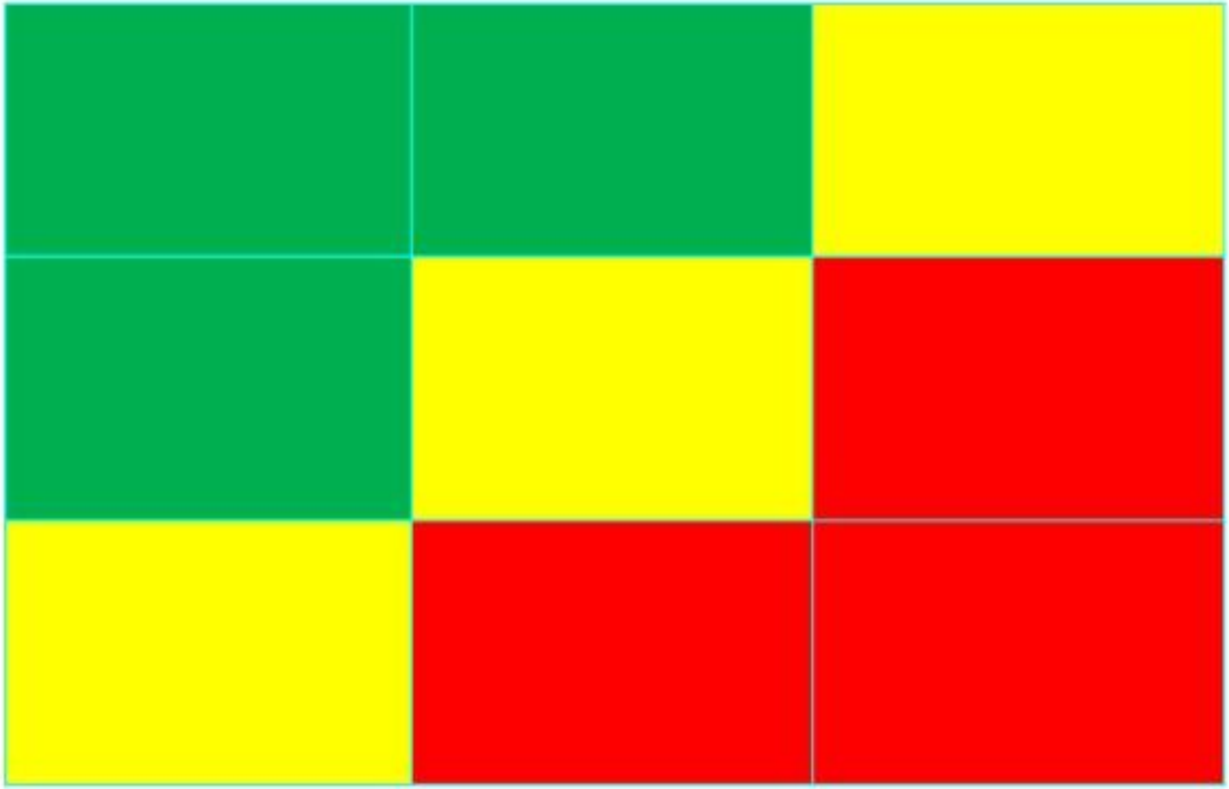
GE Nine Cell Matrix



Introduction

- The GE Matrix was developed jointly by McKinsey and General Electric in the early 1970s as a derivation of the BCG Matrix.
- GE-McKinsey nine-box matrix is a strategy tool that is used to perform business portfolio analysis for classifying product lines on SBU's within a large company.
- The nine-box matrix plots the BUs on its 9 cells that indicate whether the company should invest in a product, harvest/divest it or do a further research on the product and invest in it if there're still some resources left. The BUs are evaluated on two axes: industry attractiveness and a competitive strength of a unit. Each axis is then divided into Low, Medium and High.

Axis on the matrix

GE Nine Cell Matrix

Industry Attractiveness	Business Unit Strength		
	Strong	Average	Weak
High	*Grow*	*Grow*	*Hold*
Medium	*Grow*	*Hold*	*Harvest*
Low	*Hold*	*Harvest*	*Harvest*

1) Attractiveness of Industry
2) The Strength of Business

1. **Industry Attractiveness:** The vertical axis denotes industry attractiveness, which is a weighted composite rating based on different factors. Industry attractiveness indicates how hard or easy it will be for a company to compete in the market and earn profits. The more profitable the industry is the more attractive it becomes. Industry attractiveness consists of many factors that collectively determine the competition level in it.

2. **Business unit strength**: It indicates business strength or in other words competitive position, which is again a weighted composite rating based on several factors.

Factors of industries attractiveness and business unit strength

External factors that affects the Market Attractiveness:	Internal factors that affects Competitive Strength of a SBU:
• Market size • Market growth rate • Market profitability • Pricing trends • Competitive intensity / rivalry • Risk returns in the industry • Entry barriers • Opportunity to differentiate products • Demand variability • Segmentation • Distribution structure • Technology development	• Strength of assets or competencies • relative brand strength (marketing) • Market share • Market share growth • Customer loyalty • Relative cost position (cost structure compared with competitors) • relative profit margins (compared to competitors) • Distribution strength and production capacity • Record of technological or other innovation • Quality • Access to financial or other investment resources • Management strength

Components of the matrix

- Grow – Business units that fall under grow attract high investment. Firms may go for product differentiation or Cost leadership. Huge cash is generated in this phase. Market leaders exist in this phase.

- Hold – Business units that fall under hold phase attract moderate investment. Market segmentation, Market penetration, imitation strategies are adopted in this phase. Followers exist in this phase.

- Harvest - Business units that fall under this phase are unattractive. Low priority is given in these business units. Strategies like divestment, Diversification, mergers are adopted in this phase.

BCG v/s GE

BCG	GE
Market Growth	Market Attractiveness
Market share	Market strength
4 cell	9 cell
Multi Products	Multi Business Units
Primary tools	Secondary tools

Example of Maruti Suzuki

GE matrix

Industry attractiveness – Size, Market Growth, Pricing, Mkt. Diversity Competitive Structure, Industry Profitability				
		High	**Medium**	**Low**
Business strength - Size - Growth - Share - Position - Profitability - Margins - Tech. Position - Image - People	**High**	Investment and growth (G) SWIFT	Investment and growth (G) ALTO	Selectivity/ Earnings A STAR
	Medium	Investment and growth (G) SWIFT DEZIRE	Selectivity/ Earnings SX4	Harvest BALENO
	Low	Selectivity/ Earnings WAGON R	Harvest VERSA	Harvest OMNI