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## Business analysis for Nguyen hoang group in Vietnam using mckinsey matrix

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### Abstract

The McKinsey matrix of Nguyen Hoang Group shows the competitiveness of the business on the horizontal axis and the attractiveness of the industry is placed on the vertical axis. This approach not only analyzes objective factors such as sales, profits, return on invested capital (ROI) but also provides quantitative assessments of subjective factors such as variable dynamics in terms of market share, technology, employee loyalty, competitive attitudes, and societal needs. The McKinsey matrix is similar to the SWOT matrix in terms

of analyzing both internal and external factors of the business. The competitive position or business strength represents the internal control ability of Nguyen Hoang Group and the external factors represent the attractiveness of the industry because the company cannot control these factors. This portfolio model also allows the business or product to be analyzed in two aspects: the value it brings to Nguyen Hoang Group (the attractiveness of the industry) and the value it brings to customers (the business's capacity).

**Keywords:** business analysis, McKinsey matrix, Nguyen Hoang Group

### Introduction

#### Overview of the research problem

In the 70s, while the Boston Consulting Group invented the growth-market share matrix (BCG matrix), General Electric (GE) - the leading US power corporation was also looking for concepts and strategic planning techniques. At first, the company applied the BCG matrix, however, applied studies showed that this two-dimensional matrix only reflects the reality in potential industries, not the areas of General Electric.

General Electric looked to another consulting group, McKinsey & Company, to find a new approach that better suited its portfolio. In 1971, McKinsey built an analytical model for General Electric that distinguished the future profit potential of 43 of General Electric's strategic business units. This matrix is then known as the matrix of the relationship between industry attractiveness and firm strength, also known as the GE matrix (for General Electric), the directional policy matrix and is most commonly known as the McKinsey matrix.

#### Urgency of the research problem

The McKinsey matrix is a more flexible, multifactor portfolio analysis model than the BCG matrix. This matrix allows Nguyen Hoang Group to apply the assessment of the appropriateness between its capacity and production and business activities of products and services, and at the same time helps predict the position of products/services, facilitating strategic planning. Today's economy is growing, Nguyen Hoang Group is no exception, the company has had outstanding development and best strategies to always maintain highly competitive position against many competitors. Nguyen Hoang Group has used McKinsey matrix, so to clarify this issue we choose the topic "Business analysis for Nguyen Hoang Group using McKinsey matrix."

#### Research significance with management practice

This matrix allows businesses to apply assessment of the appropriateness between their capabilities and production and business activities of products and services, and at the same time helps predict the location of products/services, facilitating strategic planning. Using the GE/ McKinsey Matrix, managers have three advantages:

- Chart helps managers have a clear view of the strengths of their business products.
- The chart helps managers understand the profitability as well as the cash requirements of each business unit, thereby helping to balance the cash flow.

- Because each business unit has its own characteristics so requires the development consistent with each business unit.

### Research objectives

McKinsey - GE's portfolio analysis method is a method to build a McKinsey - GE matrix to analyze a company's business portfolio by its strategic business units (SBUs) of that company. In which, a portfolio is a collection of SBUs, an optimal portfolio is a perfect condition for companies to consolidate strength as well as exploit the market to the fullest. An SBU can be the entire business area of a small and medium-sized company or it can be a business division of a large company, a multi-industry corporation, with separate strategic business decisions and own goals of the parent company. The analysis of a company's portfolio is a strategic activity aimed at:

- Analyze the company's current business portfolio to make a decision to invest more or less in each SBU.
- Develop a development strategy for the company to make investment decisions in a new business area for its portfolio.
- Make a decision to leave an inefficient SBU.

### 2. Theoretical Basis

Over the course of 21 years of development (1999-2020), Nguyen Hoang Group (NHG) has become an education group with many schools and member companies. By putting people at the center of life, NHG has invested with all its heart, creating a complete international education ecosystem, from preschool to doctorate, from integration model, an international bilingual model to a fully international model, including 50 educational institutions, spanning 18 provinces and cities across the country with more than 65,000 students and more than 4,000 employees.

Nguyen Hoang Group is largest private enterprise in the field of education in Vietnam. Revenue in 2018 was 200 USD, according to self-confessed information, operating 50 educational institutions in 18 provinces and cities, meeting the learning needs of about 50,000 learners, from preschool to post-secondary education.

By July 2019, there were four universities under Nguyen Hoang Group including Ba Ria - Vung Tau, Hong Bang, Gia Dinh, Hoa Sen attracting about 50,000 students.

The general education system also has three brands including iSchool, UK Academy and SNA to meet the learning needs of more than 15,000 students, of which more than 70% of students are studying at 34 institutions in 18 provinces and cities.

Nguyen Hoang Group is the first pioneering enterprise in launching an education city model, which is a place where all types of businesses from kindergartens to universities are gathered.

Expected in the next 5 years, Nguyen Hoang aims to own more than 150 schools, 10 educational cities, continue to be the leader in the private education market in Vietnam.

### 2.1. Matrices in business analysis

#### SWOT Matrix

SWOT matrix is understood as the letters SWOT stands for:

- + S - Strengths
- + W - Weaknesses
- + O - Opportunities
- + T - Threats

Where SW describes factors for the company internally, OT describes the external forces for the company.

### Factor Evaluation matrix

The EFE (External Factor Evaluation) matrix evaluates external factors, synthesizes and summarizes them to help businesses identify factors such as socio-cultural, political, legal, demographic, science technology, economic, environment to take advantage of opportunities along with minimizing threats, helping strategic managers build strategies and policies for businesses.

The IFE (Internal Factor Evaluation) matrix is used to examine the strengths and weaknesses of the functions of a business. In the IFE matrix, it is more important to fully understand the nature of the factors than the actual numbers.

### 2.2. McKinsey Matrix

To visualize the specific role of each business unit, each strategic business unit is described on a matrix of 9 parts based on market attractiveness and competitive strength (X and Y axes).

- The circle size represents the market size.
- The circles represent market share.
- Arrows represent the desired future position of the circles.

**A series of factors have an influence on the Y-axis as follows:**

- Market size
- Market growth
- Industry profitability
- Segmentation
- Price trends
- Fierce competition
- Diverse needs
- Feasibility of suppliers
- Distribution structure
- Environmental factors
- Global opportunities

**And a series of factors that affect the X-axis are as follows:**

- Relative market share
- Market share growth
- Strengths of resources and capabilities
- Brand equity
- Customer loyalty
- Relative cost position
- Relative price position
- Relative profit margin
- Service
- Market trends
- Distribution strength
- Productivity
- Technology and innovation
- Ability to use financial resources

### 2.3. Strengths and Weaknesses of the McKinsey Matrix

**Strengths:** Helps businesses focus their resources properly to achieve the best profit. Helps managers better understand how their product or business unit works. It's portfolio framework more sophisticated business than the BCG matrix. Identify

the strategic steps the company needs to take to improve the performance of its business portfolio. The McKinsey Matrix is suitable for businesses that have multiple strategic business lines or have multiple product lines (multiple strategic business units SBU). The McKinsey matrix helps strategic managers to allocate resources according to the priority of investment activities in the overall strategy of the business. This matrix can be applied at any level in the organization. At the corporate level, the portfolio of business units is analyzed on a matrix. At the business unit level, the products that make up the entity's portfolio can be positioned into the matrix. This McKinsey matrix allows to establish a strategic direction for the future based on the current portfolio map and forecast future positions by assessing the elements constituting the business capacity of the company, enterprise; thereby allowing the organization to focus on the strengths and weaknesses of the products or SBUs.

**Weaknesses:** The McKinsey matrix requires a consultant or a highly experienced person to determine the industry attractiveness and strength of the business unit as accurately as possible. It is expensive to conduct. Does not take into account the synergies that may exist between two or more business units. This model has been criticized for having a quantitative method to evaluate factors that are not rigorous, not all factors affecting the attractiveness of the industry and the strength of the business can be measured specifically and accurately. In addition, it is relatively difficult to impose a uniform set of standards among enterprises so that the final portfolio matrix has uniform conditions. Some businesses provide a standard list of internal and external factors, but each business/product is different and the factors that affect them are also different. In summary, this portfolio model is largely based on subjective judgments from the management perspective in identifying, quantifying and evaluating relevant factors.

### 3. Research Methods

Before deciding to research, it is also necessary to know the costs for conducting the research. The research plan includes the following:

**Table 1**

1	Required data source	Preliminary data, secondary data
2	Research Methods	Observation, investigation, focus group experiment
3	Research facilities	Questionnaire of supporting tools
4	Sample selection plan	Sample unit, sample size, sampling procedure
5	Approach	Phone, t nowhere direct contact with respondents

We need to obtain necessary information regarding:

+ Secondary data. Previously for other purposes these data included data sources inside the business and outside the business. When there is not enough secondary data needed for research, it is advisable to search for primary data. Typically, secondary data accounts for 80% of the data needs for a study. However, the topicality and accuracy of secondary data should be kept in mind.

+ Primary data. Primary data is the data that is collected for the first time for a certain research objective of the enterprise. When researching business-specific issues, primary information is needed.

### We have divided the research process into 2 parts

- Analyze income information

This is the stage of processing the obtained data to get certain results. To process data, people use statistical software, different forecasting models.

- Present the results obtained

The results obtained need to be presented clearly, coherently and according to the requirements set forth to report to superiors.

### 4. Research results and discussion

#### 4.1. Business analysis for NHG using McKinsey matrix

The business analysis for NHG using McKinsey matrix shows that Nguyen Hoang Group is a private enterprise considered the most extensive in the field of education in Vietnam, highly competitive in the market of creating a complete ecosystem of education from preschool to doctorate, from international integration model, international bilingual model to fully international model, and this level of service is quite attractive due to the lack of schools with favorable conditions. High quality teaching offered by highly competitive corporation that mobilizes capital from large domestic and foreign companies, including 50 educational institutions, spanning 18 provinces and cities across the country with more than 65,000 students and more than 4,000 employees. The weakness that needs to be overcome by Nguyen Hoang Group is the material investment in education and training from preschool to doctorate in a nationwide and expanding scale. As for universities, education not only teaches in Vietnamese style but also has to learn to teach in foreign ways, which will help attract more students and improve the curriculum. Open many competitions for faculty and students to enhance the work and learning of every typical individual. Improving the quality of teaching to create more creative and constantly developing young classes, contributing to creating more talents for our country in component manufacturing and information technology talents to better serve the country.

According to the McKinsey model, we can see that the strategic field of Nguyen Hoang Group is education. Nguyen Hoang Group invests heavily in education, but information technology has not yet been focused. It is a real need to organize more contests, open more playgrounds for students to develop physically as well as in terms of creativity and innovation. Strengths in education sectors are still not diverse, e.g. Hoa Sen University is strong in hotel, restaurant and tourism management, it needs to spread more about training industries to ensure output quality. Open more primary schools, kindergartens at international level. It is necessary to invest more in teaching quality instead of just investing in facilities. Facing challenges, Nguyen Hoang Group must constantly improve quality so as not to fall behind.

### 5. Conclusion

#### 5.1. Conclusion

Over the past 20 years, NHG has tried to enter many different paths, from information technology, to setting a foot in finance or real estate. However, those paths do not belong to them. "Now, the happiest thing for myself and the Group's leaders is that I have found my path, which is education", shared Mr. Hoang Quoc Viet, Chairman of Nguyen Hoang Education Group.

This shows that Nguyen Hoang Group continues to increase the number of schools; improve quality of education; professional training of teachers; complete and expand IEC system; increasing international quality in schools in the following years.

Facing the trend of globalization and development integration needs, Nguyen Hoang Group constantly strives in business and provides an international standard environment with internationally recognized educational systems and programs. Those are strong and practical commitments to Nguyen Hoang Group's pioneering and innovative efforts to lead.

Nguyen Hoang Group has applied the McKinsey matrix to help the Group become stronger against so many competitors. Over the years, Nguyen Hoang Group has invested in education ranging from preschool to doctorate, not only in the country but also in foreign schools. This is a lucrative environment to help Nguyen Hoang Group develop more than other corporations.

Revenue in 2018 was 200 million USD, according to self-disclosure information. Nguyen Hoang is operating 50 educational institutions in 18 provinces and cities, meeting the learning needs of about 50,000 learners, from preschool to postgraduate training. As of July 2019, four universities of Nguyen Hoang Group including Ba Ria - Vung Tau, Hong Bang, Gia Dinh, Hoa Sen have attracted nearly 50,000 students. Those who are not eligible to attend public schools, the block of private schools began to attract the attention of students' families when offering many options to meet learners' needs. One of the outstanding attractions of the private school sector is focusing on comprehensive training such as enhancing English learning, extracurricular subjects such as music, painting, and sports for students.

Nguyen Hoang set a goal in the period of 2019 - 2024 to own and operate 150 educational institutions. First of all, it must be mentioned the accumulated capital of the group, when the main shareholders account for more than 90% of the shares of this company with a charter capital of 150 million USD, almost 10 years ago, it was accepted not to pay dividends and in the next 10 years it will not pay dividends. Another factor is the long-term commitment of the student's parents. In addition to accumulation, Nguyen Hoang Group also offers many tuition investment packages for parents with preferential policies (5-year, 6-year and 12-year tuition fee prepayment). According to the chairman of Nguyen Hoang Group, there are still families willing to participate in 12-year or 17-year financial product packages, if they learn from preschool.

## 5.2 Recommendations

### For the board of directors in Nguyen Hoang Group

Nguyen Hoang's leadership gives development orientations, general goals and specific goals for the schools. In terms of expertise, they form a joint professional council. Schools and clusters of schools like the IEC model have their own governing boards and professional councils. The professional council is responsible for developing programs compatible with regulations of state management agencies, as well as building subjects and extracurricular programs in accordance with the development orientation of educational ecosystem. Besides learning traditional knowledge, before comprehensive skill development is required, Nguyen Hoang Group should innovate to bring life skills, music, finance, physical education, STEAM programs into schools.

### For management board of the university system in Nguyen Hoang Group

On the journey of thousands of miles to bring the knowledge ship Nguyen Hoang Group to the sea, the Board of Directors of the Group with a foresight and high enthusiasm has operated, navigated and developed the Nguyen Hoang Group education system in a diversified, comprehensive and preeminent way. During its 20 years of formation and development, the steering wheel of the Nguyen Hoang group has always firmly followed the educational philosophy of humanity as the guideline for all activities, thereby constantly serving and dedicating to society.

Thereby, we see that the corporation's belief in the cause of human cultivation is considered extremely important for businesses and university leaders. Because this is considered the field of training talents for the country. Currently, for the leaders of universities, it is to help the generations of students who have joined the school as a member of the school as well as the business to have the knowledge as well as the practical experience to help them. get a solid foundation upon graduation.

### For managers of the remaining business units of Nguyen Hoang Group

Currently, enterprises for other fields are still in the process of continuing and building and developing further, especially the technology industry and the field of corporate education, and the leadership is still trying to bring make decisions to help the projects as well as the enterprise's projects are put into use according to the plan outlined as before. In addition, in the future, the leaders of the companies under Nguyen Hoang Group have been coming up with new plans to help the business be more successful in all fields as well as maintain its position in the market economy.

## 5.3 The cooperation between universities and the remaining units of Nguyen Hoang Group

Over the course of 21 years of development (1999-2020), Nguyen Hoang has become an education group with many schools and member companies. By putting people at the center of life, Nguyen Hoang group has invested with all its heart, creating a complete international education ecosystem, from preschool to doctorate, from integration international model, bilingual international model to fully international model, including 50 educational institutions.

Respecting and loving people, strong and steadfast in determination, transparent in finance, professional in management and training, Nguyen Hoang group proves that, thanks to education, a developing country like Vietnam can not only enter the world with confidence, but also reach strong in the future through education.

Board of Directors of Nguyen Hoang group in the field of education, converging high quality human resources. Although converging from many different environments, with different capacities and experiences, the members of the Board of Directors of Nguyen Hoang group all have the same desire and enthusiasm to accompany and contribute to Nguyen Hoang group. on the journey of spreading knowledge.

There are also leaders of universities belonging to Nguyen Hoang group, they are always experienced and knowledgeable people, but they always have the same goal of training human seeds, wishing to bring people from all



walks of life. Those who have dreams, have hopes are those who always want to open up to the ocean, to society with the knowledge and experience they receive at the place they have believed to be the best training place. The leadership always wants anyone to join the universities of the Nguyen Hoang group education system where they want the students to see the school as their family, to feel and experience the virtues like a sentence said: "A happy university is a place where all of us from school leaders, officials and lecturers, professionals, employees, students and their parents are happy to work and study with dedication to this school. After all, we all have the pursuit of happiness and that is a legitimate human right".

Currently, the leaders of the schools are still looking for and cooperating with businesses with high positions in the domestic and foreign markets, hoping that students in the school who are currently studying or are about to graduate will have a place to live and to continue to step on their future path, give wings to their dreams and hope that they can continue to soar and fly further in their careers as well as the dreams and goals they have set.

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