious, but relatively scarce resources with a dedicated Microsoft cloud business division. Since 2014, management by CEO Satya Nadella has consistently focused on strategic directions of AI, cloud services, and quantum computing, attributes industry observers believe have helped MSFT incorporate AI features into its cloud offerings sooner than other players (Choudrie & Zamani, 2023). This organisation positioning is a crucial enabler for Microsoft's capacity to transform its resources into long-term competitive advantage.

Discussion

All in all, the PESTLE, Ansoff and VRIO analyses provide a very mixed picture for Microsoft's cloud business. On the other hand, political, economic and regulatory factors, such as the limits on cross-border data transfers in China and the European Union, present tangible constraints on growth and increase the costs of business. But Microsoft still has some competitive advantages, including its ability to integrate its software, cloud-based services and devices; the fact that it invests more in R&D than any other company; and its relationships with large enterprise customers. The overall state of affairs is one where Microsoft has a strong, but not invulnerable, position in the market and will need to keep differentiating — and differentiating in ways that remain profitable — in the medium term, despite the challenges of managing the cost and complexity of a more diverse and complex regulatory landscape.

Recommendations

The following actionable recommendations are suggested to aid Microsoft in overcoming the complexity it faces in the global marketplace of cloud computing:

- Continue investing in research and development, focusing on AI, machine learning, and quantum computing to enhance Azure's offering and bring more valuable services to its enterprise customers (Younus et al., 2024; Sáez-Ortuño et al., 2024).
- Targeted market expansion in developing markets such as India and Africa, with the adaptation of cloud services to the regulatory environments and market needs of these

various countries, and the cooperation with local companies to gain a deeper understanding of the needs of local customers (Skafi et al., 2020).

- Continue investing in security certifications, real-time threat monitoring, and swift response to incidents to boost Azure's security standing, both for compliance and customer trust (Loaiza Enriquez, 2021; Saini et al., 2022).
- Strengthen partnerships with technology providers and academia to accelerate innovation and knowledge transfer in the fields of AI and cybersecurity, which will help connect with new markets and talent pools.
- Strengthen and enhance the capability to capture the changing needs and expectations of clients through structured questionnaires and customer forums, also by providing additional customer support and training to mitigate customer complaints and churns (Fuoli et al., 2021).

Limitations and Future Research

There are several limitations to this study that should be taken into account with its results. The analysis is completely based on secondary data, not on primary data, which means that it is based on academic literature, industry market-intelligence estimates, and on Microsoft's public disclosures. All statistical data has been cross checked with the sources; however some statistics (especially market share estimates) are subject to variation between data providers and are therefore not guaranteed to be accurate and should be considered as indicative. Second, the results are specific to Microsoft due to the nature of this single case qualitative study and cannot be generalised statistically to other cloud providers, but the analytical approach may be used comparatively in future research to other AWS, Google Cloud, and other smaller providers. Third, the cloud computing and AI markets are changing rapidly; what is written here may become outdated quickly and some of the points raised about specific infrastructure investments at the country level have yet to be realised at the time of writing.

Future research would benefit from the following extensions: a comparative multi-case study using the same integrated PESTLE–Ansoff–VRIO framework for comparing the cloud positioning of each of the three hyperscalers would help to systematically assess the relative positioning of the three cloud giants; a longitudinal study, over a multi-year period, would allow causal relationships to be drawn from the cloud market-share trends of the three hyperscalers as they moved forward once more with their investments in generative AI, rather than associational ones; and primary analysis, such as interviews with enterprise cloud buyers, could test the hypothesis that the priorities of enterprise cloud buyers and regulators are congruent with those identified through Mendelow's matrix in this paper.

Conclusion

In this paper, we have explored some of the strategic issues that Microsoft will face in the global cloud computing market in 2024. Even its size and high market cap, Microsoft is subject to increasing competition from AWS and Google Cloud, who are also taking market share and innovating quickly, forcing Microsoft to evolve. Competition and regulatory challenges, plus shifting customer expectations, are all substantial threats to Microsoft's ongoing expansion into the cloud, and it's crucial to know and address them quickly. PESTLE analysis, the Ansoff Matrix and the VRIO framework have helped to define the external pressures and the internal resource base that is relevant to this challenge. The PESTLE analysis identified geopolitical risk, inflationary pressure and evolving regulations, especially with cross-border data transfer in China and data protection in Europe, as significant challenges Microsoft might face in future to expand its footprint in global markets, despite the underlying demand on cloud services due to the rise in hybrid working. The recommendations highlighted in this paper — investment in AI and quantum

computing, focused geographic expansion, enhanced security, ecosystem partnerships and customer feedback loops — are designed to help Microsoft to navigate these complexities and maintain its competitive edge in the increasingly competitive cloud computing market.

Author Contribution Statement

The author is responsible for the conception, analysis, and writing of this paper in its entirety.

Conflict of Interest Statement

The author declares no conflict of interest, financial or otherwise, in relation to this research. Microsoft Corporation had no role in the design, analysis, or preparation of this study, and did not fund or commission this work.

Data Availability Statement

This study did not generate new primary data. All data analysed are drawn from publicly available secondary sources cited in the reference list, including Microsoft's public financial filings, peer-reviewed academic literature, and publicly available industry market-intelligence reports.

Generative AI Disclosure

Generative AI tools were used to assist with drafting, restructuring, and editing this manuscript, including literature identification and verification of publicly reported statistics against their original sources. The author reviewed, verified, and takes full responsibility for all content, analysis, and conclusions presented in this paper. Readers and prospective publishers should confirm the specific AI-disclosure requirements of their target venue, as policies vary.

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