GE McKinsey Nine Box Matrix

Large companies often run many businesses at once, but money and talent are always limited. In the early 1970s, General Electric asked the consulting firm McKinsey and Company for a better way to compare its business units. The result was the GE McKinsey Nine Box Matrix, a simple grid that shows where to invest, where to hold and where to step back. It looks at each business from two sides: how attractive its industry is, and how strong the business is in that industry. Today it is still used to review business units, product lines and brands side by side.

1. Why GE Needed a Grid

In those years, General Electric ran many very different businesses, from home appliances to heavy industrial equipment. Each unit asked for money, and each manager believed that their own unit deserved it most. Leaders needed one fair picture that compared all the units with the same questions. The nine box matrix gave GE a clear way to rank its business units and share its resources more wisely.

Example: a family with a fixed budget cannot pay for music lessons, football and language classes all at once, so it compares them before choosing.

At work: Layla is the planning manager of a food company with five product lines. Every year, each line manager asks her for a bigger budget, and she needs a fair way to choose.

2. Industry Attractiveness

The first axis asks how attractive the industry or market is. Typical factors are the size of the market, its growth, its profits and the strength of the competition. Other factors, such as how hard it is to enter, new technology and regulation, can also be added. Each factor gets a weight and a score, and the weighted total rates the market as high, medium or low. A market can be very attractive even when the company is still weak in it.

Example: a street full of busy offices is an attractive place for a new coffee shop, even before anyone tastes its coffee.

At work: Layla's team scores each market. Healthy snacks and baby food come out as highly attractive, while bottled water is a crowded market with thin profits.

3. Business Unit Strength

The second axis asks how strong our own business unit is in that market. Typical factors are market share, brand strength, customer loyalty, product quality, costs and access to distribution. Again, each factor is weighted and scored, so the unit is rated as high, medium or low. This axis is about our position compared with competitors, not about the market itself. Being honest here is hard, because every team likes to believe that it is strong.

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Example: two bakeries on the same street share one market, but the one with loyal customers and better bread is the stronger business.

At work: Layla finds that the company's juices have a famous brand and wide distribution. Its new healthy snacks, however, are still small and little known.

4. Nine Cells, Three Zones

When the two ratings are combined, each business unit lands in one of nine cells. The three cells where both ratings are high, or one is high and the other medium, form the invest and grow zone. The three cells on the middle diagonal form the selectivity zone, where the advice is to hold and invest with care. The three cells where both ratings are low, or one is low and the other medium, form the harvest or divest zone. Each unit is often drawn as a circle whose size shows the size of its market.

Example: a gardener gives most water to strong plants in good soil, watches the average ones, and removes weak plants in poor soil.

At work: Layla places juices and baby food in the invest zone, frozen meals and healthy snacks in the selectivity zone, and bottled water in the harvest zone. For the first time, the board sees all five product lines in one picture.

5. Compared with the BCG Matrix

The nine box matrix is often compared with the simpler BCG matrix from the Boston Consulting Group. The BCG matrix has only four boxes and uses two single measures: market growth and relative market share. The nine box matrix uses many weighted factors on each axis, so it gives a richer picture. The price is more time and more judgement, so two teams may score the same unit differently. A different nine box grid in HR, which rates employees on performance and potential, only shares the same shape.

Example: a quick look at the weather app tells us whether to take an umbrella, but a long trip needs a closer look at many details.

At work: Layla starts with a quick BCG view in one afternoon. For the final budget, she runs a workshop where the managers agree on the weights and scores together.

Conclusion

In summary, the GE McKinsey Nine Box Matrix helps leaders compare many businesses on one page. It asks two simple questions: how attractive is the industry, and how strong are we in it. The answers place each unit in one of three zones: invest and grow, hold with care, or harvest and divest. The matrix is only as good as the honest scores behind it, so it works best as a team discussion. Used well, it turns budget fights into clear, shared decisions.

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