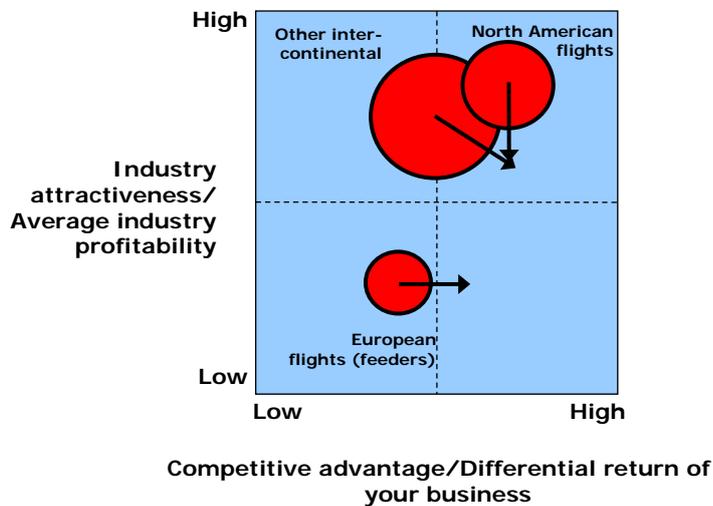


# The Strategy or GE or McKinsey Matrix

## Strategy Matrix: BA Example



Businesses can be mapped out in terms of the two prime drivers of their strategic and financial success. The vertical axis measures the attractiveness of the industry in terms of the average profitability of all the firms in the industry (e.g, pharmaceuticals has been high in the past). The horizontal axis measures the competitive advantage of a specific company; will this particular organisation do better or worse than others in the industry? Those with advantage would be expected to make higher returns than the average competitor.

Understanding where a business is currently positioned helps define the main strategic challenges. Is the business in a strong position where the primary goal is to preserve the status quo, or an unattractive one where drastic action is required?

Strategy is dynamic. Positions move over time. We can use the matrix to think about the future: how and why is attractiveness changing, and how should we respond to, or shape, these changes? How stable are the bases of competitive advantage, and can we shift them in our favour? Where does a new opportunity fit on this matrix?

A business may need to be segmented into different components e.g. a car company might segment itself into small cars, mid-sized, full sized and SUVs. Each segment has a different competitive position and thus a different potential profitability and strategic imperative.

Different options can be evaluated using this matrix. The most strategically attractive options move the business towards the top right corner – although there may be a tradeoff between competitive position and market attractiveness. One strategic move may trigger a competitive response.

The matrix is rarely quantitative – it has to be drawn subjectively. Therefore, filling it requires experience and judgment as well as rigor and analysis. It is a powerful “helicopter vision” tool. A more quantitative version is the BCG matrix.