

## MICROSOFT MSC

### OPTIMIZING CAPITAL MANAGEMENT TO MAXIMIZE GROWTH OF WINDOWS ECOSYSTEM

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Microsoft is the leading platform and productivity company for the mobile-first, cloud-first world and operates with the purpose of “empowering every person and every organization on the planet to achieve more.” To realize this purpose, one of Microsoft’s key ambitions is to create more personal computing. Core to creating more personal computing, the Windows and Devices Group (WDG) develops the platform, games, applications, and devices that drive growth of the Windows ecosystem. Within WDG, the Manufacturing and Supply Chain organization (MSC) owns the end-to-end supply chain processes that enable successful deployment of premium hardware and software products.

In the late 2000s Microsoft’s hardware partners were locked in a battle for market share of the low-end consumer market. This created an opportunity for non-Windows devices to rapidly claim market share of the premium segment. In 2012 through 2013, Microsoft launched a series of ultra-premium tablet computers, known as Surface, with the goal of showcasing the Windows experience and pushing its hardware partners to build products of comparable quality to the premium non-Windows devices in the marketplace. Microsoft’s success with Surface has driven a shift in the product mix away from consistent-volume, long-lifecycle products, to more innovative, short-lifecycle products. With this shift, the need for rigorous capital management in order to achieve profitable products has become more important than ever. To aid MSC in effectively supporting this growing first-party product portfolio, the Tauber team was tasked with developing a capital management solution targeted at optimizing investments, extracting as much value from purchased assets, and maximizing the recovery from assets at end of life.

The Tauber team interfaced with over 30 stakeholders internally, conducted external research, and visited multiple suppliers in China to define both the current and best practices in capital asset management. From this, the group structured the capital optimization solution into three modules: investment planning, asset tracking, and asset disposal. The group tackled each module by undergoing an iterative design-build-test-feedback-refine process with key stakeholders. Seamless integration of the modules enables MSC to make timely investment decisions at the optimal manufacturing capacity level, provides greater visibility on asset reuse, and improves the return on retired assets. The business impact of these newfound capabilities amounts to ~\$50M in cost avoidance, savings, and realized revenue. Optimization of the capital investment planning and asset management processes will ultimately drive savings that help maximize growth of the Windows ecosystem.