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General Electric screen matrix (the General Electric (GE) business screen)

The GE screen matrix is essentially a derivation of the Boston Consulting Group's **Boston growth matrix**. It was developed by McKinsey and Co. for General Electric as it had been recognized that the Boston Consulting Group matrix was not flexible enough to take broader issues into account.

The GE matrix cross-references market attractiveness and business position using three criteria for each – high, medium and low. The market attractiveness considers variables relating to the market itself, including the rate of market growth, market size, potential barriers to entering the market, the number and size of competitors, the actual profit margins currently enjoyed, and the technological implications of involvement in the market. The business position criteria look at the business's strengths and weaknesses in a variety of fields. These include its position in relation to its competitors, and the business's ability to handle product research, development and ultimate production. It also considers how well placed the management is to deploy these resources.

The matrix differs in its complexity compared with the Boston Consulting Group matrix. Superimposed on the basic diagram are a number of circles. These circles are of variable size (see Figure 22). The size of each represents the size of each market. Within each circle is a clearly defined segment which represents the business's market share within that market. The larger the circle, the larger the market, and the larger the segment, the larger the market share.

General environment

The term 'general environment' refers to the broad **macro-environment** in which a business operates. Broadly speaking, it can be identified as having four key elements, as outlined in Table 10.

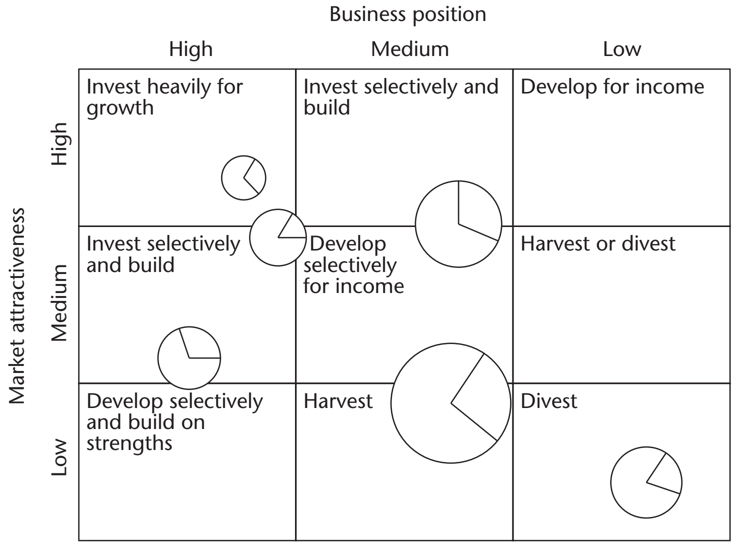

Figure 22 The General Electric (GE) matrix

Table 10 Elements of the general environment

Technological	**Political/legal**
New development inside and outside the industry	Potential/actual changes in regulations/legislation
New product development	Foreign trade regulations
Technological projects in the industry	Environmental protection
Industry (and government) spending on research and development	Changes in government (local/regional/national)
Economic	**Socio-cultural**
GNP growth	Population trends
Finance/market trends	Age distribution
Inflation	Regional movement of population
Interest rates	Demographics of the family
Money supply	Lifestyle
Employment/unemployment	Consumerism
Energy issues	

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The most rapid of these trends in the general environment are technological and political/legal. The slowest moving are the economic and the socio-cultural.

Geographical structure

The **organizational structure** of a major business could be based purely on geographical regions. This could reflect the following possibilities:

- that the market is sufficiently remote to warrant a replication of the organizational structure in its geographical region;
- that the **factors of production** are sufficiently attractive to set up a geographically-based structure;
- that the market requires specific support that can only be delivered in the geographical region and not from the remote central headquarters of the organization.

Global area structure

A global area structure configures the organization along the main areas (geographically) in which it operates. Typically, the globe would be split up into a series of general areas such that the business can assume that all functions can be carried out by a centralized headquarters within each region. The configuration may take the form depicted in Figure 23.

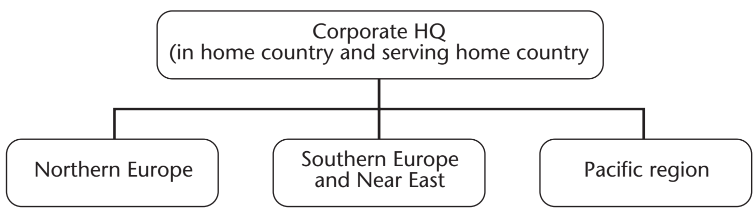

Figure 23 A global area structure

Global learning

Global learning is a process by which a multinational organization ensures that skills and knowledge flow freely between the different parts of the business across the world, regardless of national boundaries. Global learning can take the following routes:

- from the home country to an overseas division or subsidiary;
- from an overseas division or subsidiary to another overseas division or subsidiary;
- from an overseas division or subsidiary to the home country.

Global matrix structure

A global matrix structure is essentially a **horizontal differentiation** along product divisions and geographical divisions. In other words, to visualize the organization structure, product groups are placed on a vertical axis and the foreign divisions are placed on a horizontal axis. It allows businesses to reduce costs by increasing efficiency, and to differentiate their activities with innovation and responsiveness.

The feature of the global matrix structure is that there is dual decision-making responsibility, as there is both a divisional and an area hierarchy. The system is not without its problems, as many organizations consider this form of structure to be rather clumsy and bureaucratic. There is also the question of slow decision making and a lack of flexibility. Several international businesses have sought to overcome the problems by basing their organizational structure on wide networks with a shared culture and vision, and stressing that the informal structures are more important than the formal structure itself. These forms of organizational structure are known as flexible matrix structures.

Egelhoff, W. G., 'Strategy and Structure in Multinational Corporations: a Revision of the Stopford and Wells Model', *Strategic Management Journal*, vol. 9 (1988), pp. 1–14.

Global product group structure

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A global product group structure is a variant **organizational structure** which has product groups along a vertical axis and foreign (overseas) **divisions**, or business units, on a horizontal axis. The primary purpose of the product group structure is:

- to reduce costs through increased efficiency;
- to differentiate the organization's areas of activity;
- to utilize any innovations or technologies;
- to improve customer service;
- to increase the speed of responses.

Typically, the structure would appear in the format shown in Figure 24.

Global strategic alliances

A global **strategic alliance** is usually formed by two or more organiza-

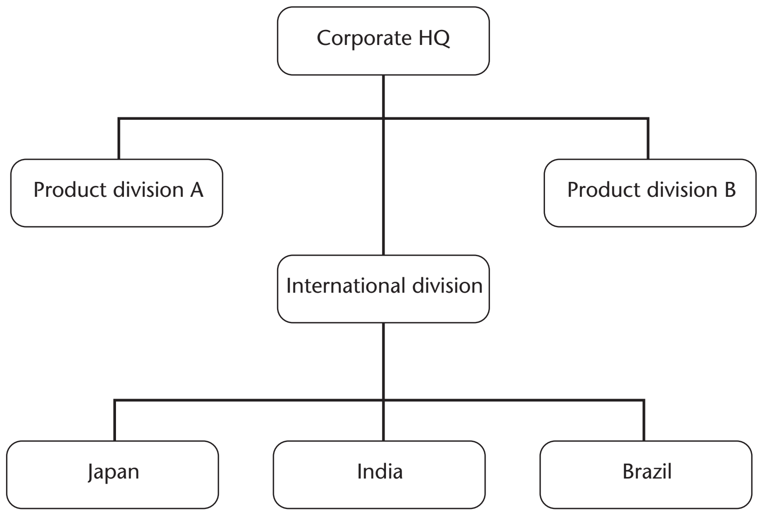

Figure 24 A global product group structure

tions from different countries. Typically, this involves the allocation of resources from these businesses based in different countries, to a new project or venture which they seek to undertake, using cooperative methods and the pooling of expertise and experience. The purpose of global strategic alliances is to:

- create **synergy**;
- accomplish more than could be achieved had the businesses been operating independently;
- coordinate effort;
- gain and share technologies;
- gain entry into an overseas market.

Major multinational businesses routinely enter into global strategic alliances as an integral part of their corporate strategy and the practice has become widespread in recent years.

See also **green-field investment**.

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Global strategic planning

Global strategic planning aims to maximize global **economies of scale** and **economies of scope**, while at the same time incorporating the advantages of local responsiveness to customers in the countries in which the organization operates.

There are three main steps towards achieving global strategic planning:

- The development of a core business strategy – which forms the basis of attempts to create a sustainable **competitive advantage** (a replica of what has been achieved in the home market).
- The internationalization of this core strategy – the adaptation of the core strategy to overseas markets, along with expansion as necessary.
- The globalization of the international core strategy – which seeks to integrate the strategy in all of the countries in which the business operates.

Yip, G. S., *Total Global Strategy: Managing for Worldwide Competitive Advantage*. Englewood Cliffs, NJ: Prentice-Hall, 2002.

Global strategy

A global strategy is often adopted by an international business in order to increase its profitability by taking advantage not only of cost reductions that come from **experience curve** effects, but also of economies based on the location of parts of its operations. Typically a global strategy will consider the best alternative areas in which to concentrate research and development, marketing or production, choosing the most beneficial location for each of these key operations. In essence a global strategy can be called a **multi-domestic strategy**, in as much as the international business seeks to maximize its worldwide performance through maximizing any local **competitive advantages**, revenues or profits it can achieve. Equally, global strategies seek to maximize performance through integration and a sharing of resources.

Stonehouse, George, Hamill, Jim, Campbell, David and Purdie, Tony, *Global and Transnational Business: Strategy and Management*. New York: John Wiley, 2004.

Global web

The term 'global web' refers to the value creation undertaken by organizations at various points along the **value chain**.

In the case of multinational organizations, the global web is of supreme importance as it is the means by which they add value at the lowest cost. Typically, a business would select an overseas environment in which certain aspects of the value creation process can be undertaken at low cost, compared with other options they may have in choosing a location for these activities. Given that it is important for businesses to add value, whilst minimizing the cost of adding that value, they will seek locations where resources (human, natural, etc.) are available in sufficient numbers and quality. This means that a business will base its choice of location on quality and cost criteria which will contribute to generating the maximum profit.

Globalization of markets

The globalization of markets is in stark contrast to more familiar views of global marketing. The globalization of markets implies that many international businesses no longer consider individual national markets to be distinct entities. Although, until recently, many nations were closed by virtue of the fact that it was difficult to trade there, now that trade barriers have been removed, these national markets are merging and can be treated in a very similar manner. Concerns regarding transportation, distance to market, and even culture, are being subsumed as international businesses increasingly treat all national markets the same.

In May 1983 an article by Harvard Business School Professor Theodore Levitt prophesied the advent of globalization. Levitt predicted that as new technology extended the reach of global media and reduced the cost of communications, consumer tastes would converge, creating global markets for standardized products. His theory was considered somewhat outlandish at the time; a full third of the world's population still lived in communism countries. Levitt had failed to incorporate the role of technological change and its impact on production methodologies. Whilst globalization is a clear fact of life, standardization has given way to more varied and specialized products which are now produced as a result of improvements in production technology.

Levitt, Theodore, 'The Globalisation of Markets', *Harvard Business Review*, May–June (1983), pp. 92–102.

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Globalization of production

The term 'globalization of production' refers to the trend among international businesses, notably multinationals, that have increasingly chosen to disperse their production processes across the world. In essence, these multinationals take full advantage of specific countries' factors of production in order to frame their global manufacturing policy.

Weiss, John, *Industrialisation and Globalisation: Theory and Evidence from Developing Countries*. London: Routledge, 2002.

Goals

Goals are targets, or states, which an organization seeks to achieve over a specified period of time. Goals need to be attainable, but challenging. The management of the process which delivers the achievement of these goals can be a key function of the strategic management process. The criteria or conditions that should be applied to the setting of goals are listed in Table 11.

Table 11 The setting of goals

Criteria or conditions	Goal description
Goals should be stable over time.	Continually changing the goals leads to problems of attainment and possible demotivation. Predetermined goals should be achieved, then amended.
Goals should be specific and clear.	Goals which are clearly spelled out can be judged more effectively in terms of attainment.
Goals should be linked to reality.	Impossible goals, plucked out of the air, require chance or good fortune to secure their attainment. Goals should be linked to a possible, and to the real, state or position of the organization.
Goals should be overarching.	Goals need to be central to the organization in the sense that all parts of the business can see their place in the attainment.
Goals should be unique and designed to differentiate.	Sharing similar goals with the competition is not an ideal way forward. They should be aimed at attaining some form of competitive advantage over the competition.
Goals should be linked to actions.	The interpretation of the goals at management and employee level should clearly indicate what has to be done in order to attain the goals. In other words, there needs to be a plan to attain the goals, by steps or actions over time.
Goals should suggest foresight.	Goals should be linked to cause and effect; by striving to attain the goals, the organization should be able to see where it is likely to be once those goals have been attained. Above all, it needs to be ready for that altered state and be prepared to set new goals from that point.

Goold, M. and Quinn, J. J., *Strategic Control: Milestones for Long-term Performance*. Harlow: Financial Times, Prentice-Hall, 1993.

Goal characteristics

'Goal characteristics' describes the ways in which goals should be meaningful to the organization. These characteristics are normally taken to be:

- They should have a precise nature.
- They should address key issues for the organization.
- They should be realistic, but challenge the organization as it strives to achieve them.
- They should have a definite time frame associated with them.

See also **goals**.

Goal congruence

Goal congruence occurs when the objectives of two **stakeholders** in an organization, such as the management and the shareholders, have been met. In other words, the goals or objectives of those two stakeholders have both been reached through the joint or several actions of the two parties.

Goal management

Goal management involves providing managers and employees with the tools they require to establish their individual goals, based on:

- objectives;
- directions.

The goal management process can be exemplified as in Figure 25.

Andersen, Erling S., Grude, Kristoffer V., Haug, Tor and Wiig, Roberta, *Goal Directed Project Management*. New York: Kogan Page, 1998.

Governance mechanisms

The three key aspects of governance mechanisms are:

- ownership structure;
- monitoring and controlling mechanisms;
- management performance.

Governance mechanisms deal with the ways in which the management structure, as determined by the ownership and overall structure of the

Level of organization	How?	Goal or objective
Board	Goal management	Corporate vision
Senior management	Goal management	Corporate goals and objectives
Departmental management/team leaders	Management by objectives/ project tracking	Departmental or team objectives
Employees	Performance management	Individual goals or objectives

Figure 25 Goal management

business, both monitors and controls the business while at the same time it is monitored and controlled itself.

The governance mechanisms cover the board structure and composition, disclosure standards, financial accounting and standards, risk management, and the monitoring and control of information and transactions.

Monks, Robert and Minow, Nell, *Corporate Governance*. Oxford: Blackwell Publishing, 2003.

Green-field investment

When an international business considers foreign direct investment (FDI), it can choose to invest in the establishment of a completely new operation in a host country, which is known as a green-field investment, or it can merge with or acquire an existing operation. Many governments earmark specific areas of their country in which foreign green-field investment can be made. These restrictions, which were once rigid and widespread, are now far more relaxed. The primary advantage of green-field foreign direct investment is that it adds to the stock of domestic capital investment and, of course, it expands the productive capacity of the country.

Developing countries in particular are keen to attract green-field FDI as it brings new technology to the country, together with different organizational structures and management ability. This inflow of knowledge is far more limited in the case of acquisition. Green-field investment is also advantageous in the sense that it increases competition, whilst acquisitions concentrate ownership and reduce competition. Above all, green-field investments provide an inflow of foreign currency, whilst acquisitions may be funded by internally borrowed funds.

In the case both of green-field investment and of acquisitions and mergers, they are seen as a means by which international businesses can strengthen their market position in new countries.

Greenmail

The term 'greenmail' is most closely associated with the pursuing of shares in another business, and of the profits which can be achieved by re-selling these shares under certain circumstances. The process usually works in the following manner:

- A business secretly begins buying shares in another business.
- The purchasing business then announces the wish to take over control of the second business and acquire a majority shareholding.
- The board of directors of the business under threat, thinking that they will lose control of their business, invest or borrow money to purchase as many shares as they can from the market to protect their position.
- The business which originally purchased the shares is happy to sell back to the directors the shares they secretly purchased, at a profit.

Gross profit margin

The gross profit margin ratio is one of several ratios which help to assess the overall operating performance of a business. The ratio itself expresses the gross profit as a percentage of sales. The ratio is:

$$\frac{\textit{Gross profit margin} \times 100}{\textit{Sales}} = \textit{Gross profit}$$

If a business generates some £700,000 in gross profit on a total sales revenue of £3,200,000, then the following calculation is made:

$$\frac{700{,}000 \times 100}{3{,}200{,}000} = 21.\ 87\%$$

This indicates that the business earns £0. 218 in gross profit for every £1 of sales.

Group-based bonus system

See **bonus plan reward system.**

Groups and teams

The definition of a group is two or more individuals who come into contact with one another in a work situation on a regular and continued basis. Within most organizations there are a number of groups who come together for a particular reason. Groups can be either formal in nature, or informal. The informal type of group often comes together to support activities, both within and outside the organization, and cooperate and collaborate with one another in order to carry out certain tasks and fulfil individual job roles.

Formal groups are often created in order to pass on and share information. Very often they assist in the decision-making process and are seen as an official function within the organization. Formal groups include **quality circles**, which tend to exist for a longer period of time than some of the other formal groups. Most formal groups consist of a variable number of representatives from different areas of the organization's activities. They are often given responsibility and authority to implement ideas and amend working practices, giving input regarding the possible impact of expected changes.

Many organizations have gradually come to the realization that teams represent a proven means by which productivity and performance can be assured. Various industry surveys, particularly in the manufacturing sector, seem to suggest that over two-thirds of all organizations actively encourage teams. The actual nature of the team is of prime importance and their creation is of particular relevance to human resources management. Essentially there are three different types of team, all of which have a degree of authority, autonomy or **empowerment**.

Empowered teams are usually given the authority to plan and implement improvements. Self-directed teams are virtually autonomous and are mainly responsible for supervisory issues. Cross-functional teams are more complex as they involve various individuals from different departments who are working towards a common end.

Training needs to be provided to teams both before and during their creation in order to assist the members in establishing relationships with one another and understanding their new responsibilities. It is also essential that teams are given clear instructions and, above all, support from management in order to carry out their tasks. Once a team has been established, and a degree of authority delegated to them, management and human resources departments need to step back and allow the team to develop and learn how their new working practices will operate.

The team itself, management, and the human resources despartment, retain the responsibility for monitoring and motivating the teams and their members. This requires effective communication skills and a feedback system which enables teams to request additional assistance should it be required.

Group think

The term 'group think' was coined by Irving Janis, who related the term to a phenomenon within groups. Janis considered that group think occurs when a group of individuals are so determined to make a decision that they ignore all major considerations and alternatives, as well as any disagreements within the group, in order to achieve this. Groups suffering from group think are often thought to be over-cautious and to lack necessary creativeness. They bond with each other, and the individuals see themselves as secure because they belong to the group. The group members have little doubt about the effectiveness or vulnerability of the group and consider the views of anyone not involved within the group to be those of insignificant outsiders. According to Janis the symptoms of group think are:

- invulnerability, in that they consider they cannot be touched;
- inappropriate rationale, in that they consider things are unlikely to happen to them;
- morality, in that they think they know what is best;
- stereotyping other groups, by considering them all to be less effective than they are;
- pressurizing other groups;
- exerting an element of self-censorship, by not communicating all, but selecting what they consider to be appropriate, information to other groups or relevant individuals;
- unanimity, by assuming a consensus when some individuals do not speak;
- mind-guards – referring to the fact that they do not allow any other thoughts to contradict what they have already decided.

Suffering from group think can make groups ineffective. Janis considered that management would have to encourage the individuals within the group to:

- consider and examine all alternatives;
- feel able to express their own doubts within the group;
- listen to criticisms from outside the group;
- challenge those who have firmly held beliefs;
- actively seek feedback, advice and information from outside the group;

- create sub-divisions within the group;
- avoid grapevine communication.

Group think can lead to ineffective decision making through insufficient attention to alternatives and risks.

Growth industry

A growth industry is an industry in which demand is increasing at a rapid pace. Growth industries are typified by first-time demand from consumers, as they enter the market for the first time. The potential of a growth industry is difficult to assess in the early stages as it is notoriously unpredictable in its longevity, as perhaps little is known about the overall dimensions of the market.

Growth strategy

Strategically, an organization has two major choices in terms of growth; either to expand within the existing industries in which it operates, or to undertake some form of **diversification** (in either products or services, or into another industry). The former course is often the most natural way forward, assuming of course that the industry offers, and will continue to offer, growth potential.

Concentration growth strategies tend to focus around either vertical integration or some form of horizontal growth. Diversification strategies involve either:

- concentric or related diversification;
- conglomerate or unrelated diversification.

Businesses have the option (depending upon circumstances) of being able to engage in growth strategies by:

- internally generated funds;
- investment and development;
- mergers;
- acquisitions;
- strategic alliances.

See also **horizontal growth, related diversification, unrelated (conglomerate) diversification** *and* **vertical integration.**

Guru concept

'Guru concept' refers to the influence which management gurus have had on all areas of business operations and management knowledge.

Management gurus propose management ideas in order to explain situations and to offer solutions to particular issues, perhaps anticipating the problematic nature of some of these issues before they are recognized by the organizations themselves. Systematically, management gurus have sought to understand the nature of managerial work and the needs of individuals in managerial positions. Management gurus develop these ideas, and either they themselves or other bodies seek to apply the ideas to organizations. Over the past century there have been at least six different waves of management gurus with their associated theories. These are:

- bureaucracy theories – as exemplified by **Max Weber**;
- scientific management – as represented by **Frederick Winslow Taylor**;
- classical management – such as **Henri Fayol**;
- human relations – as proposed by Elton Mayo and the **Hawthorne experiments**;
- neo-human relations – such as those of **Douglas McGregor**;
- the true gurus of the modern era – including **Tom Peters**, Michael Porter and **Rosabeth Moss Kanter**.

The take-up of the ideologies of these various gurus has been mixed and clearly any such theory has to strike a chord with either an organization or specific managers in order to gain any currency. Certainly many of the theories have found value as far as practical management is concerned, although few are sufficiently broad in their scope, or applicable in varied sets of circumstances, to be truly universal. Given the number of management guru texts which are produced each year, the guru concept continues to attempt to steer management in different directions, and this will continue over the coming years.