Based on COVID-19, Enterprise Strategic Transformation Management of Review

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Abstract. The spread of COVID-19 has caused a huge impact on China's economic situation, and the industry has been significantly affected. Therefore, accelerating the strategic transformation of all industries is the only way to seek sustainable development in the post-epidemic era. This paper reviews the theory of strategic transformation through the study of the concept, classification, development stage, and various industries of strategic transformation, including education, steel, manufacturing, and commercial banks. This paper summarizes the theory of strategic transformation and its development in recent years to a certain extent and puts forward the future research direction of strategic transformation. On the one hand, the research results of this paper provide literature support for the theoretical development of strategy and strategic transformation. On the other hand, it provides a practical basis for studying strategic issues in various industries based on the background of COVID-19.

Keywords: COVID-19; Strategic Transformation; Industry Research; Review.

1. Introduction

A sudden novel coronavirus infection of pneumonia has caused a huge impact on the world's economic, social, and spiritual life. The spread of the epidemic caused an immediate impact on all walks of life, all kinds of enterprises under the influence of different degrees in our country, triggered by the decrease of the number of orders, limit work resumption, understaffed, fixed cost burden, supply chain disruptions, and, in turn, may lead to credit risk and debt risk, which will bring the serious impact of each enterprise.

As can be seen from the data released by Haidilao Hot Pot Co. LTD (Haidilao) on August 25, 2020, it was greatly impacted. The restaurant operating income accounted for 93.7% of the total revenue in the year's first half. The amount decreased from 11.331 billion yuan to 9.151 billion yuan, down 19.2% year on year, mainly due to the epidemic's impact. As for the impact of the epidemic, New Oriental has completed a successful strategic transformation. As of April 22, 2021, New Oriental announced its financial results for the third quarter of the fiscal year 2020, with revenue exceeding \$923 million, up 15.9% year on year. Net income was about \$138 million, up 41.4 percent from a year earlier. Faced with the impact of the epidemic, New Oriental chose to go online. New Oriental invested \$40 million to improve and maintain its online-Merge-Offline (OMO) education ecosystem and committed additional resources to support its new plan to provide online kindergarten through Twelfth Grade (K12) after-school services. The coronavirus outbreak has given online classes an opportunity, which is why New Oriental develops big classes. Through this strategic transformation, New Oriental has proactively addressed the crisis caused by the COVID-19 pandemic.

Therefore, faced with crises and challenges, formulating strategies and carrying out strategic transformation has become a top priority. In the face of abnormal economic forms, the ability of enterprises to adapt to the external environment is very important. This paper chooses strategic enterprise transformation as the theme and summarizes how enterprises carry out strategic transformation and reverse the dilemma under the COVID-19 epidemic.

2. Main body

2.1 Concept

Strategic transformation is based on management upgrading, capital operation as the means, cultural transformation as the core, to promote the strategic upgrading of the industry as the purpose, and to improve the overall quality of employees as the guarantee, to truly realize the transformation from traditional enterprises to modern enterprises in line with the requirements of new economic development and industrial development trend [1]. Corporate strategic transformation is to quickly adapt to the internal and external environment, combine the internal resources and capabilities of the enterprise, break through the bottleneck of the original strategic level of the enterprise, and reformulate the new development goals and implementation path of the enterprise to obtain new development and competitive advantages [2].

2.2 Classification of Strategies

There are three types of strategies: diversification strategy, centralization strategy, and cost strategy [3]. Among them, diversification strategy refers to the development from one product to multiple products, with intangible assets to revitalize tangible assets, enlarging the scale in the shortest time with the lowest cost, which is a kind of strategy to make the enterprise stronger; Concentration strategy is to focus on a specific customer base, a product line segment, or a regional market; Cost-oriented strategy emphasizes providing users with low-priced products at low unit cost, which is a pre-emptive strategy that requires enterprises to have continuous capital investment and financing ability, and their production skills should be at the forefront of the industry [3].

2.3 Strategic Development

The first stage is the traditional strategic theory stage. Igor Ansoff explained the connotation of strategic management in detail for the first time in his Enterprise Strategy [4]. After that, other scholars began to study this field. With the deepening of the research, there are many branch schools of thought. According to the division of strategy school, it can be divided into design school, planning school, positioning school, entrepreneur school, cognition school, learning school, power school, culture school, and environment school.

The second stage is the competitive strategy theory stage. After the 1980s, three important schools emerged. The first is the behavioral structure school headed by Michael Porter, whose core idea is the five-force competition model. Based on this model, the strategy of cost leadership, differentiation, and target aggregation has been developed [4]. Second, the core competence school emerged in the late 20th century, which pointed out that modern market competition requires enterprises to create unique core competence that other enterprises cannot obtain through imitation. Third, the strategic resource school led by Birger Wernerfelt holds that enterprises should fully use their own characteristics and maximize their contribution to enterprise development.

The third stage is the theoretical stage of dynamic competitive strategy in which enterprises face new challenges that are quite different from the past. Affected by the trend of globalization, enterprises have to face a more complex market environment, and the previous traditional strategy and competitive strategy can no longer guide the progress of enterprises. Therefore, scholars continue to explore this field so that the dynamic competitive strategy theory stage produces two theories of great significance. The first is the dynamic ability theory, which focuses on "dynamic" and "ability" two aspects of content. The former requires companies to pay attention to the change of external environment, according to the market situation changes promptly, carries on the management idea, management system, technology innovation, especially in the direction of the market's change in the future is uncertain and frequency [4]. The latter emphasizes the importance of combining theory with practice. Enterprises need to fully combine their own conditions and make constant adjustments to adapt to market changes under the guidance of theory. The second is the competitive dynamics method, a new method developed by combining many classical theories such as the core competence

and competitiveness model with continuous innovation in practice. This paper analyzes the factors reflected in enterprise performance in the actual operating environment. It provides good strategies for enterprises to design and make strategic management decisions in a targeted manner to improve their income and maintain their dominant position in the market.

2.4 Limiting Factors

In view of the strategic transformation of enterprises, domestic and foreign scholars put forward the following three limiting factors [2]: First, the resources and capabilities of enterprises. The unique resources accumulated in the past have become a buffer between organizational inertia or environmental changes, constituting the environmental defense mechanism. Resources limit transformation by reducing the alignment between the organization and the environment, reducing decision makers' sensitivity to external trends. Second, the external environment of the enterprise. When enterprises choose strategic transformation, they must carry out "re-creation" to achieve sustainable development. Researchers of organizational ecology theory believe that environmental characteristics are based on the choice of living organization. Therefore, they emphasize that the macroeconomic environment has a constraint effect on strategic enterprise transformation. The third is the characteristics and motivation of managers. The influence of managers' behavior on strategic transformation depends on managers' cognition of changes in organizational or environmental factors, especially the cognitive behavior of corporate executives will constrain the strategic transformation decision of enterprises to a certain extent.

3. Industry Research Review

3.1 Education Industry

Take New Oriental as an example. Facing the epidemic's impact, the company has transformed its strategy into an online business and accelerated OMO strategy in at least the next two fiscal years. New Oriental has invested \$40 million to improve and maintain the OMO education ecosystem due to the COVID-19 outbreak to support the transition from online to online classes during the pandemic. In addition to the OMO infrastructure, New Oriental has allocated a portion of its resources into teacher training to ensure that they are all capable of online delivery. Meanwhile, During the COVID-19 pandemic, New Oriental Online achieved massive marketing pushed by offering live online broadcast courses to the public, attracting several times more visitors than usual. New Oriental online also added a significant number of account managers and sales staff to support the online business. New Oriental has seized new market opportunities that have helped it realize higher value during the pandemic. New Oriental will expand its production capacity by 20%-25%, which will bring more and more students to New Oriental. These students can improve their retention rate through OMO mode combining online and offline, which is better than traditional offline mode.

3.2 Steel Industry

Take Nanjing Iron and Steel Co. LTD. (Nan Gang) as an example. With the rapid development of the Internet, Customer-to-Manufacturer (C2M) e-commerce platform has played an important role in commodity trading and directly led to the emergence of the iron and steel industry and information industry [6]. After the outbreak of COVID-19, Nan Gang has always been customer-centric and innovated to build an e-commerce platform by using advanced means such as network technology and information security. Nan Gang integrates marketing, marketing, and service into a unified customer service management platform to help enterprises improve their customer service capabilities, response to orders, and market forecasting capabilities. This transformation successfully realizes the seamless connection between the C2M business platform and Nan Gang Enterprise Resource Planning (ERP), Manufacturing Execution System (MES), Special Steel MES, logistics System, inspection and testing systems, providing customers with better services [5].

3.3 Manufacturing

Although China's sports shoes and clothing industry has broken away from the traditional low-end manufacturing industry, it is still in the primary stage of the transformation from manufacturing to service. Therefore, the transformation to service is still a long and challenging process. Under the epidemic situation, the sports shoes and clothing industry can carry out innovative management of the supply chain by using big data, block chain, and other technologies, and build an Internet platform to further understand customer needs accurately to meet the personalized needs of consumers [7].

Take Anta Sports as an example. The extensive application of blockchain technology and "Internet plus" technology has brought convenience to the post-epidemic era and brought great changes to the way of work in all walks of life in China. The development trend of the sports shoes and clothing industry is to use Internet technology to reintegrate production factors and transform the traditional manufacturing industry of sports shoes and clothing into an industry with dual attributes of manufacturing and service [9].

3.4 Commercial Banks

As the impact of the epidemic continues to ferment, it has become a hot topic for economists to study how commercial banks, especially small and medium-sized urban commercial banks, can seize their development opportunities, continuously enhance their strength to face the challenges through strategic transformation, and how to win seats in the economic recovery [7]. In the context of interest rate liberalization, commercial banks can no longer make profits by relying on the profit strategy of a single interest rate spread. Therefore, commercial banks have to transform their profit strategy to obtain more profits. Relevant literature studies at home and abroad are mainly based on cross-regional development, diversified business development, strategic choice, risk management, and other aspects of the profit strategy transformation of commercial banks [3]. In their research on the strategic transformation of commercial banks, Zvi Bodi et al. (2000) and Valverde et al. (2009) believe that firstly in the process of profit strategic transformation, commercial banks should develop targeted and differentiated services and products according to different customers, improve the scale of non-interest income and enhance core competitiveness. Secondly, commercial banks need to develop businesses that conform to the era according to the reform of the national economic environment and system. Finally, commercial banks should pay attention to market risk control and strengthen risk control [10].

4. Conclusions

To sum up, this paper reviews the concept, development stage, limiting factors, and industry studies of strategic transformation. We find that although there are abundant researches on strategic transformation, there are still gaps in the researches, mainly reflected in the following aspects:

(1) There are abundant researches on the strategic management of enterprises under normal circumstances, but in COVID-19, how to carry out strategic management of enterprises is relatively scarce. In the post-epidemic era, China's small and medium-sized enterprises still have many problems and deficiencies, facing severe challenges and tests in strategic management. The impact of COVID-19 on different industries is not the same, so there should be new considerations and exploration in the study of corporate strategic transformation. In the abnormal economic form, the problem of enterprise strategic transformation has further become a phenomenon that academic circles need to study.

(2) Most of the previous studies on strategic transformation take companies as the research object, and there is a lack of studies on the strategic transformation of small and medium-sized enterprises. Listed companies, such as the real estate industry and coal and steel manufacturing enterprises, have been studied a lot. However, the strategic transformation of small and medium-sized enterprises, such as Internet emerging enterprises, new ventures, enterprises in the first financing round, or Angel investment, needs more academic research support.

(3) The current research on enterprise strategic transformation is mainly about qualitative research, lacking quantitative research. Most related researches recently have been considered quantitative research methods. Compared with qualitative research, quantitative research attaches more importance to predictive control, emphasizes the objective reality of facts, and pays more attention to empirical verification.

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