The GE–McKinsey 9-Cell Matrix: A Critical Analysis of Its Role in Strategic Business Portfolio Planning

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Abstract— This paper critically examines the role of the GE–McKinsey 9-Cell Matrix in strategic business portfolio planning, focusing on its conceptual foundations, methodological framework, and practical implications for modern organizations. The study begins by situating the model within the broader context of strategic management and resource allocation, emphasizing the need for systematic tools to evaluate diversified business units. It then analyzes the dual-dimensional structure of the matrix—industry attractiveness and business unit strength—highlighting its multi-factor approach that integrates both internal capabilities and external environmental conditions. The paper further explores the methodology used for evaluating business units, including the use of weighted scoring models and qualitative judgments. In addition, the study evaluates the strategic implications of the matrix, demonstrating how it guides managerial decisions related to investment, selectivity, and divestment. A comparative analysis with other models, particularly the BCG Matrix and the Ansoff Matrix, underscores the analytical depth and flexibility of the GE framework while acknowledging its complexity and data requirements. The paper also provides a critical assessment of the model's advantages and limitations, especially in the context of rapidly evolving digital business environments. The findings suggest that while the GE–McKinsey matrix remains a valuable tool for strategic portfolio planning, its effectiveness can be enhanced by integrating it with modern analytical techniques and real-time data systems. Overall, the study contributes to a deeper understanding of portfolio analysis tools and their relevance in contemporary strategic decision-making.

Keywords: Strategic Management, Portfolio Analysis, Business Strength, Industry Attractiveness, Corporate Strategy.

1. Introduction

Strategic portfolio planning has emerged as a critical function in modern organizations operating across multiple industries and markets. Firms with diversified business operations must continuously evaluate and prioritize their Strategic Business Units (SBUs) to ensure optimal allocation of resources and sustained competitive advantage. Portfolio planning frameworks assist managers in identifying which business units should receive investment, which should be maintained, and which may require restructuring or divestment. In an increasingly dynamic global environment characterized by technological disruption and intensified competition, structured analytical tools have become indispensable for effective decision-making and long-term strategic alignment. One of the most influential tools in this domain is the GE–McKinsey 9-Cell Matrix, developed through a collaboration between General Electric and McKinsey & Company. This model provides a comprehensive framework for evaluating business units based on industry attractiveness and competitive strength, enabling organizations to make informed strategic choices. By integrating multiple factors into a structured grid, the model offers a nuanced perspective that goes beyond simplistic approaches, thereby enhancing the quality of strategic portfolio planning **(Johnson, Scholes, & Whittington, 2017).**

2. Conceptual Framework of the GE–McKinsey 9-Cell Matrix

The GE–McKinsey 9-Cell Matrix is a sophisticated extension of earlier portfolio models designed to address the complexities of multi-business organizations. Unlike simpler frameworks, it incorporates a multi-factor approach to evaluate business units, providing a more holistic and flexible analytical structure. The model is represented as a 3×3 grid, where each axis reflects a critical dimension influencing strategic decisions. This framework allows organizations to systematically categorize their SBUs and develop tailored strategies for each segment **(Hill, Jones, & Schilling, 2014).**

The first dimension, **industry attractiveness**, assesses the external environment in which a business operates. This includes factors such as market size, growth rate, profitability, technological advancements, regulatory conditions, and competitive intensity. A highly attractive industry offers opportunities for growth and profitability, while less attractive industries may pose challenges that limit long-term potential. By evaluating these factors, organizations can determine the

overall appeal of investing in a particular industry **(Grant, 2019).**

The second dimension, **business unit strength**, focuses on the internal capabilities and competitive position of the firm within the industry. This includes metrics such as market share, brand reputation, operational efficiency, innovation capacity, and financial performance. A strong business unit is characterized by a sustainable competitive advantage, enabling it to outperform competitors and capitalize on market opportunities. Conversely, weak units may struggle to maintain profitability and market relevance **(Wheelen, Hunger, Hoffman, & Bamford, 2018).** Together, these dimensions create nine distinct cells, each representing a unique combination of industry attractiveness and business strength. These cells are typically grouped into three strategic zones: investment/growth, selectivity/earnings, and harvesting/divestment. This classification enables managers to align strategic actions with the relative position of each business unit, ensuring a balanced and effective portfolio strategy **(David & David, 2020).**

Table 1 highlights the comprehensive and multidimensional nature of evaluating business units under the GE–McKinsey 9-Cell Matrix. It clearly demonstrates that strategic assessment is not based on a single factor but on a combination of external (industry attractiveness) and internal (business strength) variables. The inclusion of diverse factors such as market growth, profitability, competition, innovation, brand equity, and financial strength indicates that organizations must adopt a holistic approach to decision-making. This table also implies that accurate portfolio positioning requires systematic measurement using both quantitative indicators (e.g., growth rates, market share) and qualitative judgments (e.g., brand reputation, technological capability). Overall, the table reflects the model's strength in capturing real-world business complexity, enabling managers to make more informed, balanced, and strategic resource allocation decisions.

Table 1: Dimensions and Evaluation Criteria of the GE–McKinsey 9-Cell Matrix

Dimension	Key Factors	Description	Measurement Indicators
Industry Attractiveness	Market Size	Overall size of the industry	Total market value, demand volume
	Market Growth Rate	Growth potential of the industry	Annual growth rate (%)
	Profitability	Industry profit margins	ROI, operating margins
	Competitive Intensity	Level of competition	Number of competitors, market concentration
	Technological Change	Innovation and disruption level	R&D intensity, patent activity
	Regulatory Environment	Government policies and restrictions	Compliance costs, legal barriers
Business Unit Strength	Market Share	Firm's position in the market	Relative market share (%)
	Brand Equity	Brand recognition and loyalty	Brand value, customer retention
	Cost Efficiency	Operational efficiency	Cost per unit, productivity ratios
	Innovation Capability	Ability to innovate	R&D expenditure, new products
	Distribution Network	Reach of distribution channels	Market coverage, logistics efficiency
	Financial Strength	Financial health of the unit	Profit margins, cash flow

Note: This table outlines the multi-factor evaluation framework used in the GE–McKinsey 9-Cell Matrix. Organizations assign weights and scores to each factor to determine overall positioning.

Source: Adapted from Grant (2019); Hill et al. (2014); Wheelen et al. (2018)

Figure 1 presents a structured visualization of the evaluation framework underlying the GE–McKinsey 9-Cell Matrix, emphasizing its dual-dimensional approach to strategic analysis. The diagram clearly separates external factors (industry attractiveness) from internal capabilities (business unit strength), illustrating how organizations must simultaneously assess market conditions and their own competitive position. By organizing multiple sub-factors under each dimension—such as market growth, profitability, innovation, and financial strength—the figure highlights the comprehensive and multi-criteria nature of the model. This visual representation reinforces the idea that effective portfolio planning requires a balanced integration of quantitative indicators and qualitative judgments. Overall, the figure demonstrates how the framework facilitates systematic

evaluation, enabling managers to make informed and strategic resource allocation decisions across different business units.

GE–McKinsey Matrix Evaluation Framework

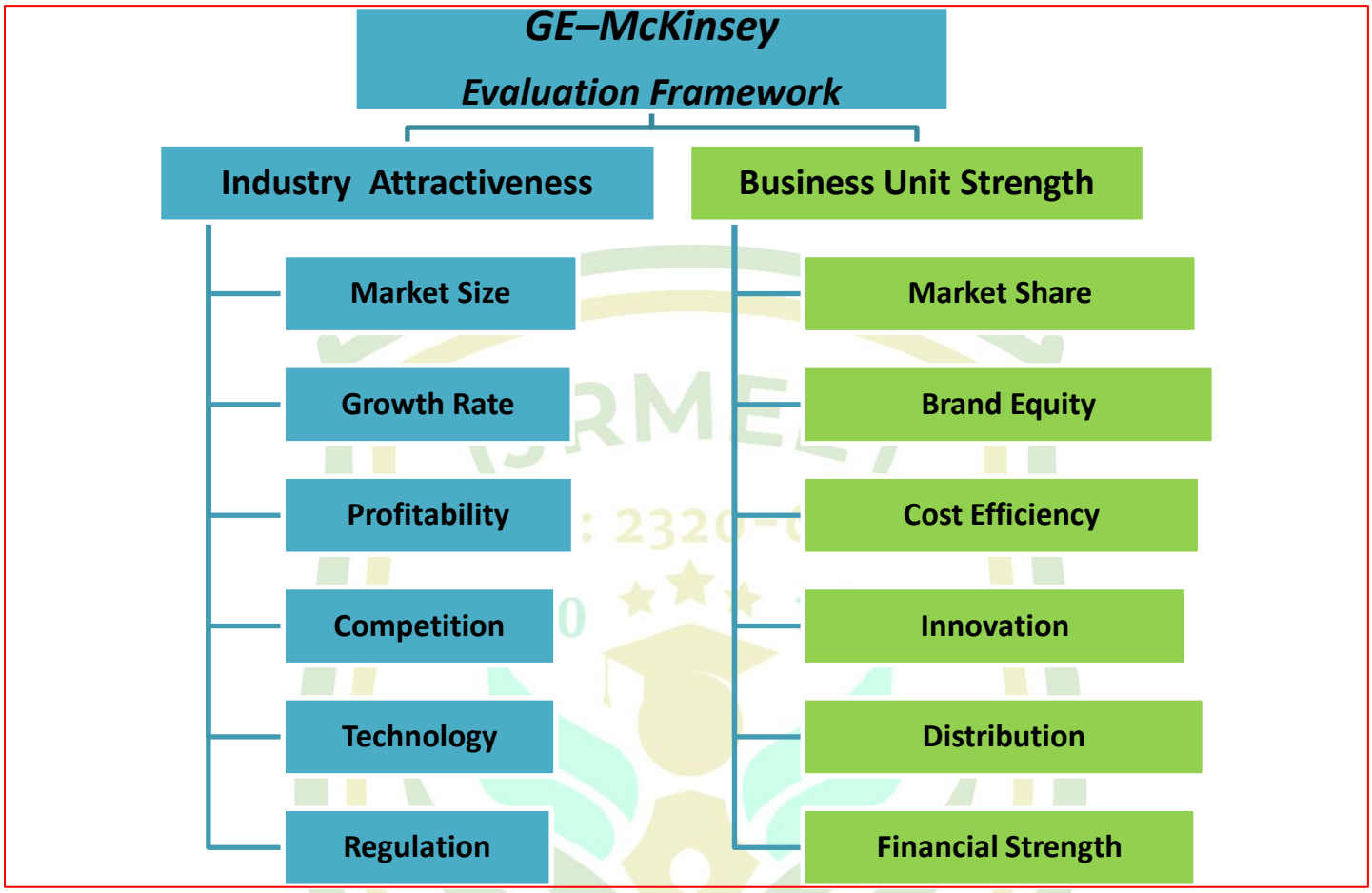

Figure 1: Evaluation Framework of the GE–McKinsey 9-Cell Matrix

Source: Author's Compilation based on literature

3. Methodology for Evaluating Business Units

The evaluation of business units within the GE–McKinsey framework involves a systematic and data-driven methodology that combines both quantitative and qualitative analysis. Organizations first identify relevant factors influencing industry attractiveness and business strength, assigning weights to each factor based on its strategic importance. These factors are then scored using standardized scales, and weighted averages are calculated to determine the overall positioning of each SBU. The methodology often involves the use of financial indicators, market research data, benchmarking analysis, and expert judgment to ensure comprehensive assessment. While quantitative metrics provide objectivity, qualitative insights—such as managerial experience and industry knowledge—play a crucial role in refining evaluations. The final positioning of business units within the matrix serves as the basis for strategic decision-making, guiding resource allocation and long-term planning.

4. Strategic Implications of the Matrix

The GE–McKinsey matrix provides clear strategic guidance based on the position of business units within the grid. Business units located in the high-attractiveness and strong-competitive-position cells are typically recommended for aggressive investment and growth strategies. These units are considered key drivers of future profitability and should receive substantial resources to expand their market presence, innovate, and strengthen competitive advantages **(Hill et al., 2014).** For business units positioned in intermediate cells, the matrix suggests a **selectivity strategy**, where investments are

made cautiously and selectively. Organizations must carefully evaluate opportunities and risks before committing resources, focusing on segments with the highest potential returns. This approach ensures efficient utilization of resources while maintaining flexibility in uncertain market conditions **(Grant, 2019).**

Business units located in low-attractiveness and weak-competitive-position cells are generally recommended for harvesting or divestment strategies. In such cases, organizations may reduce investments, focus on short-term cash generation, or exit the market altogether. This strategic decision helps firms reallocate resources to more promising areas, thereby enhancing overall portfolio performance and long-term sustainability **(David & David, 2020).**

Table 2: Strategic Implications of the GE–McKinsey 9-Cell Matrix

Cell Position	Industry Attractiveness	Business Strength	Strategic Action	Managerial Focus
Top Left	High	Strong	Invest / Grow	Expansion, innovation, leadership
Top Middle	High	Medium	Selective Growth	Focused investment, capability building
Top Right	High	Weak	Build Strength	Improve competitiveness
Middle Left	Medium	Strong	Selectivity	Maintain position, optimize returns
Center	Medium	Medium	Selective Investment	Risk-balanced strategies
Middle Right	Medium	Weak	Harvest / Reposition	Cost control, restructuring
Bottom Left	Low	Strong	Harvest	Maximize cash flows
Bottom Middle	Low	Medium	Divest / Selectivity	Limited investment
Bottom Right	Low	Weak	Divest	Exit or liquidation

Note: The matrix provides three broad strategic zones: **Source:** Adapted from David & David (2020); Johnson et al. (2017)

Table 2 illustrates how the GE–McKinsey 9-Cell Matrix translates analytical positioning into clear strategic actions for different business units. It shows that strategic decisions are contingent upon the combined effect of industry attractiveness and business strength, guiding managers toward differentiated approaches such as investment, selective growth, harvesting, or divestment. Business units in favorable positions (high attractiveness and strong strength) are prioritized for expansion and innovation, while those in weaker positions are managed conservatively or exited to optimize resource allocation. The table also highlights the importance of balanced portfolio management, where not all units are treated equally but are strategically aligned according to their potential and performance. Overall, it underscores the model's practical utility in linking evaluation with actionable strategies, thereby enhancing organizational effectiveness and long-term sustainability.

Figure 2 illustrates the strategic decision zones within the GE–McKinsey 9-Cell Matrix, clearly demonstrating how different combinations of industry attractiveness and business strength translate into specific strategic actions. The vertical axis reflects the level of industry attractiveness, while the horizontal axis represents business strength, together forming a structured basis for decision-making. The color-coded segmentation—green for growth/investment, yellow for selectivity, and red for harvesting or divestment—highlights the prioritization of resources across business units. The figure emphasizes that organizations should aggressively invest in strong units within attractive industries, cautiously manage those in intermediate positions, and consider reducing or exiting weaker units in less attractive markets. Overall, the diagram effectively conveys how the model links analytical positioning with practical strategy formulation, ensuring efficient portfolio management and long-term organizational sustainability.

Strategic Decision Zones of GE Matrix

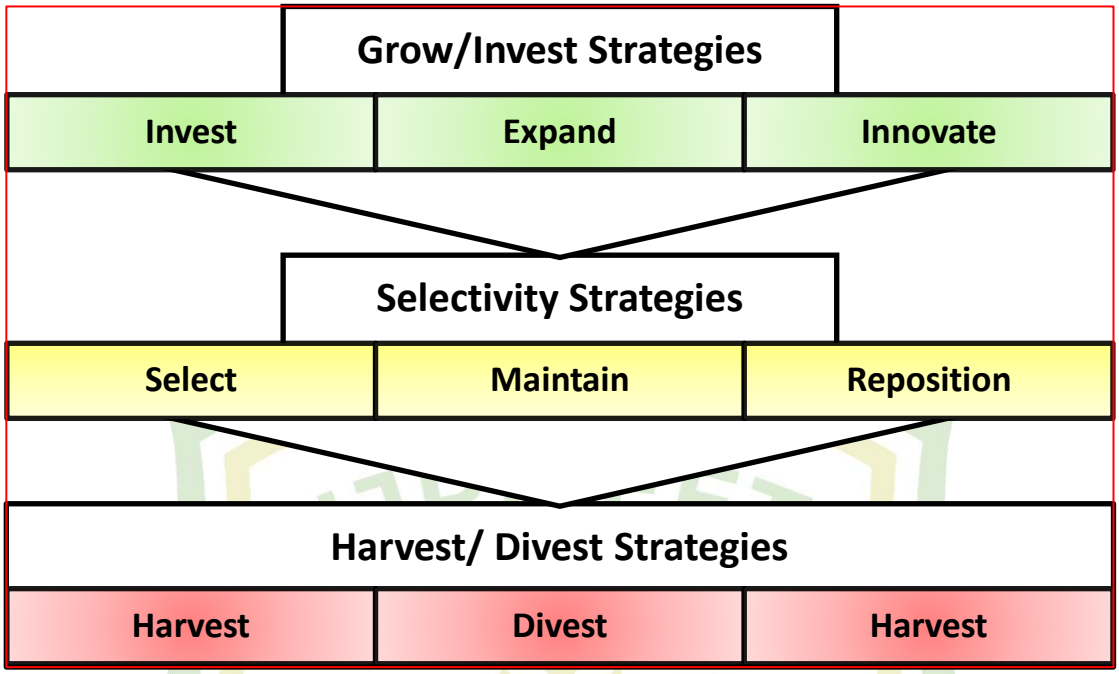

Figure 2: Strategic Zones of the GE–McKinsey 9-Cell Matrix

*Notes: In aforesaid Matrix, label axes reflects as: (i)*Vertical: *Industry Attractiveness (High → Low)* , and(ii) Horizontal: *Business Strength (Strong → Weak)* .

Source: Author's Compilation based on literature

5. Comparative Analysis with Other Portfolio Models

The GE–McKinsey matrix is often compared with the BCG Matrix, one of the earliest and most widely used portfolio analysis tools. While the BCG matrix classifies business units based on market growth and relative market share, it relies on a simplified two-dimensional approach with only four quadrants. In contrast, the GE model incorporates multiple factors and provides a more nuanced analysis, making it better suited for complex business environments **(Kotler & Keller, 2016).** Another important comparison can be made with the Ansoff Matrix, which focuses on growth strategies such as market penetration, product development, market development, and diversification. Unlike the GE matrix, the Ansoff framework emphasizes strategic direction rather than portfolio evaluation. While both models serve different purposes, the GE matrix offers a more comprehensive approach to resource allocation across multiple business units **(Ansoff, 1988).**

Despite its advantages, the GE matrix is often criticized for its complexity compared to simpler models like the BCG matrix. The requirement for extensive data collection and subjective judgment in assigning weights can make implementation challenging. However, its ability to incorporate multiple variables and provide detailed strategic insights makes it a valuable tool for organizations seeking a deeper understanding of their business portfolio **(Johnson et al., 2017).**

Table 3: Comparative Analysis of Portfolio Models

Criteria	GE–McKinsey 9-Cell Matrix	BCG Matrix	Ansoff Matrix
Purpose	Portfolio evaluation and resource allocation	Portfolio classification	Growth strategy formulation
Dimensions	Industry attractiveness & business strength	Market growth & market share	Product & market expansion
Number of Cells	9 cells (3×3 grid)	4 quadrants	4 strategic options
Complexity	High (multi-factor analysis)	Low (simple metrics)	Moderate
Data Requirement	Extensive (quantitative + qualitative)	Limited	Moderate

Strategic Output	Detailed strategic guidance	Basic strategic categorization	Growth direction
Flexibility	High	Low	Medium
Applicability	Large diversified firms	Simpler portfolios	Strategic planning contexts

Note: This comparison highlights the analytical superiority of the GE model while acknowledging its complexity relative to simpler models.

Source: Adapted from Kotler & Keller (2016); Ansoff (1988); Johnson et al. (2017)

Table 3 provides a comparative perspective on major portfolio and strategic planning frameworks, highlighting the relative strengths and limitations of the GE–McKinsey 9-Cell Matrix in relation to the BCG Matrix and the Ansoff Matrix. It reveals that while the BCG Matrix offers simplicity and ease of application through limited variables, it lacks the analytical depth required for complex decision-making. In contrast, the GE–McKinsey model stands out for its comprehensive, multi-factor approach, making it more suitable for diversified organizations operating in dynamic environments. The Ansoff Matrix, on the other hand, focuses primarily on growth strategies rather than portfolio evaluation, thereby serving a different strategic purpose. Overall, the table emphasizes that although the GE model is more resource-intensive and complex, it provides superior strategic insights and flexibility, making it a more robust tool for informed and balanced business portfolio planning.

Figure 3 provides a clear comparative visualization of major strategic portfolio models, highlighting the distinctive features and applications of the GE–McKinsey 9-Cell Matrix, BCG Matrix, and the Ansoff Matrix. The figure emphasizes that while the GE–McKinsey model offers a comprehensive and multi-factor approach to portfolio evaluation, the BCG Matrix simplifies analysis through limited variables, making it easier but less detailed. In contrast, the Ansoff Matrix focuses primarily on growth strategies rather than portfolio assessment. By presenting these models side by side, the figure highlights differences in purpose, complexity, and applicability, enabling a better understanding of their strategic roles. Overall, it demonstrates that the GE–McKinsey matrix provides deeper analytical insights for diversified organizations, whereas the other models serve more specialized or simplified strategic functions.

Comparative Analysis of Strategic Portfolio Models

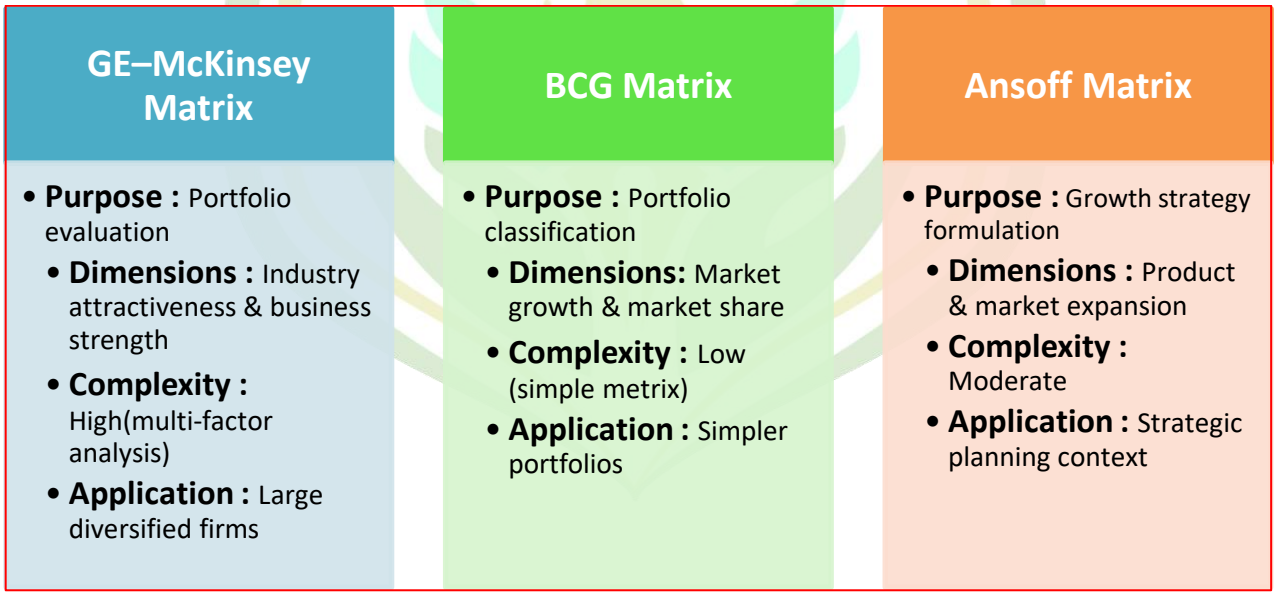

Figure 3: Comparative Analysis of Strategic Portfolio Models

Source: Author's Compilation based on literature

6. Critical Evaluation: Advantages and Limitations

One of the primary advantages of the GE–McKinsey matrix is its comprehensive and flexible framework, which allows organizations to consider multiple factors in evaluating business units. Unlike simplistic models, it provides a more realistic representation of business environments by integrating both internal and external variables. This enhances the quality of strategic decision-making and enables firms to develop tailored strategies for different business units **(Grant, 2019).** However, the model also has significant limitations.

The process of selecting factors, assigning weights, and scoring business units involves a high degree of subjectivity, which can lead to inconsistencies and biases in evaluation. Additionally, the data-intensive nature of the model requires substantial time, effort, and resources, making it less practical for smaller organizations or rapidly changing environments **(Hill et al., 2014).**

Furthermore, the static nature of the matrix may not fully capture the dynamic and evolving nature of modern business ecosystems. In today's digital economy, factors such as technological disruption, innovation cycles, and real-time data analytics play a crucial role in shaping competitive advantage. As a result, organizations must complement the GE matrix with other analytical tools and dynamic frameworks to remain competitive in rapidly changing markets **(Johnson et al., 2017).**

7. Conclusion and Strategic Implications for Modern Organizations

The GE–McKinsey 9-Cell Matrix remains a valuable tool for strategic portfolio planning, offering a structured and comprehensive framework for evaluating business units. Its emphasis on multiple factors and strategic alignment makes it particularly useful for large, diversified organizations seeking to optimize resource allocation and enhance overall performance. Despite its limitations, the model continues to provide valuable insights into the relative strengths and opportunities within a business portfolio. In the contemporary business environment, organizations must adapt the GE matrix to incorporate modern elements such as digital transformation, data analytics, and ESG considerations. By integrating traditional frameworks with advanced analytical tools, firms can enhance their strategic decision-making capabilities and achieve sustainable competitive advantage. Ultimately, the continued relevance of the GE–McKinsey matrix lies in its adaptability and its ability to evolve alongside changing business dynamics.

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