

Welcome students in this session we will be covering the COD 123 strategic management GE 9 cell matrix which falls under Unit 3, that is, models of strategic analysis.

So the outline of this concept is concept of GE 9 cell matrix working of GSG 9 cell matrix and the hypothetical

illustration learning outcome is you will be able to explain the concept and working of GE 9 cell matrix.

You will be able to understand the different strategies here for.

SBU's that means strategic business units.

So coming to the GE 9 cell matrix.

Now this matrix was developed here in the year 1970 by General Electric Company for the replacement of earlier Matrix that is BCG matrix.

Since earlier Matrix we're having certain limitations.

That is why McKinsey consulting

firm developed this matrix.

This matrix is applicable here

to those companies which are

having multiple businesses.

That means they are having here

multiple strategic business unit.

This matrix will help the managers to

identify the weak strategic business

units and strengthen their investment

on the strong strategic business units.

So this is a 9 cell matrix which rates

each SBU's against two variables.

Which is industry,

attractiveness and business strains?

So industry attractiveness is measured here

using factors such as availability of inputs,

overall market size, annual growth,

rate of market profitability,

competitive intensity,

technological requirements

and capacity utilization.

Whereas business strength is measured here using factors such as market share, market share, growth rate, brand image after sales, service, pricing, distribution, capacity, product quality and technology, then for these factors, under industry, attractiveness weights are being assigned.

Now this weights is in critical analysis where by assigning a weights requires a lot of research.

And based on the research, the weights are being assigned, which are the industry weights.

Later on, every company will give a rating here for these factors on a 10 point scale.

And then this score is calculated, here by multiplying the weights and ratings.

Later on,

this total score is compared

here on a 10 point scale rating,

whereby the rating skills states

that 1 to 4 score means it is under

low category 4 to 7 means it is

under medium category and seven to

10 means it is under high category.

Same process is also followed

here for business trends.

First of all,

the industry weights are being assigned here.

Later on a company ratings will

be given here for factors and

then the score is being derived.

And then the final score,

which is there that will be compared

here on the scoring of one to four,

four to seven and seven to ten

Whatever the score that is around

here based on business trends

and industry attractiveness will

be plotted here on this graph.

So on this graph you can see that

on the X axis the reason business

strength which is being put up and on

the Y axis industry attractiveness is

dimension is given business trends.

Further is given under three categories.

This course can be fall under 3 categories,

high, medium and low and

industry attractiveness also

can fall under 3 categories.

That is low, medium and high.

Later on, each of these

strategic business units will be.

Fitting in these boxes.

So altogether there will be a nine scales

which can be derived here by plotting

all the businesses here on this matrix.

So these different nine cells

will give different strategies.

Like if the strategic business

you need fall under the green

category light green category,

which is there that means under and

then the matrix signals that companies

should follow and invest strategy.

Whereas if suppose it falls

under GE category,

a light yellow colour boxes, if it falls.

The score falls under this category.

Then the strategy will be hold strategy.

Whereas if the strategic business

unit falls under a light brown

colour boxes which is HIGH then the

strategy will be divestment strategy.

Now what do you mean by this strategy?

So in case of invest strategy,

this strategy signals to invest more

when business is strong and industry

provides an exponential growth.

Whereas in case of hold,

this strategy focus on improving

strength so that it can shift to invest.

And the last one that is

divest or harvest strategy.

This phase suggests that business

should seize its operation.

That means no more investment.

They have to close down their businesses.

So if we now compare the same thing

with our hypothetical illustration

which is being presented here.

In case of one particular SBU,

the industry attractiveness score

we have derived here is 6.75.

So this 6.75 if we compare with

this scoring that then it falls

under the category of four to seven.

That means it falls under medium category.

Similarly,

business strength also factors suggest

that total score derived is 7.55.

This 7.55 final score if we compare

it with the 10 points scale then it

falls under the category of high.

So it means that this particular

strategic business unit is having

an industry attractiveness under

medium category and business

strength under high category.

Now if the same thing,

if we plot it on this graph,

then we have to see which category it

falls under, which boxes it falls under,

which cells it derives.

So industry attractiveness is under medium.

That means it is going to come under

Similarly, business strength is coming decrease

the score is high.

That means also again, it is under decrease.

means that light,

green color shade or that particular box.

and if suppose a abuse falls

under the sales then in that case

the strategy is invest strategy.

So same things,
those companies which are having
different businesses they are going
to do the calculations of their
SBU's whether they are falling under
which category based on comparison
of factors and then they are going
to plot it here under this matrix
and based on that they will get an
idea about which strategies whatever
the amount of capital that is there,
whether to invest it,
whether to keep it as it is.
Or whether to divest it?
That means close down the business
and remove the cash from the business.
If you want to read some more
matter under this and you can always
refer to this books, thank you.