

The general electric mckinsey matrix marketing essay



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\n[[toc title="Table of Contents"](#)]\n

\n \t

1. [General Electric/McKinsey Matrix](#) \n \t
2. [Literature review](#) \n \t
3. [Data analysis](#) \n \t
4. [References for history:](#) \n \t
5. [Appendices:](#) \n

\n[/toc]\n \n

In 1890, Thomas Edison established his own company and named as Edison General Electric Company by bringing his different businesses together. Two years later, Edison General Electric Company incorporated with Thomson-Houston Company and, then they named the new organization as General Electric Company. The new organization the General Electric Company is a diversified technology and financial services company. General Electric Company has different type of products and services. They main product and service is householder appliances and General Electric Company is one of the largest manufacturers of major appliances in the world. Besides that, General Electric Company also has other different type of products and services such as aviation, consumer electronics, customer training, electrical distribution, energy, finance-business, healthcare, lighting, oil & gas, rail, software & services, water, and other.

In the early 1890s, the first General Electric appliances electric fans were produced, and a full line of heating and cooking devices were developed in the year 1907. A few years later, General Electric Company developed the

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first airplane engine “ booster” for the fledgling U. S. aviation industry.

Besides that, the plastic filaments for light bulbs were created in 1930, and led to the first General Electric Plastics department.

Through the years, General Electric’s leaders have built a portfolio for the diversity of management and leading businesses. That’s made the General Electric Company become a most success company that drives growth and reduces the production costs; increase financial strength and Controllershship that allow it to capitalize on opportunities through numerous cycles. And, they have a set of common values that allows it to face any environment or situation with confidence. In 1971, the General Electric Company with the helped from McKinsey developed a General Electric/McKinsey Matrix.

General Electric/McKinsey Matrix

In 1971, the General Electric Company with the help of McKinsey developed the General Electric/McKinsey Matrix. And, General Electric Company used it to measure or decides whether they still need to invest, retain, or divest on their business unit. From internet, “ The GE matrix/McKinsey matrix is a model to perform a business portfolio analysis on the Strategic Business Units (SBU) of a parent company”. Besides that, this matrix is measure the business unit through the business unit’s attractiveness and business strength. When the business unit’s attractiveness and strength is high, the company should keep invest for gain more profit. On the other hand, when the business unit’s attractiveness and strength is medium, the company should retain or selectively invest. But, when the business unit’s attractiveness and strength is low, it is the time for the company to exit that business unit or stop invests in that business unit.

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The aim of this portfolio analysis is:

Analyze its current business portfolio and decide which Strategic Business Unit (SBU)'s should receive more or less investment.

Develop growth strategies for adding new products and business to the portfolio.

Decide which business or products should no longer be retained.

Literature review

Nowadays, General Electric can be more successful. It should be related to the McKinsey and Company consulting firm. Because General Electric Company got the help from McKinsey and Company consulting firm, and developed a more complicated matrix (Figure 2. 1). Through the internet research, the General Electric Company used GE matrix/McKinsey matrix as their planning system for management of diversity. From my general knowledge about the GE matrix/McKinsey matrix, it is a strategic tool that will separate from the mother company into many small business units and determine which business unit should invest more, retain, or divest.

From "Strategic Management: theory and case study", by Tunchalong Rungwitoo, the General Electric / McKinsey Matrix, is a nine cell matrix from two dimensions, which is industry attractiveness and business strength. For the use of General Electric/McKinsey Matrix, they use the GE matrix/McKinsey matrix to identify whether the small business units should invest, retain, or divest. Besides that, it also can fit perfectly to the

company's strengths and helps to exploit the most attractive industries or markets.

Besides that, General Electric Company can see the status of their business units and suggest the strategy the business fell in which categories through the General Electric/McKinsey Matrix (Figure 2. 2). The vertical axis of the General Electric/McKinsey matrix is industry attractiveness, which is determined by the factors such as market growth rate, market size, demand variability, industry profitability, industry rivalry, global opportunities, and others. And, the horizontal axis of the General Electric/McKinsey matrix is the strength of the business unit. Some factors that can be used to determine business unit strength include: market share, growth in market share, brand equity, distribution channel access, production capacity, and profit margins relative to competitors.

From "International Journal of Humanities and Social science", the General Electric/McKinsey Matrix requires the identification and assessment of both external and internal factors, which are industry attractiveness and business strength on a nine-cell grid. To grow, to hold, or to harvest are the categories used to classify both attractiveness and strength (Figure 2. 2). When that is high attractiveness and high business strength (Leader), the company should seek dominance and maximize investment. When that is medium attractiveness and medium business strength (Proceed with care), the company should specialize and invest selectively. And, when that is low attractiveness and low business strength (Withdrawal), the company should attack rivals and time exit.

Data analysis

After the research, General Electric/McKinsey Matrix had seen more effective and useful for the company's strategies business units (SBU). Because it will look at the industry attractiveness and business strength for every company's business units, and make sure every business unit will get profit. For example, the industry attractiveness, which will determined the company's business units market growth rate, market size, demand variability, and others. After that, this matrix also looks at the business unit strength such as market share, growth in market share, brand equity, production capacity, and others. Then, they will use the business attractiveness and strength to determine whether they still need to invest, retain, or divest for that business unit.

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Tunchalong Rungwitoo, ' Strategic Management: Theory and Case Study,' May 2012, pp. 28-33.

Appendices:

Definition of General Electric (Print screen)

The aim of portfolio analysis (Print screen)

The vertical and horizontal axis of General Electric/McKinsey matrix (Print screen)

Business strength

High

Medium

Low

Industry attractiveness

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High

Medium

Low

Figure 2. 1-General Electric/McKinsey Matrix

Business strength

High

Medium

Low

Industry attractiveness

High

Seek dominance

Maximize investment

(Leader)

Identify Growth area

Invest in growth

(Try harder)

Maintain position

Seek cash position

(Cash generation)

Medium

Identify weaknesses

Build on strengths

(Growth)

Specialize

Invest selectively

(Proceed with care)

Pure lines

Minimize investment

(Phased withdrawal)

Low

Specialize niche

Seek acquisition

(Improve or quit)

Specialize niche

Consider exit

(Phased withdrawal)

Attack Rivals

Time exit

(Withdrawal)

Figure 2. 2-General Electric/McKinsey Matrix (1971)