

Research on the Dynamic Capability Building and Strategic Transformation of Chinese Education and Training Enterprises Under the Background of the "Double Reduction" Policy A Case Study of New Oriental

Zhou Lidan¹, Napaporn Khantanapha^{1*}, Sarawut Jasadakum^{1,2}

¹Faculty of Business Administration (International Program)

Southeast Asia University, Bangkok, Thailand

²Independent Scholar

*Corresponding author: e-mail address napapornk@sau.ac.th

Abstract

the official introduction of the "Double Reduction" policy marked a historic turning point for China's education and training industry, as subject-based tutoring institutions faced dual challenges of business model failure and resource value reassessment. Based on dynamic capability theory, this study adopts a documentary case study approach using New Oriental Education & Technology Group as the research object, to systematically analyze its dynamic capability building process and strategic transformation path under the policy shock. The findings indicate that: first, the "Double Reduction" policy constitutes a fundamental institutional shock to the education and training industry from both demand and supply sides, rapidly turning original core resources into "core rigidities"; second, New Oriental demonstrated a relatively complete dynamic capability system in response to the crisis, with sensing capability reflected in the keen capture of policy signals and timely identification of transformation opportunities, seizing capability manifested in rapid organizational restructuring and activation of core resources, and reconfiguring capability supporting continuous optimization of business portfolio and cross-border breakthroughs; third, the strategic transformation of education and training enterprises presents a dual-track model of "deep cultivation of existing stock plus exploration of incremental growth," an ecological model of "education core plus cross-border extension," and an endogenous model of "resource activation plus capability reconstruction"; fourth, a two-way interactive relationship exists between dynamic capabilities and strategic transformation, whereby transformation practice in turn promotes the evolution and enhancement of dynamic capabilities. This study enriches the application of dynamic capability theory in highly regulated environments, provides referable transformation experience for education and training enterprises and other firms facing similar policy shocks, and offers references for governments to optimize regulatory approaches and promote benign interaction between policy goals and enterprise development.

Keywords : Double Reduction Policy; Education and Training Enterprises; Dynamic Capabilities; Strategic Transformation; New Oriental; Case Study

1. INTRODUCTION

On July 24, 2021, the General Office of the Communist Party of China Central Committee and the General Office of the State Council officially issued the *Opinions on Further Reducing the Homework Burden and Off-Campus Training Burden of Students in Compulsory Education* (hereinafter referred to as the "Double Reduction" policy), marking that China's education and training industry has entered a brand-new historical stage of development. The core goal of this policy is to reduce the excessive homework burden and off-campus training burden of students

in the compulsory education stage, promote their all-round and healthy development, alleviate parents' anxiety, and advance educational equity and high-quality development (General Office of the Communist Party of China Central Committee & General Office of the State Council, 2021).

The introduction of the "Double Reduction" policy has exerted a profound and drastic impact on education and training enterprises that have long relied on K-12 subject-based training businesses. The policy clearly stipulates strict control over the time of subject-based training, restrictions on the number of training institutions,

strengthened supervision, and severe investigation and punishment of teachers' paid off-campus tutoring in accordance with the law. The issuance of the document has brought tremendous changes to the education and training industry, with many institutions facing the choice of transformation or exit (General Office of the Communist Party of China Central Committee & General Office of the State Council, 2021).

Faced with the sudden drastic changes in the policy environment, the traditional strategic management model and static resource-based view of education and training enterprises can hardly effectively guide enterprises to cope with crises. The traditional resource-based view emphasizes that enterprises obtain competitive advantages based on existing scarce resources, but when the environment undergoes fundamental changes, the original core resources of enterprises may quickly turn into "core rigidities" (Leonard-Barton, 1992). Therefore, this study introduces the dynamic capability theory as the analytical framework, takes New Oriental Education & Technology Group as an example, and aims to answer the following core research questions through an in-depth analysis of its dynamic capability building process and strategic transformation path under the impact of the policy.

2. LITERATURE REVIEW

2. Materials and Methods

This study adopts a qualitative documentary research approach using a single-case study of New Oriental Education & Technology Group. Documentary evidence, including policy documents, annual reports, corporate announcements, news reports, and academic literature, was collected and analyzed to examine the firm's dynamic capability building and strategic transformation under the "Double Reduction" policy.

2.2 Data Sources

The data sources mainly include policy documents issued between 2021 and 2024, New Oriental annual reports and corporate announcements published from 2021–2024, public reports and news articles released during the same period, and academic literature related to dynamic capability theory and strategic transformation. These materials provide both empirical evidence and theoretical support for the study.

2.3 Theoretical Basis

This study is mainly based on dynamic capability theory and strategic transformation theory to explain how enterprises respond to

environmental uncertainty and policy changes through capability reconstruction and strategic adjustment.

2.3.1 Dynamic Capability Theory

Dynamic capability theory, proposed by Teece, Pisano, and Shuen (1997), refers to an enterprise's ability to integrate, build, and reconfigure internal and external resources in rapidly changing environments. The theory emphasizes three dimensions: sensing capability, seizing capability, and reconfiguring capability, which together support sustainable competitive advantage and organizational adaptation.

2.3.2 Strategic Transformation Theory

Strategic transformation theory explains how enterprises fundamentally adjust their strategic direction, organizational structure, and resource allocation when facing environmental changes or institutional pressures. In the context of the "Double Reduction" policy, strategic transformation provides an important framework for understanding the adjustment and development path of education and training enterprises.

2.4 Trustworthiness of Data

To enhance the credibility of the findings and reduce potential bias from corporate reports, data triangulation was conducted by comparing policy documents, annual reports, corporate announcements, news reports, and academic literature. The consistency of evidence across multiple documentary sources was used to validate the interpretation of New Oriental's strategic transformation process.

3. RESULTS AND DISCUSSION

This section discusses the institutional logic of the "Double Reduction" policy, its impact on the education and training industry, and the dynamic capability construction and strategic transformation of New Oriental Education & Technology Group under policy pressure.

3.1 Institutional Logic of the "Double Reduction" Policy and Industry Impact

The "Double Reduction" policy significantly reshaped China's education and training industry by reducing students' academic burden, regulating off-campus tutoring, and strengthening educational equity and public welfare orientation. The policy caused substantial pressure on K-12 training institutions and accelerated industry-wide transformation.

3.1.1 Core Content and Institutional Logic of the “Double Reduction” Policy

The policy focuses on reducing homework burden, regulating off-campus training, improving after-school services, and strengthening student management systems. Institutionally, the policy reflects a shift toward educational fairness, public welfare, and students’ holistic development, while reducing excessive commercialization in education (General Office of the Communist Party of China Central Committee & General Office of the State Council, 2021).

3.1.2 Analysis of the Impact of the “Double Reduction” Policy on the Education and Training Industry

The policy fundamentally changed market demand and invalidated the traditional K-12 tutoring business model. Education enterprises faced challenges including resource revaluation, organizational restructuring, legitimacy reconstruction, and large-scale business transformation. As a leading enterprise, New Oriental experienced severe operational impacts and became a representative case of strategic adaptation.

3.2 Construction and Evolution of New Oriental’s Dynamic Capabilities

New Oriental gradually developed sensing, seizing, and reconfiguring capabilities to adapt to policy changes. These dynamic capabilities enabled the company to identify transformation opportunities, mobilize resources, and continuously adjust its business portfolio under environmental uncertainty (Teece et al., 1997).

3.2.1 Sensing Capability: Identification of Environmental Changes and Opportunity Discovery

New Oriental demonstrated strong sensing capability by identifying policy trends early and recognizing transformation opportunities in quality-oriented education, study tours, camp education, and after-school services. This capability allowed the company to quickly clarify strategic directions and reduce uncertainty.

3.2.2 Seizing Capability: Resource Mobilization and New Business Layout

After identifying opportunities, New Oriental adjusted its organizational structure, reallocated resources, and expanded into new business sectors such as quality-oriented education and family learning services. The company effectively utilized its brand

influence, teacher resources, and market channels to support strategic transformation.

3.2.3 Reconfiguring Capability: Continuous Adjustment of Business Portfolio and Organizational Capabilities

New Oriental continuously optimized its business portfolio and organizational capabilities through online-offline integration, business restructuring, and cross-border innovation. The success of East Buy’s live-streaming e-commerce business reflected the company’s strong reconfiguring capability and adaptability in a rapidly changing environment.

3.3 Path Analysis of New Oriental’s Strategic Transformation

New Oriental’s strategic transformation shifted from traditional subject-based tutoring toward diversified and policy-compliant business models. The company gradually evolved into a comprehensive education ecosystem builder through diversification and cross-sector expansion.

3.3.1 Overall Direction of Strategic Transformation

The company transformed from policy-restricted K-12 tutoring toward non-subject-based education, quality-oriented education, study tours, overseas examinations, and diversified service sectors. This transformation reduced business risks and improved organizational sustainability.

3.3.2 Specific Paths of Strategic Transformation

New Oriental adopted multiple transformation paths, including strengthening existing businesses, exploring incremental businesses, expanding cross-border businesses such as live-streaming e-commerce and cultural tourism, and reconstructing organizational capabilities to support long-term strategic development.

3.4 Interactive Mechanism Between Dynamic Capabilities and Strategic Transformation

Dynamic capabilities and strategic transformation interact in a mutually reinforcing process. Sensing capability supports strategic positioning, seizing capability facilitates resource allocation, and reconfiguring capability enables continuous strategic alignment and organizational adaptation.

3.4.1 Mechanism of Dynamic Capabilities Supporting Strategic Transformation

Sensing capability helps enterprises identify transformation opportunities, seizing

capability converts strategic intentions into actions, and reconfiguring capability supports continuous adaptation and long-term competitiveness in dynamic environments.

3.4.2 Evolution Mechanism of Strategic Transformation Feeding Back Dynamic Capabilities

The practice of strategic transformation further strengthens dynamic capabilities through organizational learning, experience accumulation, resource enhancement, and continuous capability renewal.

3.5 In-Depth Discussion of Research Findings

The findings reveal the importance of dynamic capabilities in highly regulated environments and highlight the unique transformation patterns of education and training enterprises in China.

3.6.1 Particularity of Dynamic Capabilities in a Highly Regulated Environment

In highly regulated environments, enterprises require stronger institutional sensitivity, legitimacy awareness, and adaptive capability to align strategic actions with policy requirements and institutional expectations.

3.6.2 Model Characteristics of Strategic Transformation in the Education and Training Industry

The transformation of education enterprises demonstrates characteristics such as dual-track development, ecosystem expansion, and endogenous capability reconstruction through resource activation and organizational learning.

3.6.3 Development and Enlightenment of Dynamic Capability Theory

This study confirms the applicability of dynamic capability theory in highly regulated environments and suggests that future research should strengthen the institutional dimension and evolutionary analysis of dynamic capabilities, particularly in the Chinese context.

4. CONCLUSION

4.1 Research Conclusions

Taking New Oriental Education & Technology Group as a case, this study deeply analyzes the process and mechanism of dynamic capability building and strategic transformation of education and training enterprises under the background of the

"Double Reduction" policy. The study draws the following main conclusions:

First, the "Double Reduction" policy constitutes a fundamental institutional impact on the education and training industry, leading to the failure of enterprises' traditional business models and the revaluation of resource value. From multiple dimensions such as reducing homework burden, regulating off-campus training and improving after-school services, the policy systematically changes the institutional environment of the education and training industry. The original K-12 subject-based training business model of education and training enterprises is fundamentally restricted, and enterprises face the pressure of mandatory transformation. This finding confirms the profound impact of institutional pressure on enterprises' strategic choices in institutional theory.

Second, dynamic capabilities are the core capability basis for education and training enterprises to cope with policy shocks and achieve strategic transformation. The study finds that New Oriental has demonstrated a relatively complete dynamic capability system in the transformation process: sensing capability is reflected in the keen capture of policy signals and clear judgment of transformation direction; seizing capability is reflected in the rapid adjustment of organizational structure and reallocation of resources; reconfiguring capability is reflected in the continuous optimization of business portfolio and constant renewal of organizational capabilities. The dynamic capabilities of these three dimensions cooperate with each other to support the realization of the enterprise's strategic transformation.

Third, the strategic transformation of education and training enterprises presents a dual-track model of "deep cultivation of existing stock + exploration of incremental growth", an ecological model of "education core + cross-border extension", and an endogenous model of "resource activation + capability reconstruction". These transformation model characteristics are transformation paths explored by education and training enterprises under a special institutional environment and have reference significance for other enterprises. Enterprises do not completely abandon their original business foundation, but carry out strategic transformation on the basis of retaining core advantages.

quantitative development of theoretical research.

In short, the transformation of education and training enterprises under the background of the "Double Reduction" policy provides a rare "natural experiment" scenario for the research of dynamic capability theory. New Oriental's transformation practice provides valuable experience for Chinese enterprises to cope with drastic changes in the policy environment, build dynamic capabilities and achieve strategic transformation. In an era of constantly changing policy environment, dynamic capabilities will become the core capability for enterprises to maintain competitive advantages, worthy of continuous attention and in-depth research by academia and practice.

5. ACKNOWLEDGEMENTS

This research benefited from the guidance and valuable suggestions of several mentors and colleagues, to whom we express our sincere gratitude. We thank the relevant academic institutions for providing literature resources, and New Oriental Education & Technology Group for its publicly disclosed corporate reports and announcements, which provided an important data foundation for this study. We also thank the pioneers in policy research for their in-depth interpretation of the "Double Reduction" policy, which provided important references for the institutional logic analysis in this paper. Any omissions or shortcomings in the text are the sole responsibility of the authors.

8. REFERENCES

- General Office of the Communist Party of China Central Committee, & General Office of the State Council. (2021). *Opinions on further reducing the homework burden and off-campus training burden of students in compulsory education*. China Government Network.
- Leonard-Barton, D. (1992). Core capabilities and core rigidities: A paradox in managing new product development. *Strategic Management Journal*, 13(S1), 111–125. <https://doi.org/10.1002/smj.4250131009>
- Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, 18(7), 509–533. [https://doi.org/10.1002/\(SICI\)1097-](https://doi.org/10.1002/(SICI)1097-)

0266(199708)18:7<509::AID-SMJ882>3.0.CO;2-Z

- Eisenhardt, K. M., & Martin, J. A. (2000). Dynamic capabilities: What are they? *Strategic Management Journal*, 21(10–11), 1105–1121. [https://doi.org/10.1002/1097-0266\(200010/11\)21:10/11<1105::AID-SMJ133>3.0.CO;2-E](https://doi.org/10.1002/1097-0266(200010/11)21:10/11<1105::AID-SMJ133>3.0.CO;2-E)
- Winter, S. G. (2003). Understanding dynamic capabilities. *Strategic Management Journal*, 24(10), 991–995. <https://doi.org/10.1002/smj.318>
- Zollo, M., & Winter, S. G. (2002). Deliberate learning and the evolution of dynamic capabilities. *Organization Science*, 13(3), 339–351. <https://doi.org/10.1287/orsc.13.3.339.2780>
- Porter, M. E. (1980). *Competitive strategy: Techniques for analyzing industries and competitors*. Free Press.
- Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99–120. <https://doi.org/10.1177/014920639101700108>
- North, D. C. (1990). *Institutions, institutional change and economic performance*. Cambridge University Press.
- Scott, W. R. (2014). *Institutions and organizations: Ideas, interests, and identities* (4th ed.). Sage Publications.