Five Strategy Frameworks Worth Knowing

Idea In Short

Strategists who rely on instinct alone tend to make the same mistake twice: they back a losing product because it once won, or they enter a market without checking whether the market itself can be won. Five frameworks, built and refined over five decades, remove most of that guesswork. The GE-McKinsey Nine-Box Matrix and the BCG Growth-Share Matrix tell a leader where to put money across a portfolio of products. Porter's Five Forces tells a leader whether a market is worth entering at all. Core Competencies identifies what a company does that rivals cannot copy. The Balanced Scorecard turns strategy into numbers a board can track quarter over quarter. None of the five replaces judgment, but each one narrows the range of decisions a leader has to make on gut feeling alone.

Executives running a company with dozens of product lines face a harder problem than executives running a single-product startup:

> they have to decide which of those product lines deserves the next dollar of investment and which one should be quietly wound down

That decision gets made badly more often than most boards admit, usually because it rests on sentiment about a product's history rather than a clear read of its market and its competitive standing. Strategy as a formal discipline is younger than most people assume; Michael Porter's 1979 paper on how competitive forces shape strategy is often credited with pulling strategy out of military theory and into a rigorous business practice. The five frameworks below built on that foundation over the following decades and together they still answer the questions every strategist eventually has to answer:

> where to invest, which market to enter, what capability to protect and how to measure whether any of it worked

The GE-McKinsey Nine-Box Matrix

General Electric ran into this exact investment problem in the 1970s, managing a sprawling portfolio of unrelated businesses with nothing sharper than cash-flow projections and market-growth estimates to guide where money went next. Unsatisfied with the returns those methods produced, GE brought in McKinsey & Company and the resulting tool sorted every business unit along two axes:

> industry attractiveness and competitive strength, each scored high, medium or low

Competitive strength is measured from inside the company, drawing on market share, profitability and brand perception. Industry attractiveness is measured from outside it, drawing on the market's growth rate, the number of competitors already fighting for share and how hard it is for a new player to break in.

Plotting a business unit on that nine-cell grid produces a direct recommendation:

> invest further, hold the current position, or divest and redirect the capital elsewhere

The framework's real value shows up in the unglamorous decisions, the ones where a company has to admit a business unit sitting in the bottom-left corner, low strength in an unattractive market, is not going to turn around no matter how much more gets spent on it.

Microsoft supplied one of the cleaner examples of that discipline in action. It launched the Zune media player in 2006, years after Apple's iPod had already become shorthand for the category and a full year before Apple released the iPhone and made standalone media players close to obsolete. Rather than pour more marketing and engineering budget into a product with weak competitive standing inside a market about to collapse, Microsoft discontinued Zune in 2008, just two years after its debut1. Cutting a product that had barely had time to build a following looks like failure from the outside. Inside the Nine-Box logic, it was the correct call made early enough to matter and it freed Microsoft to pour resources into businesses with a genuinely strong position.

The BCG Growth-Share Matrix

Bruce Henderson, who founded the Boston Consulting Group, built an even simpler portfolio tool a decade before the Nine-Box Matrix arrived and it spread so widely that more than half of the Fortune 500 was reportedly using it at its peak. Where the Nine-Box Matrix blends several qualitative inputs into a single score, the Growth-Share Matrix runs on two measurable numbers:

> a product's relative market share and the growth rate of the market it competes in

Plotting those two figures against each other sorts every product into one of four categories, star, cash cow, question mark or dog and each category comes with its own implicit instruction about how to manage it.

A star product carries high share in a fast-growing market and typically needs continued investment to defend that position. A cash cow holds high share in a market that has stopped growing and the right move there is usually to harvest the profit rather than pour more money into a business that will not grow much further. Market growth in this model is always judged relative to the broader economy; a market expanding at four percent while the economy grows at six percent counts as slow growth, not fast growth, regardless of how the number looks in isolation2.

Microsoft's Windows franchise is one of the clearest star-product stories in business history. The company already dominated personal computing through MS-DOS by the mid-1980s, in an era when software could go from cutting edge to outdated within a single year. Rather than defend MS-DOS as it stood, Microsoft released Windows in 1985 as a more usable graphical layer over that same foundation and the product went on to claim roughly 90 percent of the operating-system market, a position it has held in some form ever since. The company understood, correctly, that MS-DOS's dominance had a limited shelf life and moved to replace it before a competitor did the same. That instinct still matters today, since the temptation with any star product is to keep shipping new versions long after customers have grown comfortable with what already works and pushing change purely for its own sake can cost more goodwill than it earns.

Porter's Five Forces

Both portfolio matrices assume a company already knows which markets it competes in. Porter's Five Forces exists for the earlier question:

> whether a market is worth entering, or worth remaining in, at all

Michael Porter, then a professor at Harvard Business School, published the model in 1979 with a claim that ran against the conventional wisdom of the time, arguing that the structure of an industry shapes a company's success more than any individual firm's own choices do[3]. That argument holds up well enough that the framework remains a standard tool for evaluating government policy shifts, cultural trends and competitive pressure across industries decades later.

The five forces themselves are the intensity of rivalry among existing competitors, the bargaining power of buyers, the bargaining power of suppliers, the threat posed by new entrants and the threat posed by substitute products or services. Assessing supplier power, for instance, means asking how many suppliers exist, how easily a company could switch between them and how much leverage those suppliers hold over price and terms. Run through all five forces honestly and a strategist gets a clear read on whether a market rewards a strong player or grinds down even a well-run one; sometimes a mediocre product in a favorable market outperforms an excellent product fighting the wrong one.

Jeff Bezos ran a version of that analysis before he built Amazon and the outcome placed him among the wealthiest people alive despite entering e-commerce from a hedge fund background rather than a retail one. Studying the nascent online retail market of the early 1990s, he identified books as a category with fragmented suppliers, low switching costs for customers and enough catalog depth to justify an online-only store that no physical retailer could match on selection4. Amazon started as an online bookstore because the underlying forces in that specific market favored a new entrant willing to compete on selection rather than storefront presence and the company used that beachhead to expand into nearly every retail category that followed.

Core Competencies

Where the previous three frameworks look outward at markets and portfolios, the Core Competencies model looks inward at what a company actually does well enough that competitors cannot easily copy or acquire it. C.K. Prahalad, a corporate strategy professor at the University of Michigan and Gary Hamel, a lecturer at London Business School, laid the groundwork for the concept and Bain & Company later refined it into a practical tool adopted across industries from electronics to automotive manufacturing. The test Bain applies is straightforward:

> a genuine core competency should be difficult for a rival to replicate or purchase, which rules out most capabilities that money alone can buy

Applying the framework means isolating a company's key abilities, benchmarking them against competitors, checking them against what customers actually value, building a plan to sharpen and protect them and then outsourcing or divesting whatever falls outside that core. Companies that follow through on that process tend to make sharper calls on partnerships, technology transfer between business units and even which new markets to enter, since a real core competency often opens doors in categories the company has never operated in before.

Southwest Airlines built its reputation on exactly this kind of self-assessment. To sharpen its competitive position, the airline surveyed passengers, employees and shareholders about what mattered most to each group, with low fares and on-time departures topping the list for travelers. The airline then ranked those priorities against what competing carriers delivered and set internal performance targets at the intersection of what all three stakeholder groups valued and what rivals were failing to provide5. That research-driven process, more than any slogan, is what turned Southwest's customer service and fast plane turnarounds into a durable advantage rather than a marketing claim.

The Balanced Scorecard

Robert Kaplan and David Norton, both at Harvard University, introduced the Balanced Scorecard in 1992 to solve a narrower problem than the frameworks above:

> how does a company track whether its strategy is actually working, quarter after quarter, rather than just at the end of a fiscal year

Financial reporting alone answered that question too late and too narrowly, so Kaplan and Norton built a model that tracks four perspectives together, financial results, customer experience, internal process efficiency and the organization's capacity to innovate and learn6.

The specific indicators inside each perspective shift with the business; a restaurant chain tracks different process metrics than an automotive manufacturer does and every organization sets its own targets for each measure rather than adopting a generic template. What stays constant is the discipline of comparing actual performance against a pre-set objective across all four perspectives at once, which surfaces problems in customer retention or process efficiency well before they show up in a quarterly financial statement.

Zoom's experience during the coronavirus pandemic maps cleanly onto all four perspectives at once. Its growth had plateaued before 2020 as it competed for market share against Skype, then its financial and customer numbers accelerated sharply once remote work became the norm, with revenue climbing nearly 7.5 percent in its 2023 fiscal year over the prior year alongside a fast-expanding user base7. Its innovation and process perspectives had to sprint to keep pace with that demand, particularly as enterprise customers pushed for stronger security controls, a gap that dogged the company's reputation even as its user numbers kept climbing. A scorecard built only on financial results would have shown a clean win throughout that period; the fuller four-perspective view showed exactly where the strain was building.

Choosing the Right Tool for the Decision at Hand

None of these five frameworks competes with the others for a strategist's attention, because each answers a different question. A company deciding where to allocate capital across dozens of business units needs the Nine-Box Matrix or the Growth-Share Matrix and larger, more diversified portfolios tend to favor the added nuance of the Nine-Box approach while simpler, more measurable portfolios often do fine with BCG's two-axis version. A founder or executive weighing whether to enter a new market, or reassessing a market the company already competes in, needs Porter's Five Forces run honestly rather than optimistically. A leadership team trying to figure out what makes the company defensible, rather than merely busy, needs the Core Competencies test.

The Balanced Scorecard sits apart from the other four because it does not help a strategist choose a direction; it tells the strategist whether the direction already chosen is working, across financial, customer, process and innovation measures that a single earnings report would never capture together. Used in combination, these tools turn strategy from an annual offsite exercise into an ongoing discipline, one where a company can spot an underperforming product line, a weakening market or a stalling core capability before it becomes a crisis rather than after.

What ties Zune, Windows, Amazon, Southwest and Zoom together is not that each company found a shortcut. Each one ran a specific framework against a specific decision, invest or divest, enter or avoid, protect or outsource, measure or guess and then acted on what the framework showed rather than treating it as an academic exercise. That willingness to let a structured analysis override sentiment about a product's past, or hope about a market's future, is the actual skill these five frameworks are built to develop.

- 1Enduring ideas: The GE-McKinsey nine-box matrix
- 2What is the growth share matrix?
- 3The five competitive forces that shape strategy
- 4Scaling up: Lessons from Amazon's growth
- 5Southwest Airlines culture takes flight and soars
- 6Balanced scorecard (BSC): What it is, examples and uses
- 7Zoom gears up for post-pandemic growth as competition heats up

Summary

Each of these five frameworks answers a different question a strategist eventually has to face. The Nine-Box Matrix and the Growth-Share Matrix decide where a multi-product company should put its money next. Porter's Five Forces decides whether a market is worth entering in the first place. Core Competencies identifies the capability a company should protect and build around, rather than the one it should outsource. The Balanced Scorecard turns those choices into numbers a board can track every quarter. Microsoft's Zune and Windows, Amazon's early bet on books, Southwest's culture research and Zoom's pandemic surge all show the same pattern: the frameworks worked because leaders used them to make a specific call, not to produce a slide for a strategy offsite that nobody revisited.