

# Research on the Development Strategy of China XinDongFang Group Based on the Education “Double Reduction” Policy

Jun Deng

School of Economics and Management, Zhaoqing University, Zhaoqing, China

Email: dengjun@zqu.edu.cn

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## Abstract

In 2021, the Chinese government implemented the “Double Reduction” education policy, advocating for quality education, which significantly impacted social educational training institutions. Within this context, the quest for appropriate development strategies holds the fate of all educational training institutions. This paper focuses on the case study of the XinDongFang Group (Abbreviated as XDF Group, or XDF), utilizing literature research and case analysis methods. It concurrently employs comprehensive analyses like SWOT, PEST, among others, to assess the company’s internal and external strategic environments, aligning them with the group’s developmental objectives to formulate its strategic approach. Through this research, it aims to not only comprehend XDF’s developmental strategy but also offer innovative perspectives to other educational training companies in China, thereby fostering a healthy evolution within the educational training industry.

## Keywords

“Double Reduction” Policy, Development Strategy, Education, XDF Group

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## 1. Introduction

### 1.1. Background

The Chinese government has long placed education in a paramount position within its developmental strategy. Entrepreneurs have increasingly directed their investment focus towards the educational domain, while most households perceive education as the most worthy investment, believing that leading in education is the key to securing more opportunities in the future. However, the

obligatory education provided within schools evidently fails to meet the diverse learning needs of families, thus propelling the flourishing growth of China's educational training industry. As the nation's economic status and per capita disposable income continue to rise, the educational training market's scale expands further. Yet, behind this prosperity, numerous educational training institutions prioritize profits, leading to a surge in malpractices such as false advertising, uneven teaching quality, and operating violations.

On July 20, 2021, the Chinese government introduced the "Double Reduction" education policy in the document titled "Opinions on Further Reducing the Academic Burden of Compulsory Education Stage Students and the Burden of Extracurricular Training" (Dong & Bo, 2023; Xie, 2021). This policy categorized subject-specific training institutions for primary and secondary school students as non-profit organizations. Moreover, it strictly prohibited these institutions from obtaining financing through public listings. As a result of these measures, numerous small and medium-sized educational training institutions folded, while larger educational training organizations faced developmental challenges. Stock prices of education groups such as XDF, TAL Education, and Youdao plummeted, forcing them to cease subject-specific operations, significantly reducing profit margins (Li, 2023; Liu, 2018). Additionally, in the first three quarters of 2022, China's average per capita disposable income reached ¥27,650 RMB, marking a 3.2% year-on-year growth. However, per capita spending on education, culture, and entertainment decreased by 4.2%. The decline in educational spending intensified industry competition. Against this backdrop, many institutions have shuttered their K-9 subject-specific training services, redirecting their focus towards quality education and vocational training (Wei, 2023).

Founded in 1993, the XDF Education and Technology Group has secured nearly half of China's education market share through its distinctive teaching model and high-quality educational content. Post the enactment of the "Double Reduction" policy, the XDF Group actively complied with national policies, announcing the closure of all K-9 subject-specific training services in its Chinese learning centers on November 15, 2022. Simultaneously, this policy led to a near 90% evaporation of the XDF Group's market value. In response, the group actively sought transformational opportunities, subsequently developing courses in quality education and exploring avenues in online broadcasting through XDF Online and smart hardware initiatives (Zhang et al., 2021).

## 1.2. Objectives and Significance

Following the enactment of the "Double Reduction" policy, China's educational training industry faced an unprecedented crisis, witnessing bankruptcies of numerous educational training institutions and job losses among training instructors (Yao & Ling, 2023). This article focuses on the case study of the XDF Group. It employs pertinent theories of corporate strategic management and utilizes

analysis tools like SWOT and PEST to analyze the internal and external developmental environments of the XDF Group. This analysis aims to propose adaptive developmental strategies for XDF amid the enterprise's survival challenges.

The substantial impact of the "Double Reduction" policy on China's educational training industry underscores the practical significance of discussing the developmental strategies of educational training companies (Zhou & Xia, 2022). This discussion not only enables researchers to delve deeper into the developmental status of the XDF Group, offering insights internally, but also potentially serves as a guiding model for the transformational development of other educational training institutions in China, thereby fostering a positive evolution within the entire educational training industry. The theoretical significance of this article is that we have enriched the case studies of SWOT and PEST analysis, as well as reviewed relevant literature.

### **1.3. Methodology**

This paper employs a literature review method to comprehend the current research status concerning the development strategies of educational training institutions. It conducts a review of fundamental concepts in corporate strategic management, SWOT, PEST, among others, laying the theoretical groundwork for this paper. Furthermore, to ensure a more scientific and representative argument, this paper selects XDF Group, an influential educational training company in China, as the research subject. By analyzing and studying this case, it aims not only to analyze XDF's transformational development strategy but also to provide a scientifically significant reference for the transformational development of other educational training companies in China.

### **1.4. Contents**

This article is structured into six sections. The first introduces the research background, significance, methodology, and contents. The second section provides a theoretical review of strategic management analysis tools (SWOT analysis, and PEST analysis). The third section analyzes the internal and external environments of the XDF Group. Using the PEST model, it conducts a macro-level analysis of XDF's environment, while the SWOT model explores the group's strengths, weaknesses, opportunities, and threats. The fourth section focuses on selecting and formulating the developmental strategies for the XDF Group. The fifth section presents safeguard measures for the transformational development of the XDF Group. Finally, the sixth section constitutes the conclusion of this article.

## **2. Literature Reviews**

### **2.1. Strategy**

In the 1960s, Chandler first introduced strategic management theory. By the 1970s, strategic management theory primarily evaluated enterprise strategies

through an analysis of both external environments and internal strengths. Andrews' publication of "The Concept of Corporate Strategy" marked a pivotal event in perceiving strategic management theory as an independent domain, emphasizing the need to combine internal and external factor analysis in shaping strategies. Later in the mid-to-late 1970s, strategic management theory entered the industrial economics stage, with Porter asserting that competitive strategy is pivotal for enterprise growth and expansion. Subsequently, the theory underwent stages dominated by organizational economics and enterprise resource perspectives. Towards the late 1990s, scholars contended that knowledge was the direction for the development of enterprise strategic management. In modern enterprises, corporate developmental strategies chiefly involve adjustments to the enterprise's development plans within specific periods (Wang, 2022).

Corporate strategic management primarily entails strategic selection from a company's overall perspective, exerting a decisive influence on the enterprise's future development. It is categorized into four types: growth strategy, contraction strategy, stability strategy, and hybrid strategy. By adjusting business domains and resource allocations, it drives sustainable development within companies.

## 2.2. PEST Analysis Model

The PEST analysis model serves as a fundamental tool to assess the external strategic environment of enterprises, primarily analyzing the macro-environment they face. The macro-environment denotes various macro-forces impacting all industries and enterprises. PEST represents the political, economic, social, and technological elements. The political environment generally encompasses national policy directives and legislation. The economic environment typically includes a nation's economic system, level of economic development, and layout of resource industries. The social environment typically encompasses residents' perspectives on life, cultural levels, and beliefs. The technological environment generally involves technological breakthroughs and advancements (Chen, 2019; Tang, 2022).

## 2.3. SWOT Analysis Model

The SWOT analysis model entails summarizing and comparing an enterprise's internal and external conditions, thereby analyzing the enterprise's strengths, weaknesses, opportunities, and threats. In the model, **S** stands for strengths, **W** for weaknesses, **O** for opportunities, and **T** for threats. By enumerating the four elements of an enterprise and analyzing associated factors, this model yields conclusions for enterprise development strategies.

Through analyzing the SWOT matrix, four general strategies can be derived. The first strategy, **SO** strategy or growth strategy, emphasizes leveraging internal strengths and utilizing external opportunities to expand the market, fostering rapid enterprise growth. The second strategy, **WO** strategy or stability strategy,

emphasizes leveraging external opportunities while mitigating internal weaknesses, thus steering the enterprise towards benefit and away from harm. The third strategy, **ST** strategy or hybrid strategy, emphasizes leveraging enterprise strengths to combat external threats, enabling the enterprise to flourish while managing vulnerabilities. The fourth strategy, **WT** strategy or contraction strategy, emphasizes how enterprises should address internal weaknesses and external threats (Chen, 2019; Tang, 2022).

### 3. Environmental Analysis of the XDF's Development Strategy

#### 3.1. Introduction of XDF

Established in 1993 in Beijing, XDF School expanded its educational presence eight years later, establishing schools in locations like Guangzhou and Shanghai. In December 2001, XDF entered the field of distance education. By 2002, it established school branches in several Chinese provinces and concurrently founded the Elite English Learning Center. In September 2006, XDF went public in the United States, becoming the first Chinese educational institution listed in the U.S. In September 2013, it entered the field of private higher education in China. In 2018, XDF provided a learning platform for innovation and entrepreneurship in the broader education sector. In 2021, operational scopes of some of XDF's schools underwent fine-tuning, becoming more specialized.<sup>1</sup>

Before the "Double Reduction" policy, XDF exhibited sound financial status. In the fiscal year 2019, its net income was \$3.096 billion USD, marking a 26.52% year-on-year increase. In the fiscal year 2020, its net income reached \$3.579 billion USD, a 15.57% year-on-year growth. In the fiscal year 2021, the net income soared to \$4.277 billion USD, marking a 19.50% year-on-year increase. Post the "Double Reduction", XDF was compelled to cut its K-9 subject-specific operations, leading to a substantial revenue decline. On October 26, 2022, XDF disclosed its first-quarter financial statement for the new fiscal year. The data revealed a net revenue of \$745 million USD for the quarter, a 43% year-on-year decrease. Operating profit surged by 140.5% to \$78 million USD, while operating costs and expenses dropped by 47.8% to \$668 million USD. However, segments related to overseas exams and consultancy witnessed respective year-on-year growths of 2% and 21%, while university student vocational skill exam training grew by approximately 2%.<sup>2</sup>

#### 3.2. PEST Analysis

##### 3.2.1. Political Factors

In 2013 and 2016, China respectively implemented the "single-child" and "two-child" policies. As per National Bureau of Statistics data by the end of 2021, China's population was approximately 1.413 billion, an increase of 53.38 million compared to the end of 2012, averaging an annual growth of 5.931 million and

<sup>1</sup>Data source: <https://lingxi.xdf.cn/dad9d4b2>.

<sup>2</sup>Data source: XDF's quarterly financial statements from 2019 to 2022.

an annual growth rate of 0.4%. In furthering China's balanced population development, in 2021, the government encouraged citizens to have a third child. This policy adjustment has promoted an increase in the birth rate and provided a population base for early childhood education enterprises.

Simultaneously, China's policies concerning national quality education and training have gradually become clearer. In 2019, the government included physical education in high school enrollment scoring subjects. In 2020, it incorporated physical education and art subjects into the middle school entrance examination reform. In 2021, it specified a reform plan wherein by 2025, over 15% of China's population would possess scientific literacy, significantly improving uneven regional and demographic scientific literacy developments. Additionally, policies have been enacted concerning vocational education, adult education, and related domains (Wang & Liang, 2023).

### 3.2.2. Economic Factors

In recent years, China's economy faced significant impacts from the COVID-19. According to National Bureau of Statistics data analysis, the GDP growth rate in 2020 decreased by 3.8% compared to the previous year, with a 3.7% reduction in the growth rate of per capita disposable income. However, in 2021, China's GDP and per capita disposable income increased by 8.1% compared to 2020. Overall, China's economic development trend has shown promising signs. Simultaneously, government expenditure on education has been steadily increasing. In 2021, government investment in education reached 5.7 trillion RMB. Additionally, per capita spending on education, culture, and entertainment by residents steadily increased from 2015 to 2019, reaching 2469 RMB by 2022. These three data points indicate significant growth potential within China's education and training industry (Table 1).

**Table 1.** Per capita consumption of education, culture, and entertainment among Chinese residents.

Years	Per capita consumption expenditure of national residents (RMB)	Per capita expenditure on education, culture, and entertainment consumption (RMB)	Proportion
2015	15,712	1723	11.0
2016	17,111	1915	11.2
2017	18,322	2086	11.4
2018	19,853	2226	11.2
2019	21,559	2513	11.7
2020	21,210	2032	9.6
2021	24,100	2599	10.8
2022	24,538	2469	10.7

Data source: National Bureau of Statistics of China.

### 3.2.3. Social Factors

People are increasingly focused on knowledge accumulation and personal development, as evidenced by the rise in per capita spending on education, culture, and entertainment. In the field of education, the demand extends beyond knowledge transmission to include personal spiritual and qualitative enhancement (Zhang & Ma, 2022). Moreover, the “2022 China Quality Education Industry Report” indicates that post the “Double Reduction” policy, parental investment in interest-based courses surged to 85%. This high support level from parents signifies substantial market demand within China’s education and training industry (Liu & Ma, 2022).

### 3.2.4. Technological Factors

As per the “49<sup>th</sup> Statistical Report on China’s Internet Development” by December 2021, China had 1.032 billion internet users, with a high internet penetration rate of 73.0%, accessing over 76 million devices, achieving near “full broadband coverage.” This report also indicates that Chinese internet users spent an average of 28.5 hours online per week. Government investment in educational informatization has been increasing annually, and the development of the internet and 5G technologies has compressed the market space for traditional teaching methods. This development has propelled the convergence of education, technology, and intelligence. According to forward-looking data, as of March 2020, over 400 million Chinese users engaged in online education, which surged to approximately 300 million by December 2021. Owing to the impact of the COVID-19, online education has gained acceptance and usage among more individuals, driving combinations of educational modes such as micro-classrooms, course live streaming, VR technology, and intelligent software within the education and training industry.

## 3.3. SWOT Analysis

### 3.3.1. Strengths

**Scale and Brand Power:** Over 30 years, XDF has grown from a basic training school into a comprehensive education group, boasting 118 schools and 1625 centers by February 2021. The brand, listing in Hong Kong and the United States, signifies its strong market position, with nearly 2.3 million student enrollments. Its diverse subsidiaries and wide-ranging business contribute to its leading position in the industry.

**Sufficient Financial Reserves:** By May 31, 2021, XDF had a revenue of \$4.277 billion USD and, prior to the “Double Reduction” policy, had amassed substantial reserves, exceeding 20 billion RMB post the policy. These reserves support the strategic transformation and development of XDF even amid challenging times.

**High-Quality Teaching Content and Model:** With a significant investment in over 68 education sectors, over 60% dedicated to quality education, XDF emphasizes standardized teaching through comprehensive curriculum preparation.



Leveraging both offline and online modes tailored to individual learning abilities, it has established a robust teaching methodology.

**Strong Faculty Team:** Employing around 26,300 teachers, many from elite Chinese universities or with overseas study experiences, XDF meticulously selects and trains teachers to ensure the best learning experience for students, maintaining the quality and stability of its teaching staff.

**Commitment to Technological Innovation and Product Development:** XDF's emphasis on research and innovation led to the launch of the OMO system in 2014, integrating online and offline resources. With over 5000 R&D personnel in 2021 and 3000+ after staff cuts in 2022, XDF continues its focus on technological and product innovation.

### 3.3.2. Weaknesses

**Lack of Competitive Pricing:** While recognized for quality, XDF's course pricing lacks competitive advantages within the industry. For instance, courses like programming, arts, and chess in Guangzhou cost ¥2160 RMB for 18 hours, indicating potential challenges due to high prices (Zheng, 2023).

**Uneven Product Development:** The company's main focus had been on K-12 extracurricular tutoring before the "Double Reduction" policy. Despite forays into diversified sectors like quality education, university education, vocational training, and overseas studies, each sector's development and revenue ratio show significant differences. This diversification may pose profit challenges (Shen, 2022).

**Shortage of Specialized Faculty for New Courses:** While venturing into new domains such as programming, robotics, Lego, and calligraphy, XDF's expertise primarily lies in subject-based training, leading to a lack of specialized talent for these new areas.

### 3.3.3. Opportunities

**Government Policy Support:** China's recent policies promoting high-quality education and vocational training offer significant opportunities. Government initiatives like the "National Action Plan for Scientific Literacy (2021-2035)" and the modernization of education support the development of quality and vocational education.

**Growing Market Demand:** The expanding market for quality education in China, increasing from ¥264.2 billion RMB in 2015 to ¥528.6 billion RMB in 2019, indicates a substantial increase in demand. By 2023, this market is expected to exceed ¥700 billion RMB, particularly with increased demand for university education due to expanded college enrollment and students seeking job placements, language proficiency certifications, and overseas studies.

**Technology Driving Diverse Demands:** The widespread internet penetration in China and technological advancements have sparked diverse demands for educational tools and modes. This includes a growing preference for smart educational products and online live-assisted teaching.



### 3.3.4. Threats

**Intense Market Competition:** The “Double Reduction” policy forced many institutions to close K-9 subject tutoring businesses, intensifying competition among education and training institutions. This shift might lead to aggressive market rivalry (Zhang, Chen, & Fan, 2023).

**Severe Product Homogenization:** In a limited demand market, excessive saturation can lead to the threat of product homogenization. Despite being the largest comprehensive education and training group in China, XDF’s products may face threats from lower-priced alternatives in the market.

**Impact of “Double Reduction” Policy:** The closure of K-9 subject education and the significant decline in market value and revenue after the policy’s implementation pose a considerable risk. Although XDF is exploring new business avenues in quality education, vocational education, university education, live selling of agricultural products, and smart hardware, these ventures entail substantial risks.

### 3.3.5. Strategic Analysis of SWOT Matrix

According to the analysis of XDF’s strengths, weaknesses, opportunities, and threats matrix, four strategic directions can be identified (Table 2).

**SO Strategy (Growth-oriented Strategy):** Emphasizing leveraging internal strengths and seizing opportunities to expand the market. XDF can utilize its brand advantage to promote new products, while leveraging its financial prowess and teaching content advantages to enhance product development and explore

**Table 2.** Strategic analysis of SWOT matrix.

Internal environment	<b>Advantages (S)</b>	<b>Disadvantages (W)</b>
	<ol style="list-style-type: none"> <li>1. Large scale and strong brand</li> <li>2. Adequate financial reserves</li> <li>3. High quality teaching content and mode</li> <li>4. A strong teaching staff</li> <li>5. Adhere to technological innovation and product research and development</li> </ol>	<ol style="list-style-type: none"> <li>1. Lack of competitiveness in product prices</li> <li>2. Uneven product development</li> <li>3. Lack of professional teachers for newly developed courses</li> </ol>
External environment	<b>Opportunities (O)</b>	<b>WO Strategy</b>
	<ol style="list-style-type: none"> <li>1. Government policy support</li> <li>2. Market demand growth</li> <li>3. Technology drives diversified demand</li> <li>4. People’s emphasis on education</li> <li>5. Relaxation of epidemic policies</li> </ol>	<ol style="list-style-type: none"> <li>1. Increase the proportion of quality and vocational education sectors, focusing on key businesses</li> <li>2. Hire high-quality teachers and professional R&amp;D personnel to improve service quality</li> </ol>
Threats (T)	<b>ST Strategy</b>	<b>WT Strategy</b>
	<ol style="list-style-type: none"> <li>1. Intense market competition</li> <li>2. Severe product homogenization</li> <li>3. The impact of the “double reduction” policy</li> </ol>	<ol style="list-style-type: none"> <li>1. Reduce prices appropriately or optimize product pricing strategies</li> <li>2. Reduce operating costs and optimize business strategies</li> <li>3. Strengthen differentiated operations</li> </ol>

new business avenues, thereby swiftly capturing the market.

**WO Strategy (External Opportunity-driven Strategy):** Emphasizing the utilization of external opportunities while mitigating internal weaknesses. Under this strategy, XDF should focus on quality education and the development of underdeveloped sectors, fostering deeper business expansion. Additionally, by recruiting high-quality educational researchers, they can enhance the quality of their offerings.

**ST Strategy (Leveraging Strengths to Overcome Threats):** Highlighting leveraging corporate strengths to overcome external threats. XDF can expedite product development using its brand strength and research capabilities while uncovering product differentiation to achieve distinct development.

**WT Strategy (Mitigating Internal Weaknesses and External Threats):** Emphasizing cautious management in addressing internal weaknesses and external threats. XDF can optimize internal pricing and operational strategies to ensure sustained differentiated operations.

The aforementioned analysis indicates that XDF faces developmental challenges due to the “double reduction” policy resulting in significant drops in stock prices, reduced revenue, and a shrinking market value. However, over its 30-year development journey, XDF has amassed brand recognition, teaching experience, and substantial financial reserves. Leveraging policy support and market demand momentum, XDF can pivot towards in-depth educational business and interdisciplinary development strategies. Hence, considering the features of these four strategies and XDF’s current development status, this article suggests that XDF should adopt the growth-oriented **SO** strategy as its chosen developmental model in the current market environment.

## 4. Strategy Implementation Analysis

### 4.1. Diversified Business Expansion

Expanding business comprehensively on existing foundations to achieve diversified growth is paramount. In the realm of smart education, emphasizing research and development of intelligent educational products and innovative learning aids like AI learning machines and educational smartwatches is pivotal. As per the iResearch Consulting’s “Insights Report on China’s Educational Smart Hardware Trends 2021,” it is anticipated that by 2024, China’s smart education hardware market scale is likely to approach nearly ¥100 billion RMB. Currently, XDF is actively exploring the path of smart education product development. Having previously launched products such as Word Master, Exam Prep Pro, Smart Pens, and Bilingual Learning Devices, they recently introduced the OK Smart Learning Machine and Bilingual Mental Math Wizard. Despite numerous similar products in the market, XDF, through its robust teaching content and models, continuously integrates innovative ideas in its development, maintaining significant influence.

In the live streaming e-commerce sector, XDF has devoted substantial effort

and established the Eastern Selection sub-brand. Since June 2022, Eastern Selection has consistently held the top position in the Douyin live commerce ranking for several months within its industry.<sup>3</sup> XDF continually adjusts its live streaming strategies by infusing knowledge dissemination to create a comfortable atmosphere. To deepen its presence in the educational training live streaming industry, XDF enhances host training and plans live content to ensure novelty, value, and appeal. Moreover, they actively elevate product competitiveness, ensure smooth supply chains, and enhance consumers' purchasing experiences (Yu, 2023).

#### **4.2. Focus on Key Teaching Businesses**

Current data shows a vast market for quality education and adult education in China. XDF steadfastly focuses on educational businesses while expanding into live streaming and smart product domains. Simultaneously, it strategically lays out a product framework for character education, aiding comprehensive youth development. In August 2021, Beijing XDF officially launched six major content modules and 12 student-oriented courses, alongside five courses for parents, encompassing programming, robotics, fine arts, eloquence, calligraphy, chess, and traditional Chinese culture. Official statistics from XDF highlight that sports, fine arts, and dance interest classes are the top three in demand. Thus, XDF could fortify its presence in educational training in sports and arts sectors. Furthermore, they accelerate layouts in adult education and vocational training systems, catering to overseas students and undergraduates seeking professional training. In Q2 2023, the non-disciplinary tutoring business witnessed 477,000 enrollments, marking a 17% and 14% year-on-year growth in overseas exam preparation and consultation businesses, respectively. Hence, overseas education remains a pivotal business for future development. XDF must invest more resources, such as recruiting proficient experienced teachers, refining training systems, and enhancing publicity efforts. Throughout its training business expansion, XDF should align with governmental and societal needs, identifying products or services genuinely beneficial to China's educational training.

#### **4.3. Strengthening Product Differentiation**

XDF offers major educational blocks encompassing quality education, university education, vocational education, among others, in a competitive market. To stand out, XDF must ensure its products outshine similar ones in the market. Leveraging its robust product research and development capability is key to innovating courses and increasing investment in course development. Tailoring product prices and teaching difficulty levels according to students' varying educational progress and diversified demands for the same course is crucial. Simultaneously, XDF needs further product segmentation in educational training, tapping into products' attractiveness. Apart from achieving differentiation in

<sup>3</sup>Data source: [https://www.sohu.com/a/694418171\\_362225](https://www.sohu.com/a/694418171_362225).

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product development, XDF can enhance user stickiness and increase repeat purchases through product differentiation (Chen, 2013).

## 5. Strategies Ensuring Implementation

### 5.1. Brand and Cultural Assurance

In the education and training industry, XDF enjoys significant brand recognition. Leveraging a robust faculty and teaching model in course training, XDF has achieved commendable educational outcomes, garnering praise from most consumers. Facing economic losses due to the “Dual Reduction” policy, XDF, demonstrating social responsibility, opted to relinquish non-compliant course structures. They actively settled employee wages and refunded student fees (Kang, 2022). This corporate conduct profoundly reflects XDF’s social responsibility and cultural values. Acknowledging and trusting in XDF’s education service quality and corporate responsibility, ample potential exists to leverage their brand effect. Be it sustained deepening in educational training courses or accelerating the transition to live commerce, XDF strategically harnesses brand and corporate culture to discern its market positioning and core competencies.

### 5.2. Financial Assurance

As of November 2022, XDF holds cash and cash equivalents of \$1.029 billion, with fixed-term deposits at \$1.033 billion and short-term investments totaling \$2.145 billion. Diversified strategies necessitate substantial funds to propel multifaceted business expansion and mitigate corporate operational risks. To ensure diversified strategy implementation, XDF consistently strengthens financial resource management, distinguishing primary and secondary businesses and rigorously allocating funds. Within the training business segment, they refrain from pre-advancing training revenues beyond two months for investment and R&D expenses to avoid financial chain disruptions. Simultaneously, while planning new businesses, precise financial analyses delineate the relationship between anticipated investments and expected profits, averting situations of excessive investment.

### 5.3. Human Resource Assurance

An exceptional faculty is an indispensable resource for educational training institutions. How to nurture and retain exceptional teachers to form a robust faculty is a focal concern for XDF. Attracting talent manifests through material and emotional enhancements. Materially, XDF designs a structured faculty remuneration system, incorporating basic salaries and incentives, varying base salaries for different employee levels, coupled with student performance increments and examination pass rates in subjects like English, computer science, and accounting. Additionally, factors such as teachers’ teaching material development abilities, peer evaluations, internal assessments, and external evaluations by students’ families constitute evaluation standards, ensuring comprehensive

faculty remuneration. Emotionally, to instill employee identification and belongingness, XDF enhances employee happiness through periodic corporate culture dissemination, employee recognition, feedback mechanisms, and festive team-building activities. XDF provides statutory benefits such as social security, statutory holidays, alongside perks like meal allowances, health check-ups, various festival allowances, and periodic international trips for employees (Meng, 2017). It can be stated that XDF stabilizes faculty team construction through both material and emotional support.

#### **5.4. Research and Development Innovation Assurance**

As China's largest and most influential educational training institution, XDF prioritizes product innovation, garnering surplus profits and maintaining an industry-leading position. Simultaneously, product R&D innovation serves as one of XDF's effective measures against external threats like changes in examination policies and the influx of foreign institutions. Firstly, focusing on accelerating technological advancements and catering to personalized client demands, XDF utilizes extensive information resources in the global education industry for product R&D (Zeng, 2023). Secondly, seizing the early bird advantage in product introduction and growth phases, XDF maintains a vigilant approach, developing products above industry standards ahead of most competitors, evading substantial profit declines post-maturity phase. Additionally, XDF cautiously selects R&D projects, comprehensively considering R&D costs and risks, progressively propelling R&D innovation within reasonable parameters. Presently, products like online education and vocational education are still in growth phases, with continuous market demand expansion, prompting XDF to earmark them as key R&D domains, striving for breakthroughs. Furthermore, increasing R&D investment becomes imperative. R&D innovation necessitates support from funds, talent, and technical resources. XDF consistently amplifies funding and recruits research talent, fostering internal innovation and refining incentive mechanisms. Building upon existing innovative products, they cultivate more promising products, seizing niche markets, further enhancing market shares across various educational training products.

### **6. Conclusion and Prospction**

#### **6.1. Conclusion**

This article utilizes XDF as a case study, analyzing its internal and external environments under the context of the "Dual Reduction" policy through PEST and SWOT analyses. The outcome derives the developmental strategies for the company's current stage and proposes corresponding safeguards. Initially, the PEST analysis scrutinizes the macro-environment of XDF. Conclusions reveal governmental emphasis on scientific education, encouragement for quality education, and families' inclination toward holistic child development. Despite the impact of the "Dual Reduction" policy, a substantial portion of China's popula-

tion still requires extracurricular training institutions to meet diverse learning needs, indicating considerable market potential for quality and adult education. Additionally, employing the SWOT analysis model for XDF delineates strengths, weaknesses, opportunities, and threats. It's observed that XDF maintains a competitive edge, boasting robust development momentum due to its brand advantage, scale, 30 years of educational content and models, and substantial financial reserves. These factors enable XDF to adapt swiftly to changes, navigating through new avenues despite significant constraints like increased competition, losses from the "Dual Reduction" policy, and nascent new businesses. However, amidst these challenges, China's government encouragement for quality and vocational education brings forth new opportunities. XDF can leverage its strengths and external opportunities through the 'SO' strategy, capitalizing on strengths and seizing external opportunities for new business development. This study further elaborates on specific measures such as diversified business expansion, focused teaching services, and enhanced product differentiation in XDF's strategic implementation. To ensure the smooth execution of these strategies, suggested safeguards encompass brand and cultural assurance, financial security, human resource reinforcement, and research and development innovation support.

## 6.2. Prospection

This article examines the transformative developmental strategy of XDF using strategic management knowledge. However, external environments for each enterprise are variable, thus the conclusions drawn in this study may not universally apply to other enterprises' strategic transformations. Future research endeavors aim to augment the quantity of case studies, striving for widely applicable research outcomes suitable for diverse enterprises in similar or different industries undergoing transformative development. Additionally, future studies aspire to undertake comparative analyses of enterprise transformative developments, uncovering success stories of more industry-typical enterprises, further catering to the demand for case studies in enterprise strategic management among academic researchers in education and beyond.

## Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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