

Modern management – ge mfp matrix vs. bcg matrix

[Business](#), [Management](#)



Business Portfolio Analysis is a type of a planning system adopted by the organization (organizational strategy), which is similar to the manner in which investment portfolios are managed. According to the business portfolio analysis, an organization would have to perform only sound activities and discard the unsound ones. Business portfolio instruments are of two types, namely, the Boston-Consulting Group (BCG) Growth-Share Matrix and General Electric (GE) Multifactor Portfolio Matrix.

Boston-Consulting Group (BCG) Growth-Share Matrix was developed by a popular production unit known as the BCG group and was aimed at helping the managers follow the market by developing an organizational strategy. The strategy also helps to develop the market where the business survives. The GE Multifactor Portfolio Matrix was developed by McKinsley et al who were basically consultants to the GE Company. This strategy is mainly based on the attractiveness present in the market and the strengths of the organization. This strategy is more advantageous than the BCG strategy as it tries to compensate for the limitations.

In the BCG strategy, the organization is broken into portions such that each portions can develop an organizational strategy which could generate revenue (known as 'strategic business units' or 'SBU's'). These SBU's could be a division of a company or a production unit of a particular product or service. The SBU's have their own competitors, a manager in charge of the unit, and the management of the unit has to be planned with a strategy.

Each of the unit is then placed on one of the four boxes (namely stars, question marks, dogs or cash cows) according to their characteristics. Stars

have a high-growth rate but require huge amounts of investments. Cash cows occupy a huge market share and grow much more slowly. Question marks are those units which have a high-growth rate but doubts whether the management would invest in them, exist. Dogs are those units which have a small market share and grow at a much slower rate.

On the other hand, the GE analysis rates the SBU's according to the market attractiveness and the strengths of the business. The firm has to determine each of these criteria based on the situation that exists. Based on these criteria, circles appear on a graph in which business strengths are plotted against the market attractiveness. The size of the circle varies according to investment in the market.

THE BCG strategy does not consider the risks involved in developing the products, factors such as inflation and the predictable economic situations, and the pressure that exist from the ecosystem, politics and society. The GE strategy helps to cover some of these pitfalls. Several factors such as presence of competitors, growth rate of the industry, weaknesses of the competitors, etc, are considered in the GE strategy.

References:

Cresto, S. C. and Cresto, S. T. (2006). Chapter 3: Planning, Modern Management, (10th ed), New Jersey: Upper Saddle River, pp. 188-191.