

# Response to CMA Invitation to Comment: Microsoft's Business Software Ecosystem

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June 2026

## About The Change Hive

The Change Hive is a UK-based business consulting and transformation firm. We work with organisations on operating model design, digital transformation, CRM and ERP adoption, revenue operations, customer retention capability and business growth.

This response draws on practitioner experience with organisations that rely on interconnected business software ecosystems. It is non-confidential and does not disclose client-specific or commercially sensitive information.

## Summary of position

This is not an anti-Microsoft submission. Microsoft products have delivered real value to UK organisations, especially SMEs. They are familiar, useful, widely supported, relatively affordable and easy to adopt.

**The central issue is not whether Microsoft has built useful products. It has. The issue is whether UK organisations still have meaningful choice once productivity, identity, security, collaboration, cloud workflows and AI adoption all sit inside one ecosystem.**

In practice, many businesses do not become dependent on Microsoft through one large strategic decision. They become dependent through a series of reasonable, convenient decisions. That is the risk this investigation should examine: convenience-led dependency.

Microsoft may have Strategic Market Status not because it is acting badly, but because it has become essential business infrastructure. For many organisations, Microsoft is the safe choice: employees know it, clients recognise it, IT teams can support it, and procurement teams can justify it.

The policy aim should therefore be clear: do not punish Microsoft for being useful; do not break the bundle that SMEs often rely on; make the bundle contestable.

The CMA should focus on transparency, portability, fair interoperability, AI and cloud cost disclosure, renewal clarity and practical exit options.

## **Q1: Scope of the investigation**

The proposed scope is appropriate. Microsoft's business software ecosystem should be assessed as a connected ecosystem, not only as a set of separate products.

In real organisations, Microsoft 365, Outlook, Word, Excel, PowerPoint, Teams, SharePoint, OneDrive, Entra ID, Defender, Windows, SQL Server, Azure services, Power Platform and Copilot are often experienced as one operating environment. This is especially true for SMEs and mid-sized organisations.

The appeal of Microsoft is that it reduces complexity. One vendor can cover email, documents, meetings, identity, security, storage, collaboration and increasingly AI-enabled work. For many organisations, this is not a problem; it is the value proposition.

However, the same convenience can create dependency when the organisation's work, data, access controls, security model and AI layer all become embedded in one environment. The CMA is right to look at the ecosystem effect, because the strategic position comes from the combined effect of integration, familiarity, trust, procurement simplicity and employee habits.

## **Q2: Evidence relevant to the avenues of investigation**

The CMA should consider behavioural and organisational factors alongside technical and commercial factors. Business software choices are not made only through rational comparison of features and price. They are also shaped by trust, habit, client expectations and fear of choosing an unfamiliar vendor.

Microsoft benefits from several reinforcing advantages:

- Familiarity: many employees have used Microsoft products at school, university, previous jobs and home, which reduces training friction.
- Perceived resilience: for SMEs, choosing Microsoft can feel like risk management. If a smaller provider fails, the SME may be blamed. If Microsoft fails, the disruption is seen as wider and external.
- Client credibility: small firms often want to look and feel like larger firms. Familiar tools such as Outlook, Teams and Microsoft documents can reduce friction with clients.
- Procurement simplicity: a single Microsoft bundle is often easier than managing multiple suppliers, contracts and integrations.
- Progressive dependency: businesses often add Microsoft tools one by one. Each decision may be rational, but the total dependency may only become visible years later.

This means the CMA should not treat the issue only as deliberate foreclosure. It should also examine how convenience, defaults, trust and human behaviour create long-term dependency.

## **Q3: Future development of business software, AI and cloud**

AI will make business software ecosystems more powerful and potentially harder to leave. Historically, resilience has often meant avoiding over-dependence on one vendor. Many organisations understand the logic of multi-cloud or hybrid infrastructure.

AI creates a new tension. To get good results from AI, organisations need clean, connected and well-governed data. Fragmented data across many tools can reduce the quality of AI outputs. In practice, this can push businesses toward deeper consolidation within one ecosystem.

If a business already uses Microsoft 365, Teams, SharePoint, Outlook and Azure, adopting Copilot may feel like the obvious next step. It is close to the organisation's documents, meetings, permissions and workflows. That convenience may accelerate adoption, but it may also deepen dependency.

AI adoption should not be slowed down unnecessarily. However, customers should not be told that AI simply removes cost. In many cases, cost shifts into licences, cloud usage, integration, training, governance, quality control and supplier dependency.

The CMA should treat Copilot and similar AI tools as more than optional add-ons. They may become part of the workflow infrastructure of UK businesses.

#### **Q4: Issues the CMA should focus on**

The CMA has identified the right broad issues: bundling, interoperability, switching costs, defaults, cloud dependency and AI-enabled market power.

However, bundling should not be treated as automatically harmful. For SMEs, bundling can be extremely useful. It can reduce complexity, lower total cost and give smaller organisations access to tools they could not manage individually.

The concern is not bundling itself. The concern is whether bundling hides dependency, weakens future choice, makes alternatives commercially unattractive or prevents rivals from competing on fair terms.

The CMA should also distinguish between file-level interoperability and deeper ecosystem interoperability. Microsoft is often relatively open at the document-format level: common Word, Excel and PowerPoint files can usually be opened or edited elsewhere.

The more important question is whether competition works at deeper layers, including identity and access management, collaboration workflows, Teams and Outlook integration, SharePoint and OneDrive data structures, security telemetry, cloud licensing, API access, Copilot access to organisational data, default settings and permissions models.

#### **Q5: Potential interventions**

The CMA should preserve choice without undermining the benefits of integrated software ecosystems. The aim should be practical contestability, not unnecessary fragmentation.

The most useful interventions would be:

- AI and cloud cost transparency: customers should understand licence costs, usage-based charges, renewal risk, integration dependencies and governance costs before adoption.
- Switching and renewal transparency: before renewal or major AI upgrade, customers should receive clear information about switching costs, data export options and dependency risks.

- Practical data and workflow portability: portability should go beyond basic file export and include, where feasible, permissions, collaboration records, workflow structures, metadata and AI-related context.
- Fair interoperability with security safeguards: third-party tools should be able to interoperate fairly where technically reasonable, without weakening cyber security, privacy or reliability.
- Cloud neutrality for Microsoft software: customers should not be unfairly penalised for running Microsoft software on non-Microsoft cloud platforms. Differences in price or functionality should be objectively justified.
- Bundle transparency, not forced unbundling: SMEs benefit from bundles. The CMA should require clarity about what is included, what is optional, what becomes harder to remove later and whether customers can mix Microsoft and non-Microsoft tools without punitive pricing or functionality loss.

**The guiding principle should be: do not break the bundle; make the bundle contestable.**

## **Q6: Lessons from other jurisdictions**

The CMA should learn from other jurisdictions but avoid copying remedies without considering the UK SME context.

A key lesson is that formal choice is not the same as real choice. A customer may technically have an alternative but still default to Microsoft because it is easier, safer, cheaper in the short term and more familiar to staff.

For example, an unbundled option may exist, but if it is more expensive or harder to manage, SMEs may not use it. A third-party integration may technically exist, but if it is less visible, less reliable or harder to enable, it may not create real competition. A data export tool may exist, but if it does not preserve workflows, permissions or context, switching may remain impractical.

The UK should prioritise practical contestability. Customers should be able to understand, compare, combine, switch and exit without unreasonable friction.

The CMA should also avoid a Microsoft-specific approach that appears inconsistent across the technology sector. Similar principles should apply where other major software, cloud or AI providers create comparable dependency risks.

## **Conclusion**

Microsoft has created significant value for UK businesses. Its products are widely used because they are familiar, useful, supported, accessible and convenient. For SMEs, this convenience can be a genuine productivity enabler.

However, this is exactly why Microsoft's position deserves close scrutiny. The risk is not only deliberate exclusionary conduct. The risk is that convenience, familiarity, bundling, defaults, cloud integration and AI adoption create dependency faster than organisations can understand or govern it.

