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# Key factors in the strategic transformation of traditional food enterprises in China

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2022

I hereby declare that this PhD dissertation is my original work

and it has been written by me in its entirety.

I have duly acknowledged all the sources of information

which have been used in this dissertation.

This PhD dissertation has also not been submitted for any degree

in any university previously.

HUI CHING LAU
30 August 2022

## Abstract

# KEY FACTORS IN THE STRATEGIC TRANSFORMATION OF TRADITIONAL FOOD ENTERPRISES IN CHINA

**HUI CHING LAU**

The food industry is an important industry for China's social development and one of the pillar industries of China's industrial economy. With the development of China's urbanization, the victory of building a moderately prosperous society in all respects, and the continuous improvement of people's living standards, consumer demand has become diversified and rationalized from "seeking for fullness" to "seeking for good". In this context, the supplier of food products, that is, food companies, has become more competitive in market segments. With the continuous improvement of China's market openness, many top international food companies have flooded into the food industry. Coupled with the rapid development of local companies over the past few decades, there are a large number of competitors in the food industry, among which there are many international companies with a profound history of development, which has gradually reduced the living space of traditional food companies, especially small and medium-sized companies. Facing the changing consumer demand, fierce competition in the industry, and economic downward pressure from international trade frictions and public health crises, how to survive and develop under severe conditions has become a difficult problem for many small and medium-sized food companies. Exploring new growth models, seeking transformation and upgrading, and finding new growth engines for enterprise development have become the urgent tasks of traditional food companies.

In the face of the challenges from market demand, market competition, and changes in the economic situation, traditional food companies can get a breakthrough opportunity only by breaking through the shackles of the original development model and reshaping their core

competitiveness through enterprise strategic transformation within the. However, the current transformation and development path for traditional food companies is not clear. To find a suitable transformation and development path for traditional Chinese food companies, academics have to seriously consider the following questions: (1) What corporate factors will affect the transformation process of food companies? (2) Is it possible to build a data-tested influence factor analysis framework applicable to the transformation of traditional Chinese food companies? (3) Can the established analysis framework be applied in practice to provide guidance for the transformation and upgrading of our case company and other food companies? (4) Can the research and analysis of the case companies further optimize our analysis framework?

In this study, literature research method, questionnaire survey method and case analysis method were comprehensively adopted to build a data-tested framework for the analysis of influencing factors applicable to the transformation of Chinese traditional food enterprises. First, sort out the related literature on the food industry and enterprise transformation, theoretically clarify the research context of enterprise transformation, and straighten out the theoretical logic of the related theories, influencing factors and research status of enterprise transformation. Secondly, based on the findings of literature review, this research combines the enterprise transformation theory proposed by Professor William B. Rouse in 2005 with the special elements of Chinese cultural background such as paternalistic management decision-making style and family business characteristics, to extract a driving factor analysis model suitable for the strategic transformation of Chinese food companies. Based on this model, this research puts forward research hypotheses. Third, select the Q Group who has distinctive Chinese characteristics as the case company, collect first-hand data in the company through questionnaires to test the hypotheses and model from a quantitative perspective. And then, also based on the model, the transformation process is analyzed through case study, and the

rationality of the model is verified from the qualitative point of view. Finally, summarized the research conclusion and put forward the key factors the food companies need to focus on in the process of strategic transformation, and the pointed out the research limitations and future research direction, in the hope of the future to further optimize the analysis framework of enterprise transformation, to provide more guidance for the transformation and upgrading of traditional food companies.

The main findings of this study are as follows: First, value defects have a significant positive impact on corporate transformation. When the management and employees realize the value defects of their employers, they will embrace the thought of supporting corporate managers to change and transform the business. Value defects can result in loss of value and reduced profitability, because of which the management will adjust their attention and reallocate resources accordingly. The more serious the existing defects of a company perceived by its management team and employees, the stronger the company's motivation for strategic transformation; the higher expectations the management and employees have for the upcoming crisis that their company will encounter. Second, plausible work process has a significant positive impact on the transformation of enterprises. The management and employees may check and modify their work processes and recognize their optimization to fulfill corporate strategic transformation, when the value defects of their companies are perceived. The research divided the work process into five sections: financial status, operational status, human resources status, marketing and sales status, and research and development status. The result showed that reasonable work processes will also positively affect the strategic transformation of enterprises. Third, management decisions making affect the relationship between work processes and corporate strategic transformation. The degree of influence by the improvement of work processes on the strategic transformation of enterprises will be determined by the problem-solving and decision-making ability of the leadership, management structures, and the

characteristics of managers. To more be specific, flat management structure and action-oriented decision-making style can reinforce the impact of work process on corporate strategic transformation, but familial management will weaken the influence.

First of all, all employees should strengthen their awareness of corporate value defects before a company embarks on the journey of strategic transformation. Secondly, the optimization of work processes will facilitate the success of corporate strategic transformation. Thirdly, revamping management personnel can help improve the effect of corporate transformation.

**Keywords:** enterprise strategic transformation, food company, value defects, work process, management decisions making

# CONTENT

# 1. Introduction

## 1.1. Research Background

Since the reform and opening-up, the food industry has developed rapidly in China and has become an important part of the national economy. Since the beginning of reform and opening-up, the food industry has developed rapidly in China and has become an important part of the national economy. According to *China Food Industry Development Report (2012-2017)* issued by the China National Food Industry Association, China's food industry has become the first industry in China's modern industrial system and the world's largest food industry. The food industry has made great contributions to safeguarding people's livelihood, stimulating domestic demand, driving regional economic development, and promoting social harmony and stability. In 2017, the added value of the food industry above designated size accounted for 11.4% of the national industry, and contributed 11.8% to the national industrial growth, driving the national industrial growth by 0.8%. The Consumer Goods Industry Department of the Ministry of Industry and Information Technology of the People's Republic of China issued a report on Operation of the food industry from January to December 2019 in 2020. The report pointed out that in 2019, the industrial added value of food companies above designated size maintained a steady growth. Among them, the agricultural and sideline food processing industry increased by 1.9%, and the food manufacturing industry increased by 5.3%, both on the year - on - year basis; in terms of sales, the cumulative retail value of grain, oil, food, beverages, tobacco and alcohol products reached 205.375 billion yuan, a year-on-year increase of 9.7%; in terms of efficiency, the operating income of food industry enterprises above designated size nationwide was 8118.68 billion yuan, a year-on-year increase of 4.2%. The total profit was 577.46 billion yuan, saw year-on-year rises of 7.8%. The food industry has played a huge role in stimulating the development of national industrial economy, increasing

national overall wealth, and enhancing people's well-being and social welfare. As the old Chinese saying goes, "Bread comes first". Promoting the growth and upgrading of the food industry is an inevitable choice to meet the people's needs for a better life and to implementing sustainable economic and social development.

The development of the food industry today is facing many challenges from both domestic and international markets. From the perspective of international competition, the entrance of large multinational food companies, the intricate international trade situation, and the vigorous development of cross-border e-commerce have forced domestic traditional food companies to deal with severe challenges from foreign companies and the international market. From the perspective of the domestic market, after years of development, there are a large number of companies in the food industry, and a situation of homogenized competition inevitably appears among some companies. Some small and medium-sized food production companies are not only unable to highlight their competitive advantages, but also face tremendous pressure from increased operating costs. This pressure comes from all aspects: employment, energy conservation and emission reduction, raw material procurement and financing, etc., more specifically, the gradual improvement of the minimum wage standards in various places, the accelerated upgrade of pollution control under the strictest environmental protection policies, the acceleration of the marketization of bulk raw materials and so on. On the one hand, product homogeneity has led to increased product substitutability and decreased corporate bargaining power. On the other hand, rising costs have reduced the profitability of food companies, especially traditional small and medium-sized companies, making them struggle to survive on the edge of being eliminated by the market.

Facing of increasing market competition and cost pressures, traditional food companies can only survive by breaking through the shackles of the original development model, revitalizing the development of the company through strategic transformation and upgrading,

and stimulating the vitality of the company through innovation. The concept of corporate strategic transformation meets the internal needs of most companies that have been in the food industry for several years but are currently dealing with development difficulties. Therefore, how to carry out strategic transformation in traditional food companies and how to rescue food companies facing crises by adjusting the way the companies operate are the topics that this research and many companies face together.

## 1.2. Research Questions

This research subdivides the strategic transformation of food enterprises in order to find out the key to the transformation path of food enterprises through the following four research questions:

(1) What corporate factors will affect the transformation process of food companies? Which corporate factors can be extracted from the exisitng enterprise transformation theories at home and abroad? How to further build an influence factor analysis framework applicable to the transformation of traditional Chinese food companies with the help of the above variable relationship?

(2) How to test the above influence factor analysis framework?

(3) How to use the established analysis framework to provide guidance for the transformation and upgrading of the case company and other food companies?

(4) How to use the research and analysis of the case company to further optimize the analysis framework?

This research will take "the influencing factors of the strategic transformation of traditional food companies" as the core question and use the rest of this research to answer the above four questions one by one, aiming to provide some useful ideas for the transformation and upgrading of Chinese traditional food companies.

## 1.3. Research Objectives

To theoretically construct a driving factor analysis framework applicable to the transformation of Chinese food enterprises. There have been studies on the driving factors of strategic transformation. On the one hand, most of them only cover one or two of the following three aspects: a company's past performance, managers' cognition and behaviors, and business environment. Few studies have integrated all of the three. On the other hand, most research directly draws on Western theories and models, lacking cultural elements with Chinese characteristics. In this research, we try to integrate more factors into research for more comprehensive analysis. Based on the theoretical model coined by William B. Rouse (2005), which integrates the past performance of enterprises, managers' cognition and behaviors, this research extracts value defects, work process, and management decisions as the main factors affecting enterprise transformation. Specific sub-factors of the above-mentioned factors are also refined according to SCP (structure-conduct-performance) and resource-based view and in-depth interviews. Finally, in terms of China's national conditions, two Chinese cultural features—managers' decision-making style and family-run management—are added to improve the model and construct a driving factor analysis framework suitable for the transformation of Chinese food companies. In addition, as supplement to the analysis of enterprise's external environment, this research takes Q, a food enterprise, as the object for case analysis in order to polish the research framework and research methods.

To provide guidance for the strategic transformation of Chinese food companies in practice Chinese food companies are facing many challenges in both domestic and international markets. The entry of large multinational food companies, the complex international trade situations, and the vigorous development of e-commerce have brought severe tests to domestic traditional food companies. In the face of increasingly fierce market competition and increasing cost pressure, only by breaking through the shackles of their original development model and

achieving transformation and upgrading can traditional food companies survive the turbulent market. How to carry out strategic transformation is a common issue for the survival of many Chinese food companies. This research not only proposes an analysis framework for the driving factors of the strategic transformation of food companies and clarifies the factors that affect their strategic transformation, but also takes Q as an example of case analysis. Whether it is for the theoretical and empirical analysis of the driving factors of strategic transformation, or the case analysis of shifting from strategic efforts to practice, this research can be a useful reference for the strategic transformation of Chinese food enterprises.

## 1.4. Research Methods

In our research, we used five research methods. First, the literature research method. The literature research method specifically uses online and offline media such as networks and libraries to carry out the collection, reading, sorting and analysis of documents, analyzes the research results in two fields, strategic transformation theory and the related "secondary innovation", and collects specific common results in the two research fields to help guide the development and conduct of this research. When analyzing the literature, we use this method to focus on the study of the relevant results of the strategic transformation of food companies or other SMEs with Chinese characteristics, and find ideas and methods suitable for this study, so as to lay a good theoretical foundation for subsequent practical research.

Two, the questionnaire survey method. The questionnaire survey method is a survey method in which the surveyor uses a uniformly designed questionnaire to learn about the situation or solicit opinions from the selected survey objects. We sent questionnaires to the employees of the case company to inquire about their scores on the various operating elements of the Q Group, their desire for enterprise transformation, the information on the success of the transformation within the company, and the enthusiasm of the employees, trying to measure the potential for successful business transformation from the perspective of internal

transformation consensus. Before the formal data collection begins, the questionnaire survey method first needs to determine the sample size to be collected. For the optimal number of the sample size, scholars have not yet formed a unified understanding. Bentler pointed out that for variables that conform to a normal distribution or an ellipse distribution, the number of samples for each variable is only five. Anderson and Gerbing suggested that the sample size should be at least 100 to 150 when performing structural equation model analysis. Liu Jun believes that if the data is normally distributed, the ratio of the sample size to the measurement index should be more than 5:1, and the minimum sample size should reach 100, if the data is non-normally distributed, the minimum ratio of the sample size to the measurement index should be 10:1, and the minimum sample size should also reach 100. Hou Jietai et al. believe that from the perspective of the fitting effect of the structural equation, the larger the sample size, the better the data fitting effect. The number of test items in the formal survey questionnaire is 31. According to the recommended standard proposed by Liu Jun, the effective sample size of the formal survey reaches 310 to meet the minimum sample size requirements for confirmatory factor analysis and structural equation model analysis.

Three, the case analysis method. We conducted one-on-one, face-to-face conversations with the senior executives of the case company Q Group and laborial staff, carried out a series of interviews on topics such as the current industry pressure, development dilemma and future planning faced by the enterprise, systematically recorded, summarized and professionally analyzed the content of the interviews, in order to provide some useful inspirations for the strategic transformation of other small and medium-sized food companies, and also to test the practical value and practical validity of the analytical framework proposed in this research. This study selects the q group as the case object, mainly because it has the characteristics of a traditional Chinese food company and has an urgent need for transformation and upgrading. The commonality of its data with other Chinese food companies ensures that the results of this

study have reference value for other companies in the food industry. In addition, the q group has already made certain changes. Its development experience and reform experience can provide optimization suggestions for this research model through in-depth interview and can also directly provide useful reference for other food companies or traditional companies' development and transformation roads.

Four, the structural equation model analysis method. In addition to the above-mentioned qualitative analysis methods, we also adopted the structural equation model analysis method to quantitatively analyze the collected data. Quantitative analysis can make people's understanding of the research object more precise, to more scientifically reveal the law, grasp the essence, clarify the relationship, and predict the development trend of things. This study uses the first-hand data collected from the q group and uses the structural equation model method for data analysis. Structural equation model is a method that combines factor analysis and regression analysis. It is a statistical method that finds latent factors without errors through confirmatory factor analysis, and then verifies the causal relationship between latent factors through regression analysis. The purpose of the structural equation model used in this study is to refine a driving factor analysis model suitable for the strategic transformation of Chinese food companies, and to clarify the direction and influence of different factors.

## 1.5. Structure

This research consists of five chapters:

The first chapter describes the background of the research problem, the research problem and the research methods used.

Through literature review, Chapter 2 clarifies the development history and research status of Chinese food companies from a theoretical level, reviews the value of strategic transformation and the concept of "strategic transformation" in enterprise upgrading, straightens out the logic of domestic and foreign theories related to enterprise transformation

that can be used in this research, and thus provides a solid foundation for subsequent empirical research and case studies from a theoretical perspective.

Chapter 3 designs and builds the model based on the past literature, and implement the various elements extracted in Chapter 2 into a model of driving factors for the transformation of food companies. This chapter mainly referring to William B. Rouse's enterprise transformation theory, and attributes the main factors affecting enterprise transformation under this theoretical framework. Specifically, this chapter draws on the enterprise transformation theory of William B. Rouse, summarizes the factors that affect the transformation and upgrading of enterprises from three perspectives of value deficiencies, work processes and management decision-making, and uses the employee consensus as the outcome variable to measure the enterprise transformation.

Chapter 4 is an empirical analysis of the Q Group case, puts the framework proposed in Chapter 3 into the case company for verification. This chapter starts from the research and analysis of Q Group transformation case, adopts interviews, questionnaires and other research methods to collect internal data to verify the validity of the hypothesis and analysis framework proposed in this research.

The fifth chapter will summarize the research results and then provide useful ideas for business management and put forward suggestions and prospects for similar research in the future.

The organization chart of this research is shown in the figure below:

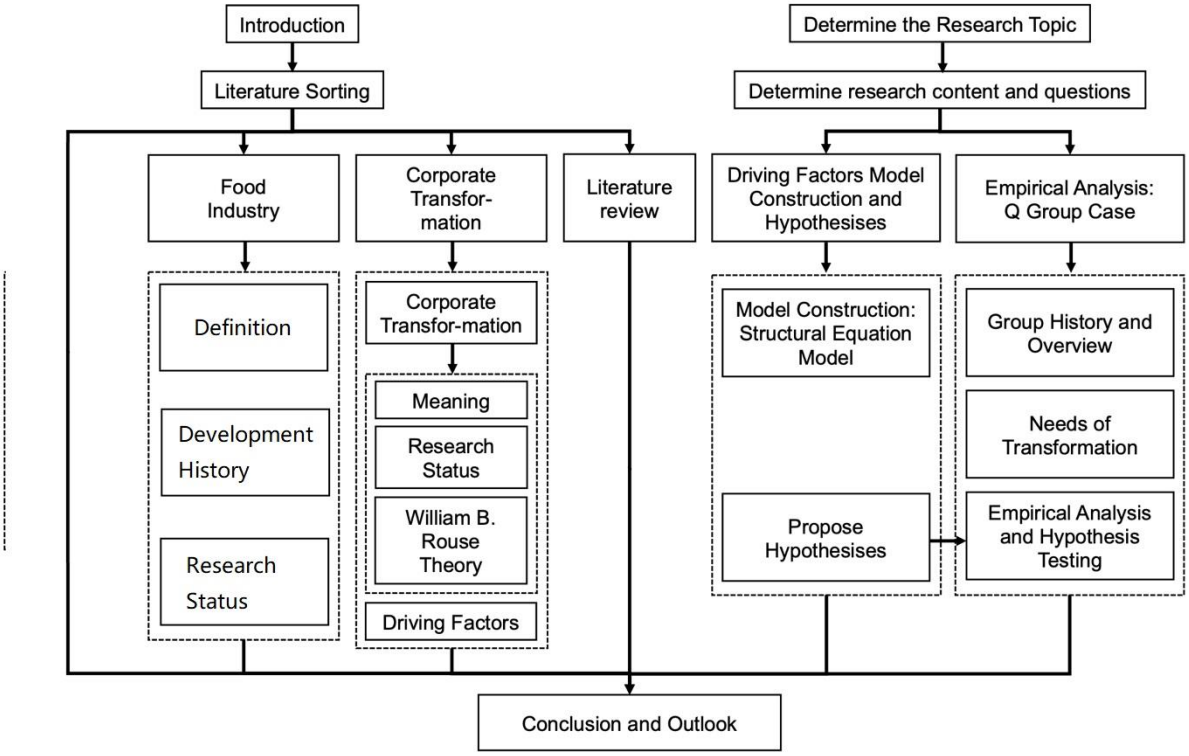



Figure 1-1 Organization chart

# 2. Literature Review

## 2.1. Literature Review of Related Concepts in Food Enterprises

### 2.1.1. Definition of the food industry

“Bread comes first”, food is an essential source of energy to ensure human survival. The food industry is an industry that produces, processes, and manufactures food. As a life industry closely related to human survival, the food industry can be regarded as the world's largest industry and the industry with the longest history. In China, the food industry is the largest people's livelihood industry and the most dynamic sunrise industry in the national economy. In 1978, the total output value of China's food industry was 47.2 billion yuan. In 2017, the food industry enterprises above designated size achieved a total revenue of 11.4 trillion yuan, equivalent to more than 240 times the total industrial output value in 1978, making it the only industry who made more than 10 trillion yuan in main business income.

The food industry can be divided into ten sub-categories: animal products industry, aquatic products industry, fermented products industry, cereal and oil products industry, fruit and vegetable industry, beverage industry, food additive industry, confectionery industry, health care product industry and other food industries, including snack food, quick-frozen food, canned food, catering, and convenience food manufacturing industries.

Many sub-industries who have different characteristics exist in the food industry, so there are different methods in both management and research.

### 2.1.2. The development history of the food industry

The emergence of the modern food industry can be traced back to the end of the 18th century and the beginning of the 19th century. The idea of preserving food using tin cans was patented in 1810 and the world's first canning factory was built in 1829. In 1872, the process of spray drying in milk powder production was invented in the United States, and dairy

products became part of industrial production in 1885. In the 18th century, with the advancement of the industrial revolution, the food industry began to utilize machinery. The further development of science and technology has brought about the rapid development of the modern food industry.

China's food industry has the characteristics of a late start, slow development, low technological level, and dependence on imports for core technologies. But in recent years, with the continuous development of China's economy, the food industry has developed very rapidly.

（1）Steady slow growth stage (1952 ~ 1990)

China's modern food industry began with flour processing by imported machinery in the late Qing Dynasty. There wasn't a relatively systematic and stable development until the founding of the People's Republic of China. In terms of the import and export status of the food industry at this stage, the food industry's trade is at a very low level, and the number, types, and processing depth of export products are very limited. In terms of the main products at this stage, there are few types of products, most of which are food types that are necessary for life, mainly grains and oils. With a lower labor productivity, technology depending heavily on foreign imports, lacking the ability to learn from imported technology, the development of the food industry during this period was relatively slow. Food consumption is mainly based on primary agricultural products, and the proportion of processed food consumption is very low.

（2）The awakening stage of the food industry (1990 ~ 2003)

Reform and opening up have brought opportunities for the development of the food industry. However, due to the fact that the food industry has ingrained laggard that cannot be cast off overnight, the Chinese food industry has only shown a tendency of awakening since the 1990s. In 1991, the production capacity growth rate of the food industry increased by 95.96% compared with the same period of the previous year, laying a solid foundation for the subsequent development. Since then, the growth rate has slowed down, but it has also

maintained an annual growth rate of 10%. In addition, the number of employees in the food industry continues to increase, the amount of fixed investment continues to be expanded, the import and export of food products are increasingly active, and the industry segmentation continues to be deepened. The food industry has developed extremely rapidly.

（3）The rapid development stage of the food industry (2003 to present)

Since the 21st century, policies and funds have given great support to the food industry, making China's food industry show a steady and rapid development trend. On the current basis, the development of China's food industry has reached a new level with annual output value growth of more than 400 billion yuan. In addition, the number of companies is rising, and the average sales income continues to expand, the business efficiency has been improved. The industry's capital construction investments are orders of magnitude larger than before, and the amount of imports and exports has almost doubled. The increasing investment and the vast domestic and foreign markets support the rapid development of the entire food industry; the gap between China's food industry and that of developed countries has further narrowed, even in some areas it is close to or reached already the top level in the world, laying a solid foundation for the further development of China's food industry.

However, the overall production capacity of China's food industry is still relatively low, and there is a big gap from the world's frontier. With the help of the vast domestic market and existing capability, the food industry still has large development space.

### 2.1.3. Research status of food industry

Searching on CNKI with the keyword “food industry”, there are more than 38,000 related documents, among which the earliest included documents can be traced back to 1899. The topics involve economic, social, industrial and others, the search results show the characteristics of a large number of documents, a wide span of time, and multiple research perspectives.

From an industrial perspective, researchers focus on technical issues of the production in the food industry, such as discussing the application of inorganic membrane separation technology, ozone generation technology, and the role of tea polyphenols in the food industry. In addition to production, they also pay attention to food preservation and logistics, conduct research on key technologies of cold chain and logistics. This kind of research is more to provide technical support to the development of the food industry.

From an economic perspective, at a macro level, scholars are concerned about the development of China's food industry and its status in the social economy, in order to study China's economic development and reforms of the food industry. At the meso level, scholars extensively follow the development history, problems, prospects and changes of the food sub-industry, including food and beverage, food additives, snack food, health food, meat food industry, etc. At the micro level, scholars take a certain company as an example and combine specific theories to study its development strategy and strategic transformation. This type of research studies the economic benefits and production efficiency of the food industry at all levels from macro to micro.

From the perspective of society, scholars are most concerned about food safety issues. They sorted out and summarized food safety incidents, inquired into food quality and safety, traced the sources, clarified the reasons and tried to give countermeasures. This led to discussions on administrative management-related topics such as food safety supervision and food industry standards, legal-related issues such as the Food Safety Law, industry-related topics such as industry autonomy and industry association issues, and also corporate-related, like social responsibility issues. This kind of research starts from the particularity of the food industry that food is the raw material to ensure life safety, to discuss social responsibility issues and seek reasonable governance measures.

In recent years, China's economy has entered a "new normal", and the food industry has gradually transformed from the past "quantity-driven" to "value-driven". Among the residents' consumption, the proportion of general and subsistence expenditure is gradually decreasing, while the proportion of expenditure reflecting the quality of life and lifestyle is increasing year by year. The diet has shifted from "eat more" to "eat well", and the sales of healthy, functional and organic foods have gradually increased. The food industry is also facing the problem of transformation. Some scholars have also set their sights on the transformation of food companies, but instead of integrating the development of the digital background to conduct overall research on the industry, they mainly focus on the internal management of the company, researching the internal products, patterns and management innovation of the company.

## 2.2. A Literature Review of the Related Concepts of Strategic Transformation

### 2.2.1. Definition of enterprise transformation

In the current increasingly fierce market competition, how to seek enterprise transformation is a topic faced by many enterprises. The academic circles also have a lot of research on the theories of enterprise change and enterprise transformation. Organizational transformation is a necessary choice when dealing with severe external environmental challenges. It belongs to a type of organizational change, but the term "transformation" is considered to be more revolutionary (Waddell et al., 2019), which is differentiated from organizational development. It is a more fundamental and rapid way of organizational change. Regarding the concept of "enterprise transformation", researches such as Valerie Purchase et al. (2011) mainly emphasized its fundamentality, transformation and effectiveness in terms of the external environment, content and results of the transformation. Specifically, they defined enterprise transformation from the following three aspects:

(1) Enterprise transformation is a response to fundamental changes in the economy, market and social environment. William B. Rouse believes that corporate transformation is stimulated by major changes in the economic and market environment. These major changes will lead to experienced or expected value deficiencies (Willian, 2005). Value deficiencies will require companies to make fundamental changes to get out of the predicament. Balogun and Hope-Hailey (2008) stated that fundamental changes in the external environment "cannot be dealt with by changing existing paradigms and corporate routines, but by taking-for-granted assumptions and making changes. ". They emphasized that "transformation" is a necessary choice when companies cannot meet external challenges through incremental change.

(2) Enterprise transformation is a fundamental alteration of context (Purchase et al., 2011)."Context" is defined by Valerie Purchase and other scholars as "the sum of the company's past operating model, relationship with consumers, past successful experience and resources", which is the accumulation of a developing company in the past time. Some scholars such as Goss, Pascale, and Athos put forward the concept of "reinvention": when companies are reinventing, they need to change their context, and then promote the innovation of corporate culture and corporate performance.

(3) From the result point of view, successful enterprise transformation is different from other gradual changes, which will make a qualitative leap in corporate performance. Scholars such as Gerstner emphasized the outstanding performance of corporate transformation, believing that corporate transformation will achieve a conscious and sustainable transition to a higher level of corporate performance and organizational health.

In China, in order to cope with the ever-changing competitive environment and the development requirements of the socialist market economy, many scholars have also turned their research directions to corporate strategic transformation. Tang et al. (2008) put forward that the essence of strategic transformation is "a process in which an enterprise responds to

changes in the complex environment in the process of growth, seeks a competitive advantage for future survival and development, and combines its own resources and capabilities to make a fundamental change in the content or state of the enterprise's strategy. Rui et al. (2005) and Deng et al. (2011), from the perspective of organizational learning, expounded the corporate strategic transformation as a process of continuous dialogue between the company and the changing environment, which is mainly to ensure that the specific knowledge of the company matches the business environment, thereby enhancing market competitive advantages and pushing forward the company's sustainable development, they also said that the strategic transformation reflects the company's "overall, multi-level, non-continuous and comprehensive changes in strategy, organizational structure and management system".

Because the object of this research is a traditional food companies that have formed, the concept of enterprise transformation highlights that (1) companies are not starting from the outset but are already in the stage of development and growth, and that (2) companies need to respond to the challenges brought by the external environment and must make changes to themselves. This concept is in line with the next development goals of traditional food companies and the current development status quo. Therefore, this research chooses the concept of enterprise transformation to conduct the whole research.

### 2.2.2. The development history of the concept of strategic transformation

According to CNKI's data, the concept of strategic transformation has appeared in the early 20th century (Li, 2009), however, it was not until the 1980s that the first wave of research on strategic transformation occurred under the background of the Chinese defense conversion. The main topic was "Defense conversion, strategic transformation", from nuclear to aerospace industry, from non-ferrous metals to the automotive industry, scholars have conducted a lot of research on the company's product demand shifts in different industries.

After 1996, great changes have taken place in the internal and external conditions of development of China's urban development zones. Faced with their development status and new development trends, many development zones have proposed strategic transformation. Shenzhen, a special economic zone, took the strategic transformation as its goal earlier to solve the problem of Shenzhen's economic development and was highly tentative. Due to its strong tentativeness and lack of planning, problems such as low economic quality, low industrial structure, and slower development speed have emerged. In September 2001, Xu Guanhua, the former Minister of Science and Technology, officially explained the theoretical connotation of strategic transformation for the development stage of the high-tech development zone at the forum in Wuhan, with mayors of cities where the national high-tech zone is located, that is, five shifts, which are to shift from the extensional development focusing on investment promotion and preferential policies to the connotative development mainly relying on technological innovation, to shift from focusing on the construction of a hard environment to the soft environment which pays attention to optimize the allocation of scientific and technological resources and to provide quality services, to shift from focusing on the domestic market in product sales to vigorously exploring the international market, to shift the industrial development from small and scattered to advantages concentrated, integration strengthened, and to make effort on developing characteristic and leading industries, to shift from a gradual and cumulative reform to the establishment of a new system and mechanism that meets the requirements of the socialist market economy for the development of high-tech industries. In the background of basic establishment of a new management system and market promotion mechanism of the high-tech zone, the development tasks of the high-tech zone have changed. The strategic transformation pointed out the growth pattern and mechanism of the high-tech zone in the new development stage.

Subsequently, in the context of the rapid development of the private economy, the concept of strategic transformation was not only applied to the new development stages of the economic-technical development area and new & hi-tech industrial development zone, but also transformed and utilized by enterprises. Especially after the crisis of many enterprises, the concept of strategic transformation is widely used in their redevelopment. The theory of strategic transformation is mostly used in the research of private enterprises, focusing on the study of how enterprises complete the process of transformations and breakthroughs from a theoretical perspective. There is a lot of research that combines the strategic transformation with life cycle theory to make it continuously improved. In the meantime, scholars paid attention to case studies and discussed in detail the strategic transformation of typical companies in various industries, focusing on the feasibility and existing problems.

In addition, some scholars, from a more macro perspective, have applied this concept to regional and national economic transformation and development problems.

### 2.2.3. Analysis of the Concept of Strategic Transformation

#### 2.2.3.1. The meaning of "strategic transformation"

At present, there is no unified explanation and definition of strategic transformation. On the one hand, academics have not yet conducted a systematic and comprehensive study on strategic transformation, on the other hand, in the specific implementation process, different scholars, government officials, and business managers have different understandings of what it is and how to conduct. Regarding the concept of "strategic transformation" in economic-technical development areas, on the basis of distinguishing "first-time entrepreneurship", Hongchang Sun defined "strategic transformation" from the perspective of change. He pointed out that the "strategic transformation" of the development zone refers to the sum of new situations, new tasks, and new problems faced in the process of transitioning to a new stage of development, and also new ideas, new measures and policies adopted around how to improve

the transformation ability, change the growth mode, and improve the quality and efficiency of development after the accumulation of "first-time entrepreneurship" (Sun, 2007). Zhu and Liu (1998) defined the essence of "strategic transformation" as market deepening from the perspective of market environment. From the perspective of basic connotation, Changgen Wang (1998) pointed out that the basic connotation of the "strategic transformation" of the economic-technical development areas is the first trial and advancement of functional development. That is to say, a first-time entrepreneurship is based on form development, and strategic transformation is based on function development. Xiongand Hu (2001) believes that the "strategic transformation" of the economic-technical development areas is to participate in the global industrial cycle at a higher level.

As far as the "strategic transformation" of enterprises is concerned, although this phenomenon has been unanimously recognized and has been widely used in practice, scholars have diverged opinions and have not yet formed a unified definition. Scholars have tried to give definitions from different aspects of "strategic transformation", which are mainly divided into four aspects.

From the perspective of the content and method of "strategic transformation", Gang Fan believes that the "strategic transformation" of an enterprise includes two aspects, which are corporate development strategy and corporate organizational structure. Xu (2000) believes that the essential connotation of "strategic transformation" is model innovation and new product development. This definition is usually relatively simple and does not highlight the difference between "strategic transformation" and other methods of change.

From the perspective of the starting point and characteristics of second entrepreneurship, some scholars have defined it according to time. They believe that the first corporate transformation during the growth period of a private enterprise that has completed the initial stage is a strategic transformation, defined it in terms of time. According to *Research on*

*Regional Development Strategy and Policy in China*, an ADB technical assistance project of Development Research Center of the State Council, the Liaoning Province sub-project group believes that the strategic transformation is based on the first-round development, is to use the foundation laid by the planned economy to develop the socialist market economy, and to develop the high-tech industry with the foundation laid by the traditional technology industry. Moreover, the strategic transformation has the characteristics of a high starting point, high level and high difficulty, whose requirements in all aspects are higher than those of the first-round development.

From the point of view of the purpose and approach of strategic transformation, Covin and Miles (1999) believes that it is a way for companies to obtain and maintain their original competitive advantages in market competition, including reorganization and innovation of the structure, re-judgment and re-positioning of the market, and the re-examination of the industry. Zha (2006) believes that the effective qualitative change of the quality, price, utility and other operating criteria of a strategically transformed company is a subversive innovation and fundamental change to the company's overall business process. Duan (2010) and others consider the factors of external environmental changes, they believe that strategic transformation is an action for companies to maintain survival and further development needs based on the rapidly changing external environment and their own accumulated capital. Through structure reorganization, industrial adjustment and renewal, and management model innovation, it has leaped from the traditional stage of focusing on sales and market to the new stage of standardization and scientific management, takes modern enterprise system as the basic feature to carry out new resource expansion and business promotion (Duan, 2008). From the perspective of the theoretical basis of "strategic transformation", Wei (2003) pointed out that "strategic transformation" refers to the transformation of existing development methods, from leader-oriented management to goal-oriented or strategic-oriented management, and the

improvement of operating performance through the transformation of management methods, defined from the theoretical perspective of transformation. Using life cycle theory, Xu and Lyu(2002) believe that the strategic transformation is a key turning point in a company's strategic layout and has a vital impact on the company's subsequent development and growth. Lan and Chen (2005) also believes that Chinese companies also have specific growth cycles based on the life cycle theory. To complete the "strategic transformation" in today's market, it is necessary to reform and upgrade corporate culture, organizational forms, and management systems. Li et al. (2007) believes that companies should use "strategic transformation" to break free from the shackles of short life cycles. Supported by enterprise life cycle theory and organizational growth theory, Xie(2009) used path dependence theory, Ma (2005) used social capital theory, and Wang and Xie (2014) used enterprise growth theory to systematically analyze and study the necessity, importance and breakthrough points of enterprise "strategic transformation".

In summary, "strategic transformation" refers to an enterprise transformation of an enterprise that has completed the initial entrepreneurial period. The purpose is to make full use of the capital, technology, talents and management experience accumulated during the first entrepreneurial process to optimize the combination of resources, to create the core competitive advantage, improve the enterprise's environmental adaptability, and ensure the sustainable development of the enterprise. Based on Rouse (2005)’s definition of enterprise transformation as well as Chinese scholars’ concepts of "strategic transformation", this research defines the "strategic transformation" as the expectation of value defects or value defects caused by major changes in the economic and market environment, and the use of enterprise resources such as capital, technology, talents and management experience accumulated in the first venture to change and upgrade the enterprise.

#### 2.2.3.2. Analysis of similar concepts about "strategic transformation"

Re-enterprise and the strategic transformation are very similar in concept. The essence of re-enterprise is the process of continuous leap and sustainable development (Rui, 2004). Re-enterprise and the strategic transformation have the same goal, but the premise of the strategic transformation is that it finished the first-round entrepreneurship.

Different from foreign enterprise management theories, such as strategic adjustment, corporate restructuring, business process reengineering, enterprise transformation, the second curve concept and so on, strategic transformation belongs to the category of enterprise transformation and is applicable to a specific stage, which is the growth stage. Business process reengineering refers to fundamentally rethinking and redesigning of the business process, that is, the operating rules of various businesses, whose pursuit are efficiency and cost, while the strategic transformation has a broader scope, involving business strategy, managers and other fields, is an optimization on the original basis, rather than overthrowing and restarting; the purpose of corporate restructuring is to keep a mature enterprise vigorous and competitive in the market, while the strategic transformation turns an informal enterprise into formal and ensures that it has sufficient sustained development tension and continuously enhanced management capabilities during the growth stage and later maturity stage. Therefore, this research selects the concept of "strategic transformation" to study.

## 2.3. A Literature Review of the Driving Factors of Strategic Transformation

This research makes extensive reference to relevant theories and research on domestic and foreign enterprise transformation/business transformation/organizational transformation, company turnaround, business strategy, strategic transformation and its driving factors, and aims to clarify the definition of enterprise transformation and explore potential driving factors that affect the transformation of food companies.

### 2.3.1. Research status of corporate strategic transformation

Strategic transformation is currently the most discussed topic in the field of management, but different schools have very different research methods on strategic transformation. The content school represented by Gibbs (1993) explores the causes and consequences of transformation through data analysis of large samples. Other scholars such as Webb (1991) conduct case studies in a longer time dimension, and this school of scholars is therefore called the management process school (Yang & Zhang, 2008). Those Scholars adopt different research methods, and often draw conflicting conclusions on the same issue. Lin Yang and zhang (2008) believe that this contradiction in conclusions is not conducive to the correct understanding of corporate strategic restructuring by the theoretical and practical circles, and it also has a negative impact on the development of corporate restructuring theory.

Therefore, scholars such as Yang and Yang (2009) have sorted out the historical research literature on strategic transformation at home and abroad from the perspectives of rationality, learning and cognition. First, research from a rational perspective believes that strategic transformation is "a process of finding the optimal solution in a series of planned ways in order to achieve the established goals of the organization". The external environment and management behavior are fixed and objective. From this perspective, some scholars have proposed that the historical resources will affect corporate transformation. Some quantitative studies have shown that there is a correlation between a company's past performance and its transformation (Fombrun & Ginsberg, 1990), some studies have put forward the opposite view (GRIMM et al., 1993). Secondly, the strategic transformation under the learning perspective is defined as "the combination of strategic content and environmental changes". The difference from the previous perspective is that the learning perspective introduces "management behavior" to explain the process of strategic transformation. In the research on the impact of management behavior on transformation, a large number of case studies are used. For example,

Calori and Atamer (1990) conducted case studies on four French companies in different industries through interviews, in order to find out the managerial factors that influence the success of transformation. Finally, on the basis of the first two perspectives, the cognitive perspective takes the managers' cognition as important influencing factors of corporate strategic transformations, emphasizing managers' perceptions and explanation of the environment and corporate background. For example, Greiner and Bhambri (1989) found through case studies that the commitment of corporate executives plays an important role in reaching consensus within the company. The cognitive paradigm does not agree with the assumption of environmental objectivity from a rational perspective, and believes that the environment and the state of the enterprise are not objectively fixed, but are expressed through the cognition of managers.

To sum up, the existing research on strategic transformation has two research methods: case study and large-N data analysis. The large-N data analysis also focuses on collecting data from different enterprises for risk analysis. Few studies combine the above two methods to study a single enterprise. For the researches on factors, the previous performance of enterprises, the cognition and behavior of managers and the environment of enterprises are regarded as factors affecting the success of their reform. These studies diverge on the assumptions about the objectivity of the environment, and on whether the cognition of managers should be introduced as the influencing factors of strategic transformation. Few studies integrate these three factors.

Based on this, this research aims to make a more in-depth study on the driving factors of strategic transformation of an enterprise. For the research of factors, this research aims to integrate more factors to make the analysis more comprehensive. For the research methods, this research plans to conduct a more in-depth analysis in the form of a combination of large-N data analysis and case study, and provide more personalized suggestions for enterprises.

Among many theoretical models of enterprise transformation, this study mainly refers to the enterprise transformation theory proposed by Professor William B. Rouse in 2005. That's because his theory discloses the fundamentality and discontinuity of enterprise transformation, and systematically expounds the causes and paths of enterprise transformation. This theory describes the driving factors and influencing factors of enterprise transformation from three main aspects: value deficiencies, work processes, and decision making. The driving factors discussed include enterprise previous performance, manager's cognition and behavior. This theory is widely used in strategic transformation research, whether case-based research or statistical analysis. Therefore, that theory can better match the research idea of this research.

### 2.3.2. The driving factors for corporate strategic transformation

#### 2.3.2.1. From SCP traditional paradigm to resource-based view

Strategic transformation will inevitably involve a fundamental change in corporate strategy. At the very beginning of the extraction, the meaning of corporate strategy and the theoretical development process must be clarified. Since its inception at the end of the last century, corporate strategy has been one of the most commonly used concepts in management circles. The industrial organization theory "structure - conduct - performance (SCP)" is the traditional paradigm of strategic research (Liu & Deng, 2015). The concept of strategy was first proposed by Kenneth R. Andrews in his classic book *The Concept of Corporate Strategy*(Andrews, 1971) in the 1970s.He defines strategy as the match between what an enterprise can do (organizational strengths and weaknesses) within the scope of what it may do (environmental opportunities and threats). His concept emphasized the organizational strengths and weakness within the enterprise and the environmental opportunities and threats outside the enterprise, which is the concept of SWOT. After this concept, another important breakthrough in corporate strategy theory is the Porter's Five Forces Model proposed by Porter (1979) in the 1980s, which extracts five sources of power that affect corporate profitability, industry

structure, and competitive situation, which are the bargaining power of suppliers, the bargaining power of buyers, threat of new entrants, threat of substitutes, and competitive rivalry.

Kenneth and Porter laid an important theoretical foundation for corporate strategy research mainly from the perspective of SCP. After them, corporate strategy research entered a new stage. Scholars then focus more on studying how companies can cultivate core competitiveness, cultivate brands, and find core market position (see Mascarenhas, 2011). From this stage, the research perspective on corporate strategy has shifted from industry and competition analysis outside the company to the inside of the company. Corresponding to this perspective is the resource-based view (RBV) (see Barney 2001). Different from the traditional SCP paradigm, the resource-based view believes that the unique resources and capabilities and the corresponding isolation mechanism of the enterprise are the driving factors for continuous competition in the market (Liu & Deng, 2015). This view clarifies the importance of the company's specific resources and unique competitive advantages in market competition (Mascarenhas, 2011). Considering the feasibility of the study, in the empirical research stage, this research continues the resource-based view, focusing on exploring and summarizing the driving factors for enterprise transformation and upgrading within the enterprise; in the case study stage, this research integrates the traditional SCP paradigm and resource-based view, uses SWOT model to analyze the external environment of the enterprise, and uses Rouse's theoretical model to study the internal resources of the enterprise.

2.3.2.2. Extraction of driving factors of strategic transformation

Under the influence of SCP, SWOT and Porter's Five Forces Model, research works on organizational decline and corporate transformation believe that corporate transformation is the result of a combination of internal and external factors (see Scherrer 2003). David Davis (1988) analyzes the causes of organizational decline from two dimensions in the book How to turn round a company: A practical guide to company rescue, which are the location of the crisis

(internal or external) and the duration of the crisis (one-time or continuous). The internal factors proposed by Davis in the book mainly include the quality of the management, the management mode, the financial control, and marketing, etc. The external factors are industry competition, market decline and one-off events of destruction. However, many scholars, such as Panicker and Manimala (2015), in their research on enterprise turnarounds, although they still divided the driving factors of enterprise turnarounds into internal and external types, they emphasized the internal factors, especially the effectiveness of corporate functional strategies. According to Scherrer (2003)'s research, 80% of corporate failures are due to the ineffectiveness of internal functional management. For the strategic choice of internal functional areas, Panicker and other scholars identified five categories of functional strategies related to turnaround management, which are: (a) Human Resource Strategies, (b) Financial Strategies (Vinten et al., 2005), (c) Marketing Strategies, (d) Production / Operations Strategies and (e) Corporate Planning Strategies (Manimala, 2007; Khandwalla, 1992; Panicker & Manimala, 2015). In the field of human resources, some scholars(see Santana, et al. 2017) have summarized human resource strategies in different situations of corporate decline. Many scholars have done research on the impact of corporate culture on transformation, and they mainly found that value (Davenport, 1999), performance system (Flannery et al., 1996), and leadership (Katzenbach & Smith, 1993; George, 2003; O'Kane and Cunningham, 2012, 2014; Murphy, 2008) are all factors that affect corporate transformation.

Since entrepreneurs mature in a social environment, their attitudes toward cooperative strategies are likely to be affected by their basic social values (Steensma et al., 2000). Therefore, this research also pays attention to some corporate management factors with Chinese cultural characteristics. It mainly consults Chinese and Western scholars' studies on family businesses (Cater & Justis, 2010) and private enterprises, and the literature of foreign scholars examining the differences between Chinese and Western corporate management from the perspective of

cultural differences. It supplements the factors that influence the transformation of enterprises proposed by William and Davis. First of all, Chinese and Western corporate managers have different management styles. Western corporate strategy models are not fully applicable to Chinese companies (Bruton et al., 2003), especially family businesses. Research by Fan et al. (2004). found that Chinese and American entrepreneurs are significantly different in conflict management, decision-making, and work-group characteristics. Especially in terms of decision-making, Chinese entrepreneurs tend to avoid risks, while Western managers tend to take risks in the course of reform and transformation. Power distance is also an important factor in the comparison of management styles of Chinese and foreign companies. Gref et al. (1990) found that under a collectivist culture background, employees should be willing to accept decisions from supervisors, and even resist participation in decision-making because of their unquestioning attitudes toward their supervisors. Therefore, employees seldom have chances to really participate in decision-making process. In related research on Chinese family businesses, researchers found that as of mid-2017, 1,152 of the 3,272 companies in the domestic A-share market were family businesses, which is more than 30% (Yu et al., 2018). In the process of transformation and upgrading of a family business, its strategy may fail due to its family governance structure, ineffective internal control and outdated human resource management (Liu, 2020). To sum up, this study includes factors like the manager's decision-making style (risk preference, power distance) and the familization degree of enterprise (relative relationship between the employee and the boss) to adapt to the needs of the second entrepreneurship under the cultural background with Chinese characteristics.

## 2.4. Enlightenments of the above literatures

### 2.4.1. Transformation and upgrading is the only way for the development of Chinese food companies

As an important part of China's industrial economy, the food industry plays a major role in improving people's living standards and developing national economics. After nearly 70 years of development, China's food industry has transitioned from a slow-growth stage that mainly relied on technology imports and primary product consumption in the early years to the awakening stage at the turn of the century. Seizing the opportunity of reform and opening up, the food import and export market has gradually become active and has entered a stage of rapid development under the support of policies and funds since the new century. However, the food industry started late and still has a big gap compared with the international leading level. Under the background of the “new normal” of the economy, consumers' demand for food consumption has also shifted from subsistence to health and functionality. The original strategic layout of some traditional food companies has been unable to meet market demand. Transformation and upgrading is an inevitable choice for food companies to take off again. Some researchers in the food industry have also adapted to this practical need, focusing on the research on the transformation of food companies, hoping to find a path that matches the true situation of Chinese food companies.

### 2.4.2. Strategic transformation as a concept that defines the range of this research.

Scholars have not yet formed a unified definition on strategic transformation. Different from the first entrepreneurship, the strategic transformation refers to an enterprise transformation of a private enterprise that has completed the initial entrepreneurial period. The purpose of strategic transformation is to make full use of the capital, technology, talents and management experience accumulated during the first entrepreneurial process to optimize the

combination of resources, to create the core competitive advantage, improve the enterprise's environmental adaptability, and ensure the sustainable development of the enterprise.

Strategic transformation mainly involves areas such as corporate strategy and management, and has a broader scope and richer connotations than corporate transformation, corporate reengineering, second entrepreneurship, and other concepts. Thus, this research chooses to study the concept of strategic transformation to provide a useful reference for the transformation and upgrading of Chinese food companies, especially small and medium-sized enterprises that have experienced the first-round entrepreneurship.

### 2.4.3. The driving factors for corporate strategic transformation should be analyzed comprehensively

Research on "strategic transformation" and "corporate transformation" is the main reference category of this research. The concept of strategic transformation is the response of a developing company to new external challenges, and it is a fundamental change in the internal business strategy of the company. Judging from the results, a successful strategic transformation can bring a qualitative leap in corporate performance. In the research of enterprise transformation from different schools and perspectives, this research selects the research of William (2005), which takes enterprise previous performance and manager's cognition and behavior into account, as the main theoretical reference, and extracts value deficiencies, work processes and decision-making as the main factors affecting corporate transformation strategy of the company. Considering the results, a successful strategic transformation can bring a qualitative leap in corporate performance. In terms of the extraction of specific sub-factors, the SCP and resource-based views of corporate strategy provide a theoretical basis for the study of factors affecting corporate transformation. It is a common practice in academia to analyze the driving forces of corporate transformation from internal and external. The resource-based view of strategic research, for example, puts more emphasis

on the impact of internal management on enterprise development. Therefore, in the analysis of internal driving factors, most scholars admits the above view. Scholars mainly conduct their stuides from the perspectives of the functional areas, such as human resources, marketing, and financial management. This study also draws on the relevant literature on the differences in management culture between China and foreign countries and proposes factors suitable for Chinese cultural background, such as decision-making styles and familization degree of enterprise. It thus analyzes the driving factors more completely, and its conclusions are thus more suitable for China. In addition, in order to supplement the analysis of the external environment of the enterprise, this research uses SWOT model in the case study stage, based on the traditional paradigm of enterprise strategy research.

# 3. Theoretical Basis and Research Hypothesis

Among the many theoretical models of enterprise transformation, this research mainly refers to the enterprise transformation theory proposed by Professor William B. Rouse in 2005. His theory clarified the fundamentals and discontinuities of enterprise transformation, and systematically explained the reasons and paths of enterprise transformation, and described the driving and influence factors of enterprise transformation from three main aspects, which are value deficiencies, work processes, and decision making.

The basic content of Rouse's enterprise transformation theory is:

"Enterprise transformation is driven by value deficiencies that result in significantly redesigned and/or new work processes. It considers how changes affect the future states of the enterprise. The potential impacts on the state of the enterprise are evaluated based on value consequences. Projected consequences can and should affect attention and resource allocation. The manager's ability to solve problems and make decisions, as well as the social context, will affect the circumstances and extent of all this."

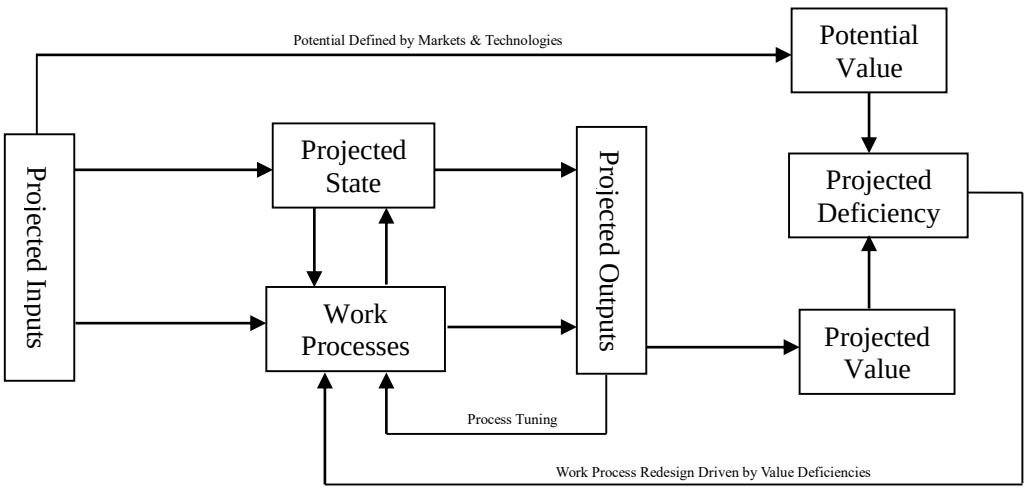



Figure 3-1 Rouse's Enterprise Transformation Theory

## 3.1. Theoretical model construction

This section will construct the research model based on the existing research. After that, this research applies the preliminary model to analyze the data collected by the actual questionnaire, and the correlation between the existing hypothetical factors and enterprise transformation is confirmed according to the empirical analysis results, so as to adjust the structure and content of hypothetical factors. Then, according to the empirical analysis results, this research confirm the correlation between the existing hypothetical factors and enterprise transformation, and adjust the structure and content of hypothetical factors.

### 3.1.1. Selection and definition of variables

This research is based on Rouse's (2005) enterprise transformation theory. To understand enterprise transformation, we must first understand the problems of the enterprise, and also understand the problem solvers, that is, the enterprise management (Nadler & Tushman, 1989). According to Rouse's theory, the problems existing in the enterprise can be understood through value deficiencies and work process, and the solution of the problems should be through the management decision-making of managers. Value deficiencies are the existing and anticipated losses of value and failures to meet gains of value. Work process is the process in which an enterprise transforms its input into output. There are three ways to transform - improving the existing work mode, carrying out the existing work in different ways, and carrying out different work. The latter is more transformative than the former. Management decision-making is the decision made by enterprise managers on various affairs of the enterprise. Value deficiencies and work process define the problems of the enterprise itself, and the management, as the manager and "problem solvers", is the key to solve the problems of the enterprise. Therefore, all three will affect enterprise transformation.

Specifically, first, value deficiencies drive enterprise transformation. Because the existing and anticipated value loss and decline in profitability will make enterprise managers take action

to change the enterprise. Perceived value deficiencies within enterprises are the driving force of transformation. Second, work process enables transformation. Rouse (2005) pointed out that the improvement of work process, especially from the operational view, is necessary for transformation. Therefore, the work process will also affect the effect of enterprise transformation. Third, management decision-making will affect the effect of transformation. Value deficiencies and work process define the problems of the enterprise itself, but to solve the problems, they also receive the influence of "problem solvers", that is, the enterprise management (Nadler & Tushman, 1989).

To sum up, value deficiencies and work process are the historical resource endowments of enterprises, which will affect enterprise reform (Kraatz & Zajac, 2001). Therefore, this research believes that value deficiencies and work process are the factors driving enterprise strategic transformation, which are determined as the independent variables of this research. These two also belong to the objective problem category of enterprises. Management decision-making is executed by managers, and managers' cognition and behavior are also important factors affecting enterprise strategic transformation (Calori & Atamer, 1990; Greiner & Bhambri, 1989). However, this research believes that the impact of managers' cognition and behavior on the enterprise needs to act on the work process. Different managers will make different adjustments to the work process, so management decision-making will have a positive or negative impact on the impact of the work process on enterprise transformation. Therefore, this research holds that management decision-making is the moderator variable of value deficiencies and work process on enterprise transformation. Decision making belongs to the category of "problem solvers". Based on this, this research proposes the following simple research model:

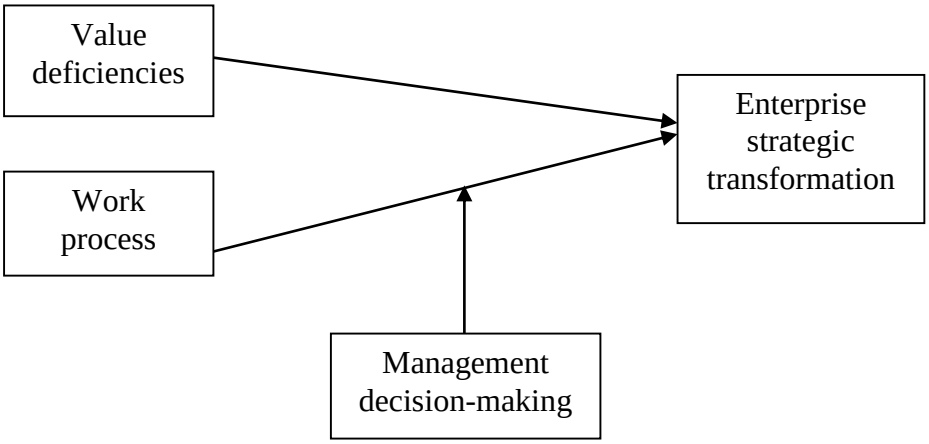



Figure 3-2 simple model based on Rouse's enterprise transformation theory

Therefore, the independent variables of this research are value deficiencies (x1) and work process (x2), the regulating variable is decision making (x3), and the dependent variable is enterprise strategic transformation (y).

### 3.1.2. Composition dimension and measurement of variables

This research intends to collect relevant data within the transformation enterprises through a questionnaire survey. However, none of the variables in the model can be directly measured by the questionnaire data, so it needs to be measured by latent variables that can be evaluated by using the existing scale and questionnaire data. Therefore, determining the scale to measure the research construct is the basis of the research work. The scale can measure some constructs that can not be observed directly. It is one of the main methods for management researchers to collect data. The primary task of scale development is to create measurement items for measuring constructs. Generally speaking, the specific measurement indicators of the scale can be generated through the following three ways: First, we can use the measurement indicators used by previous researchers. These indicators have high reliability and validity after repeated use and test by scholars. The users can use them directly or modify them appropriately according to the research situation. Second, we can develop new scales. Researchers can develop the items of the scale according to relevant literature and theory, combined with their

own research situation, and conduct exploratory research through pre-test and investigation to ensure the reliability and validity of the developed scale. Third, we can collect clues from in-depth interviews on experts or research objects, and get the items of the scale by qualitative analysis methods such as content analysis (Churchill, 1979). This research mainly uses the measurement indicators used by previous researchers. For the variables with few measurement items, it will also get the indicators through in-depth interviews on the research objects.

1. Component dimension and measurement of value deficiencies (x1)

Rouse (2005) believes that value deficiencies are composed of employees' understanding of the existing defects of the enterprise and employees' expectations of the future crisis of the enterprise. Therefore, this research divides the measurement of value deficiencies into two aspects. The cognition of existing defects refers to the employees' feedback on the existing defects of the company, and the expectation of future crisis refers to the employees' prediction of the crisis that the company may encounter in the future (Rouse, 2005). Rouse also gives specific measurement items for the measurement of the two dimensions of value deficiencies, as shown in the table below.

**Table 3-1 Measurement scale of value deficiencies**

| Component dimension | measurement items | measurement items citation |
|---|---|---|
| Employees' perception of the existing defects of the enterprise | At present, the company's efficiency is not as good as in previous years<br>At present, the company's operation fails to achieve the expected growth<br>There are still some problems in the operation of the company, such as product quality, safety production, occupational health and so on | Rouse（2005） |
| Employees' expectations for the future crisis of the enterprise | At present, the problems existing in the company's operation will bring huge economic losses to the company<br>Without transformation, the company may encounter crises in the future, such as declining market performance and cash flow | |

| | | |
|---|---|---|
| | The transformation of other companies in the same industry makes the company realize that transformation is necessary | |

For the measurement of value deficiencies, this research will measure two latent variables: employees' cognition of the existing defects of the enterprise and employees' expectation of the future crisis of the enterprise. These two latent variables have ready-made scales. The former measures employees' and managers' perception of value deficiencies in the enterprise, and the latter measures employees' and managers' perception of the crisis and transformation faced by the enterprise. This research will collect relevant data by issuing questionnaires to employees of transitional enterprises.

2. Component dimension and measurement of work process (x2)

Work process is a multi-level variable. The work process of an enterprise is a process in which an enterprise transforms input into output, which also affects the transformation of an enterprise (rouse, 2005). The work process of enterprises generally presents a complex network structure. There are many factors affecting the work process mentioned in previous literature. Scherrer (2003) believes that the input-output process of enterprises can be measured by different internal functions of enterprises. Panicker and other scholars divide the internal functions of enterprises into human resources, finance (Vinten, 2005), marketing, production operation and R & D (Manimala, 2007; Khandwalla, 1992; Panicker & Manimala, 2015). Some scholars have also studied the functional division of different departments of the enterprise, which is divided into five departments: financial management, operation management, human resources management, marketing and sales management, and R & D management. These five departments are the basic departments of a company. They not only perform their respective duties, but also cooperate with each other to jointly ensure the normal production and operation of the company. Therefore, this research will also measure an

enterprise's work process from five aspects: financial management, operation management, human resources management, marketing and sales management, and R & D management.

(1) Financial management measurement scale

The financial managementstrategy of an enterprise can be measured by the perception of employees and managers on the status of enterprise cost management. According to the research of Davis et al (2000), Harry et al (1990) and Richard et al (1989), the financial status factors of work process can be evaluated through the enterprise's financial management strategy. The enterprise's financial management strategy is divided into cost management strategy and lean management strategy. Cost management refers to a series of scientific management behaviors in the process of enterprise production and operation, such as cost accounting, cost analysis, cost decision-making and cost control. Cost management fully mobilizes and organizes all personnel of the enterprise to scientifically and reasonably manage all links of the enterprise's production and operation process on the premise of ensuring product quality. Its purpose is to achieve the maximum production results with the least production cost. FinKin (1992) and Denis et al. (2000) created and used the measurement scale of cost management strategy.

Lean management means to create as much value as possible with minimal resource investment, including manpower, equipment, capital, materials, time and space, and provide customers with new products and timely services. It is a management method that can ensure the active participation of all employees in improvement. Hoffman (1989) proposed the test item of lean management strategy, which was improved by DeAngelo and DeAngelo (1990), Filatotchev and Toms (2006). Since this research will conduct pre investigation and reliability and validity test, this research takes the measurements proposed in these documents as the measurement items of financial management strategy, as follows:

**Table 3-2 Measurement scale of financial situation**

| Latent variable | Measurement dimensions | test item | test item citation |
|---|---|---|---|
| financial management strategy | cost management strategy | At present, there is a cost management objective in the assessment of the department, that is, to strive to create the maximum income with the least cost | Finkin（1992）; Denis et al.（2000） |
| | | At present, there is a cost management objective in the assessment of employees, that is, to strive to create the maximum income with the least cost | |
| | | At present, the company's cost management has clear plans and specific objectives | |
| | | The company will try its best to purchase materials at the lowest price | |
| | lean management strategy | The company will try to improve production efficiency to reduce costs | Hoffman（1989）; Deangelo and Deangelo（1990）;Filatotchev and Toms（2006） |
| | | The company will reduce unnecessary expenses | |
| | | The company will stop producing unprofitable products | |
| | | The company has the problem of over-production | |
| | | The company has the problem of over-processing | |
| | | The company has rework problems | |

(2) Operational management measurement scale

According to the research of Ganesan & Saumen (2005) and Rohini et al (2013), the operation management is affected by many factorsand can be measured by the design and operation of the supply chain, and the situation is easy to be perceived by employees. Supply chain refers to the control of information flow, logistics and capital flow. The efficient supply chain structure plays a great role in promoting good operation (iskanius et al., 2006). Therefore, this research measures the operation of the enterprise through the perception of employees and managers on the enterprise supply chain. Hughes et al. (1998), Graham (2005) created some measurement indicators for employees' and managers' perception of the enterprise's supply chain. Based on this, we measure the enterprise's operation management status, as follows:

Table 3-3 Measurement scale of operational status

| Latent variable | Measurement indicators | test item | test item citation |
|---|---|---|---|
| operational management status | supply chain management | The company has a good and efficient supply chain management system<br>The company continuously restructures the supply chain, simplifies the supply chain and develops collaborative information system<br>The company can quickly produce new products according to the needs of customers<br>The company can maintain long-term and stable relations with suppliers, manufacturers and distributors | Hughes et al.（1998）; Graham（2005） |

(3) Human resources management measurement scale

In the field of human resources, some scholars have summarized the choice of human resources strategy under different situations of enterprise decline, and pointed out that corporate culture is an important aspect of human resources strategy and easy to be perceived by employees. Many scholars have studied the impact of corporate culture on corporate transformation, mainly found that values, reward and recognition system, and leaders' leadership are the factors affecting corporate transformation, and pointed out the relevant measurement indicators. Sharma and Sahoo (2013) defined corporate culture as an organization's unique cultural image composed of its values, beliefs, rituals, symbols and ways of doing things. They also provided measurement indicators of employee-oriented corporate culture to measure employees' and managers' perception of the current situation of corporate culture, as follows:

Table 3-4 Measurement scale of human resources

| Latent variable | Measurement indicators | test item | test item citation |
|---|---|---|---|
| human resources management | corporate culture | The company culture is employee-oriented<br>The company will actively communicate with employees through various ways<br>The company actively pays attention to and attaches importance to the needs and development of employees | Sharma and Sahoo（2013） |

| | | |
|---|---|---|
| | Employees' superiors will listen to and value their ideas and suggestions<br>The company will help employees solve their work difficulties through training and other ways<br>The company will tell its employees about the problems and obstacles that affect the company's survival<br>The company will help employees grow through various methods such as job rotation | |

(4) Marketing and sales management measurement scale

The marketing and sales management of an enterprise can be measured by the perception of employees and managers on the enterprise's marketing strategy (Jaworski & Kohli, 1993). Marketing strategy refers to that enterprises take customer needs as the starting point, obtain the information of customer demand and purchasing power and the expectation of the business community according to experience, and organize various business activities in a planned way. Based on the measurement indicators proposed by Jaworski and Kohli (1993) and the indicators extracted from interviews, this research measures the current situation of market and marketing management, as shown in the table below:

Table 3-5 Measurement scale of marketing and sales

| Latent variable | Measurement indicators | test item | test item citation |
|---|---|---|---|
| Marketing and sales | Consumer-oriented marketing strategy | The needs of consumers play an important role in promoting the development of the company<br>The company's products are consumer-oriented<br>The company continues to launch new products and services to satisfy customers<br>The company attaches great importance to market research to discover those unmet market needs<br>The current company's customer satisfaction is very high<br>The current company's customer loyalty is very high | Jaworski and Kohli（1993）; from interviews |

(5) R & D management measurement scale

R & D management refers to the enterprise's management of improvement of old products and technologies and development of new products and technologies (heggde et al., 2011).

This research measures the R & D status by employees' and managers' perception of the enterprise R & D status. This research summarizes the measurement indicators of R & D management status proposed by Shamsud et al. (1996) and Heggde et al. (2011) as the measurement scale of R & D status, as follows:

Table 3-6 Measurement scale of R & D status

| Latent variable | test item | test item citation |
|---|---|---|
| R & D status | The company's R&D process has been standardized<br>The company attaches great importance to research and development to improve production quality<br>The company attaches importance to process improvement and efficiency<br>The company attaches great importance to the training of R&D personnel<br>The company is willing to spend money to update R&D equipment<br>The company values innovation<br>The company attaches importance to launching new products faster than other companies | Shamsud et al.（1996）; Heggde et al.（2011） |

3. Component dimension and measurement of decision making (x3)

Management decision-making is the strategy adopted and implemented by the enterprise management for the existing problems or possible problems in the future. Rouse (2005) and Davis (1989) believe that management decision-making is mainly affected by the organizational structure and the leader style of the management.

This research holds that entrepreneurs mature in the social environment, and their attitude towards enterprise management is likely to be affected by their basic social values (Steensma et al., 2000). Therefore, this study also pays attention to some enterprise management factors with Chinese cultural characteristics. By comparing the relevant studies of Chinese and Western scholars on family enterprises (Cater & Justice, 2010) and private enterprises, and the literature of foreign scholars examining the differences between Chinese and western enterprise management from the perspective of cultural differences, this research finds that: first, Chinese and western enterprise managers have different management styles, and the western enterprise

strategy model is not fully applicable to Chinese enterprises, especially family enterprises (Bruton et al., 2003). For example, Fan et al.(2004) found that Chinese and American entrepreneurs are significantly different in conflict management, decision-making and working group characteristics. Especially in management decision-making, Chinese entrepreneurs tend to avoid risks, while Western managers tend to confront risks in the reform and transformation. Second, many enterprises in China have developed after the reform and opening up since 1978, and many are family enterprises. In the relevant research on Chinese family enterprises, the researchers found that up to mid-2017, 1152 of the 3272 enterprises in the Chinese A-share market were family enterprises, accounting for more than 30% (Yu Xiaodong et al., 2018). In the process of transformation and upgrading, family enterprises may lead to strategic failure due to their family governance structure, ineffective family internal control and outdate family personnel management (Liu Li, 2020). Therefore, this study adds the decision-making style of managers and the familization degree of enterprise to the constituent dimension of management decision-making, making the variables and models more suitable for the study of enterprise transformation under the Chinese cultural background.

To sum up, this research believes that management decision-making consists of four aspects: management structure, management leadership style, managers' decision-making style and familization degree of enterprise. Among them, management structure refers to the division, grouping, coordination and cooperation of work tasks within the enterprise, which can be reflected by the flattening degree of the enterprise organizational structure (Harker & Sharma, 2000). This research measures the flattening degree of the enterprise through the perception of employees and managers, and refers to the scale proposed by Chandratreya and Sajanapwar (2013). The leadership styleof managers refers to the degree of interference of leaders in the final decision-making of company affairs (Davis, 1989). The authoritarian rule of managers is an important aspect to reflect the leadership style of management (Davis, 1989). This research

measures it through the perception of employees and managers on the authoritarian rule of managers, and measures it through the measurement indicators proposed by Davis (1989) and combined with the interview to extract new indicators. According to the different ways decision makers use information, decision-making styles can be divided into analytical type and action type (Finkelatein, 1992). Analytical decision-makers think deeply about problems or like logical analysis. They make clear statements on problems by collecting a large amount of information, and make rigorous reasoning and Analysis on this basis. This type of decision-makers generally adopt an avoidance attitude towards risks. Action oriented decision makers mainly rely on their own experience, intuition and personal preferences to make decisions decisively. Such decision makers need to be quick thinking, have a broad vision, be able to overview the overall situation, grasp the key links, pay attention to action and speed in the decision-making process, like and dare to take risks, and are particularly sensitive to new opportunities. This research refers to the measurement indicators proposed by Gref et al. (1990) and refines new indicators from interviews to measure the degree of managers' action decision-making style. Chinese family enterprises usually like to recruit kinships as employees or management, while non-family enterprises generally set the principle of avoiding kinships during recruitment. Therefore, the familization degree of enterprise can be measured by analyzing the kinships among employees, especially between superiors and subordinates (Liu Li, 2020; Yu Xiaodong et al., 2018). This research measures it based on the scale proposed by Yu Xiaodong et al. (2018).

Therefore, the measurement scale of management decision-making in this research is as follows:

Table 3-7 Measurement scale of management decision making

| Latent variable | Measurement indicators | test item | test item citation |
|---|---|---|---|
| organizational structure | flattening degree of the enterprise organizational structure | Leaders attach importance to the growth and development of employees and care about the future development of each employee<br>The superior will spend time with all the employees under his management one-on-one communication<br>Part of the company's resources and powers will be delegated to the entry-level employees, that is, employees have certain decision-making powers<br>Communication within the company is open and transparent<br>Convenient and quick information exchange within the company<br>The superiors are willing to spend more time to guide the employees' work, so as to train the employees<br>The superior will consider the employees' ideas and suggestions | Chandratreya and Sajanapwar（2013） |
| managers' leadership style | the authoritarian rule of managers | The company values the common growth and development of employees<br>The company will negotiate the company's future development direction and plan with employees<br>The company gives employees a lot of autonomy and working space<br>In the company, in terms of working methods, employees can take a free approach<br>In daily work, it is the leaders who make decisions | Davis，1989；from interviews |
| managers' decision-making style | Action oriented decision maker | Supervisors are decisive in their work<br>Superiors have the courage to take risks in their work<br>The superior has a keen insight at work<br>The superior has keen judgment in the work | Gref et al.，1990；from interviews |
| familization degree of enterprise | kinships among employees, especially between superiors and subordinates | Parent-child relationships are common among company employees, especially between superiors and subordinates<br>Spouse relations are common among company employees, especially between superiors and subordinates）<br>Sibling relationships are common among company employees, especially between superiors and subordinates<br>In-law relationships are common among company employees, especially between superiors and subordinates<br>The company's job arrangement is more about kinships rather than ability | Yu Xiaodong et al.，2018 |

4. Enterprise strategic transformation (y)

The data in this research mainly comes from a food transformation enterprise. In order to meet the statistical requirements, this research uses a questionnaire to collect data. Greiner and Bhambri (1989) found that the transformation consensus of internal employees plays an important role in the success of enterprise transformation. Therefore, for the dependent variable, this research intends to use the transformation consensus of employees within the enterprise as the estimation of the transformation potential of the enterprise. The transformation consensus of employees within the enterprise can be measured from three aspects: employees' desire for enterprise transformation, employees' internal transformation success confidence and employees' work enthusiasm (Greiner & Bhambri, 1989). The specific measurement scales are as follows:

Table 3-8 enterprise strategic transformation measurement scale

| Latent variable | Measurement indicators | test item | test item citation |
|---|---|---|---|
| The transformation consensus of employees within the enterprise | employees' desire for enterprise transformation | I am eager to company tranformation | Greiner and Bhambri (1989) |
| | | I am willing to make personal efforts for the smooth transformation of the company | |
| | | I am willing to devote more time and energy to the smooth transformation of the company | |
| | employees' work enthusiasm | My work can fully reflect personal value | |
| | | I think my current job suits me well | |
| | | I am full of enthusiasm for work most of the time | |
| | | Leaders and colleagues approve of my work | |
| | | I work very efficiently most of the time | |
| | | I continuously summarize and improve in my work | |
| | employees' internal transformation success confidence | After the company's transformation, I think the company's efficiency will improve | |
| | | After the company's transformation, I think the previous problems will be basically solved or reduced | |
| | | After the company's transformation, I think the company's operations will be more scientific and standardized | |
| | | After the company's transformation, I think the company's efficiency will be greatly improved | |

| | | |
|---|---|---|
| | After the company's transformation, I think the company will get longer-term development | |

To sum up, based on Rouse's (2005) enterprise transformation theory, this research determines four variables: value deficiencies, work process, decision-making and enterprise strategic transformation. Because these variables cannot be quantified directly with questionnaire data, based on the existing research, this research looks for the latent variables of these variables to quantify these variables. Among them, the independent variables are value deficiencies and work process. There are 2 latent variables under value deficiencies and 5 latent variables under work process. The moderator variable is decision-making, which is composed of four latent variables. The dependent variable is enterprise strategic transformation, which is estimated by the consensus of enterprise employees. Since this research mainly focuses on the overall impact of various factors on enterprise strategic transformation, and the analysis focuses on the driving factors, the consensus of enterprise employee transformation is not subdivided when proposing assumptions and data analysis, but as a one-dimensional variable. These latent variables are related to enterprise transformation, strategic transformation, or enterprise turn, which have been proposed or verified by scholars in the previous literature. This study puts the previously scattered driving factors of enterprise transformation under the framework of Rouse transformation theory, and tries to explore the factors affecting enterprise strategic transformation to a more comprehensive extent. The measurement of variables in this research are mostly based on the existing scale, and the rest are from interviews. The variables in this research are as follows:

**Table 3-9 Variable Description and Measurement**

| Variable type | Variable name | Variable definition | Variable measurement | Data sources |
|---|---|---|---|---|
| | value deficiencies | the existing and anticipated losses of value and failures to meet gains of value; including two dimensions: 1 employees' perception of the existing defects of the enterprise; 2 employees' expectations for the future crisis of the enterprise | This research measures that variable by employees' perception of the existing defects of the enterprise and their expectations for the future crisis of the enterprise, which has been used in the previous literature. This research usesLikert 7-level scale. | |
| independent variable | work process | Work process is a multi-level variable. The work process of an enterprise is a process in which an enterprise transforms input into output. This research measures it from the following five dimensions: financial management, operation management, human resources management, marketing and sales management, and R & D management. | It is measured by five latent variables: the enterprise's financial management strategy (including cost management strategy and lean management strategy), the supply chain situation, the employee-oriented corporate culture, the consumer-oriented marketing strategy and the R & D situation. Most of these latent variables have ready-made scales. This study summarizes the relevant scales, refines some measurement items through interviews, and then adopts Likert 7 scale for measurement. | According to the scale, a questionnaire was designed, and the employees and managers of a typical strategic transformation food enterprise were investigated. |
| moderator variable | decision-making | The strategy adopted and implemented by the enterprise management for the existing problems or possible problems in the future. Including four aspects: management structure, management leadership style, managers' decision-making style and familization degree of enterprise | It is measured by four latent variables: flat organizational structure, authoritarian leadership style, manager's action oriented decision making style and the kinship between employees, especially the kinship between superiors and subordinates. Most of these latent variables have ready-made scales. This study summarizes the relevant scales, extracts some measurement items through interviews, and then adopts Likert 7 scale for measurement. | |
| dependent variable | enterprise strategic transformation | Significant changes in the economic and market environment lead to the expectation of value deficiencies or value deficiencies, and the enterprise will be transformed and upgraded by using the enterprise resources such as capital, technology, talents and management experience accumulated in the first entrepreneurship | This research measures the enterprise strategic transformation through the transformation consensus of employees in the enterprise, which can be measured by the scale. The transformation consensus of employees within the enterprise consists of three aspects: employees' desire for enterprise transformation, internal transformation success confidence and employees' work enthusiasm, and has a mature scale. However, because this research focuses on the driving factors of enterprise strategic transformation, the dependent variables are not subdivided. This research will analyze the measurement data of the three dimensions of the transformation consensus of employees in the enterprise, and obtain a comprehensive measurement index by calculating the mean value. | |

### 3.1.3. Theoretical model

Based on the above analysis of independent variables, dependent variables and moderator variables and the related theoretical derivation, the theoretical model of this study can be obtained.

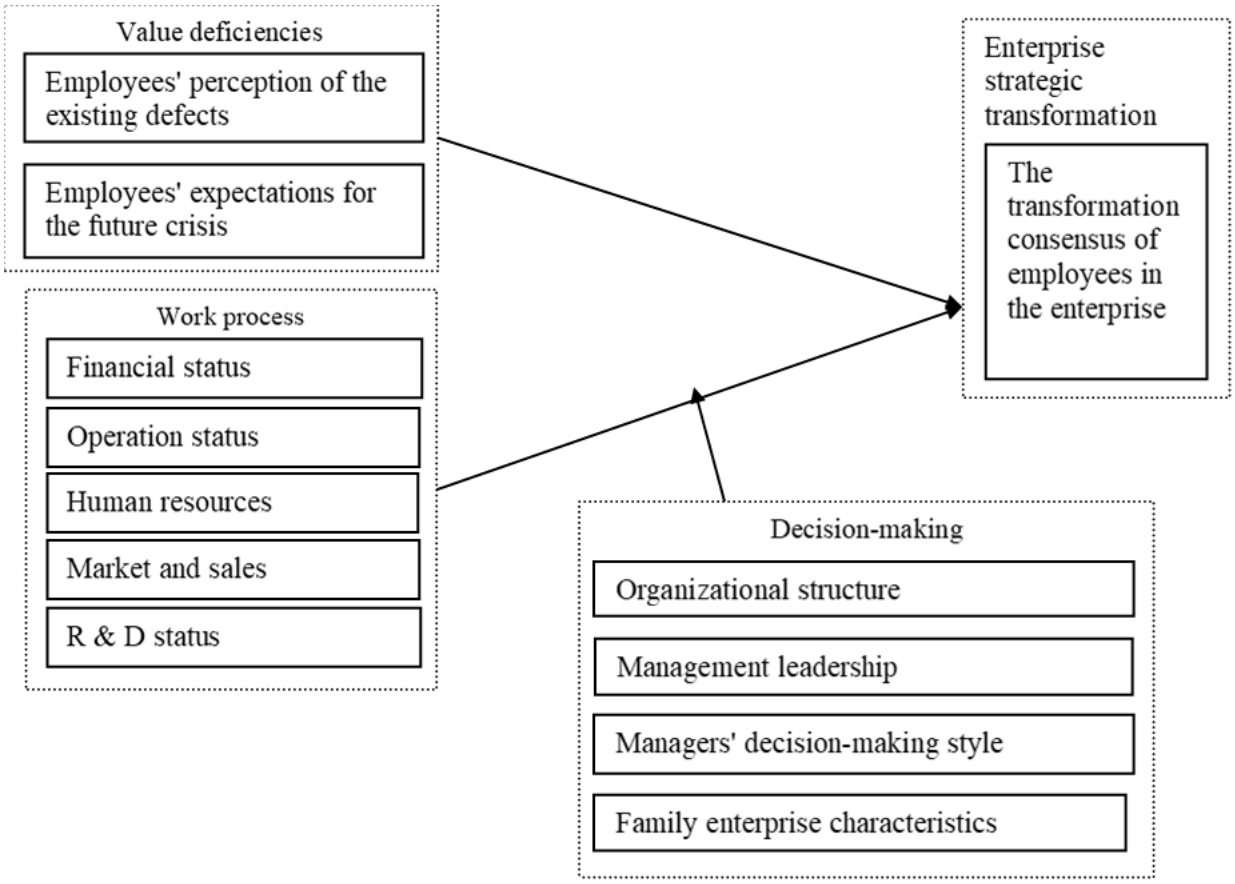



Figure 3-6 theoretical model

This research studies the impact of value deficiencies and work process on enterprise strategic transformation, and studies the regulatory effect of management decision-making on work process and enterprise strategic transformation.

## 3.2. Proposal of research hypotheses

According to the theoretical model and combined with the existing research, this research will put forward the impact of value deficiencies on enterprise strategic transformation, the impact of work process on enterprise strategic transformation, and the regulatory effect of management decision on the relationship between work and enterprise strategic transformation.

### 3.2.1. impact of value deficiencies on enterprise strategic transformation

This study aims to explore the driving factors of enterprise transformation. Based on Rouse's enterprise transformation theory, this study uses value deficiencies as a variable to drive enterprise strategic transformation.. According to rouse (2005), enterprise transformation is driven by perceived value deficiencies relative to needs and expectations. When the enterprise experiences or expected value decline, such as enterprise income and profit decline, the enterprise hopes to achieve a new value level, and the expectation of enterprise transformation will increase.. There are two views that value deficiencies drive enterprise change: one is the view driven by external opportunities and threats, which holds that changes should be carried out before the management is forced to make changes, so as to increase the opportunities for resources to invest in these changes, make full use of internal advantages and alleviate internal disadvantages. The second is the measures of external competitors and the view driven by internal crisis, which usually leads to the need for transformation being recognized a long time later. Therefore, it often forces the parent company, stock market or other investors to transform the management. This passive view of transformation often leads to failure. The transformation of enterprises can change from business process improvement to more fundamental enterprise transformation, which can make up for value deficiencies.

From the perspective of resource-based theory, the historical resource endowment of

enterprises will affect their transformation (Matthew et al., 2001). This view holds that the resources owned by enterprises play an important role in the process of strategic direction adjustment and strategic transformation. With the change of the internal and external environment of the enterprise, the value of the existing resources of the enterprise may be continuously reduced or even completely lost, resulting in a development crisis. Performance decline caused by internal development crisis is one of the main reasons for strategic transformation. A large number of studies have shown that there is a correlation between past performance and enterprise change. Greiner (1972) found that the main reason for enterprises to promote strategic transformation is the huge gap between actual business performance and objectives. Kotter (1992) also pointed out that in order to improve performance, enterprises will actively seek and adjust business direction for strategic transformation, and the decline of performance will promote enterprises to implement transformation. Therefore, the following hypotheses are proposed:

H1: enterprise value deficiencies will promote and drive enterprise strategic transformation.

According to the previous division of the conceptual dimension of value deficiencies, the measurement of value deficiencies in this research is divided into two aspects, including employees' understanding of the existing deficiencies of the enterprise and employees' expectations of the future crisis of the enterprise. Previous studies have shown that internal consensus has a significant impact on the success of enterprise transformation (Miles & Snow, 1978; Neilsen & Rao, 1987; Yulihasr et al., 2018), and some empirical studies have confirmed the positive impact of internal consensus on enterprise management (Dess, 1987; Bourgeois, 1980). Based on this, this research puts forward the following hypotheses:

H1. A: employees' understanding of the existing deficiencies of the enterprise will promote and drive the strategic transformation of the enterprise .

H1. B: employees' expectations for the future crisis of the enterprise will promote and drive the strategic transformation of the enterprise .

### 3.3.2 Impact of work process on enterprise strategic transformation

In addition to value deficiencies, rouse (2005) also mentioned that the work process of enterprises also affects the transformation of enterprises. Strategy oriented transformation must finally pay serious attention to the business. Similarly, an operations oriented plan must at least validate the existing strategy. Both of these approaches will lead to reconsidering the work process, resulting in the work process being replaced or redesigned to meet the strategic choice. Improving work process can improve the effectiveness and efficiency of work. Ways to improve work process include enhancing work process (through acceleration, task improvement and output improvement); Streamlining (by eliminating tasks); Elimination (through outsourcing); Invention (by creating new processes). ERP system used in enterprise information transformation is an example of enhancing work process. Use ERP system to automate the work process, simplify the information flow between tasks and improve work efficiency. An example of task improvement is the use of decision-making aids to improve the performance of people in a given process (for example, allowing more options to be considered). Output improvement may reduce the variability of the process. Streamlining processes may involve transferring tasks to others (for example, transferring customer service queries to other customers who have solved similar problems). Eliminating the process involves reducing the process. For example, Amazon has created an online bookstore, thus eliminating the demand for bookstore related processes in its business. The invention involves the creation of new processes, such as Dell's creation of a new production to order process in the transformation. Therefore, work process will affect the transformation of enterprises.

There are many factors that affect enterprise work process mentioned in the existing literature. This research mainly discusses the impact of work process on enterprise transformation from five dimensions: financial management, operation management, human resource management, marketing and marketing management and R & D management.

According to the research of Davis et al (2000), Harry et al (1990) and Richard et al (1989), financial management is an important aspect of work process. Under the new economic normal, the supply side structural reform requires the modern food industry to improve the quality and efficiency of the supply side and complete the industrial transformation and upgrading. The rapidly changing market environment also requires enterprises to reduce enterprise costs and reduce ineffective and low-end supply while meeting the new needs of consumers. Therefore, the value of cost control is particularly important for the production and operation of current food enterprises.

Financial management strategy can be divided into cost management strategy and lean management strategy. The higher the degree of cost management and lean management, the more efficient the financial situation is (Davis et al, 2000). Cost management refers to a series of scientific management behaviors in the process of enterprise production and operation, such as cost accounting, cost analysis, cost decision-making and cost control. Cost management fully mobilizes and organizes all personnel of the enterprise to scientifically and reasonably manage all links of the enterprise's production and operation process on the premise of ensuring product quality, so as to achieve the maximum production results with the least production consumption. The concept of lean management refers to using the least resource investment, including human, material and financial resources, to obtain the maximum enterprise benefits and provide customers with new products and timely services. These two kinds of financial management thoughts urge the managers of enterprises to realize that when the enterprise has value defects, they will improve the financial management strategy. Using the concept of lean

management for cost control can help enterprises infiltrate specific quantitative standards into all links of the enterprise supply chain, optimize the allocation and effective use of resources in the enterprise supply chain, achieve business strategic objectives and obtain competitive advantages. The practice of the food industry shows that lean management runs through all business processes, which can not only provide customers with satisfactory products, but also realize the lowest overall cost of the enterprise, so as to enable the enterprise to obtain a strong competitive advantage and finally improve the value of the enterprise. Therefore, lean management strategy and cost management strategy will promote the transformation of enterprises. Based on the above analysis, a hypothesis made in this study is as followed:

H2. a: Good financial management strategy will promote and drive the enterprise's strategic transformation.

According to the research of Ganesan & Saumen (2005) and Rohini et al (2013), operation management is an important aspect of work process. Thomas & Griffin (1996) believes that at the operational level, supply chain management brings together functions as old as commercial activities themselves - finding goods, purchasing goods, storing goods and distributing goods. Therefore, the operation status is mainly determined by the design and operation of the supply chain. According to the definition of Supply Chain Council, supply chain refers to the network chain structure formed by all upstream and downstream enterprises involved in the process from production to delivery of final products. The term "supply chain management" is used to explain the planning and control of materials, information flow and logistics activities within the organization and between companies involved in the supply chain (Cooper et al., 1997). However, at the strategic level, supply chain management is a relatively new and rapidly expanding discipline. It is changing the way manufacturing and non-manufacturing businesses meet customer needs. Supply chain management aims to create a seamless and coordinated supply chain by making better use of internal and external capabilities to improve performance,

so as to turn inter organizational competition to inter supply chain competition. Effective supply chain management can understand the changing customer needs and design the supply chain to provide products and services accordingly, which will help the organization surpass its competition. Therefore, good supply chain management is helpful to enterprise strategic transformation. Graham (2005) found based on the case study that organizations can achieve transformation and achieve excellent performance through systematic supply chain planning and implementation. Based on the above analysis, a hypothesis made in this study is as followed:

H2. b: Good operating management will promote and drive enterprise strategic transformation.

According to the research of Ganesan & Saumen (2005) and Rohini et al (2013), enterprise human resource management is also an important aspect of work process. In the field of human resources, some scholars summarized the choice of human resources strategy under different situations of enterprise decline (Santana et al., 2017), and pointed out that corporate culture is an important aspect of human resources strategy. Corporate culture is the characteristic spiritual wealth accumulated and condensed by an enterprise in production, operation and management activities for a long time. It is the spiritual pillar of an enterprise. It can guide the enterprise to develop continuously and keep pace with the times. Strengthening the construction of corporate culture can not only improve the overall cohesion of enterprises, but also stimulate the creativity of enterprises. On the one hand, this cohesion can strengthen the personalized construction of enterprises, improve employees' sense of belonging and identity, guide employees' behavior, and then improve their own economic benefits, which is conducive to the transformation and upgrading of enterprises. On the other hand, because of its historical and long-term nature, culture has become the yardstick of innovation, that is, culture affects innovation, and innovation is an important driving force for enterprise strategic transformation.

Many scholars have studied the impact of corporate culture on enterprise transformation, and mainly found that enterprise values (Davenport, 1999) and reward and recognition system (Flannery et al., 1996) are all factors affecting enterprise transformation. Sharma (2013) analysis shows that employee centered corporate culture is conducive to promoting and driving enterprise strategic transformation. Enterprises can use some practical tools to create a dynamic organizational culture, promote the free flow of ideas, and tap employees' energy, commitment and imagination, so as to improve the productivity, profitability and performance of the organization. Yang and Liu (2013) also found that the "people-oriented" corporate culture played a positive role in promoting the transformation and upgrading of BYD. Based on the above analysis, a hypothesis made in this study is as followed:

H2. c: Good human resources management will promote and drive the strategic transformation of enterprises.

Bernard & Ajay (1993) pointed out that marketing and sales are important aspects of work process. The surge of market competition pressure makes operators more and more aware that if they want to obtain market competitive advantage and realize survival and development, they must deeply understand the characteristics of consumers. Understanding the target customers of the enterprise and their consumption characteristics, communicating effectively with consumers, and starting from the needs of consumers are the core ideas for enterprises to carry out economic activities. In the literature on enterprise transformation, many scholars have emphasized the importance of marketing in rescuing underperforming enterprises (Goldston, 1992). Some scholars found that marketing intervention has also become an important part of enterprise transformation strategy (Heggde et al., 2011). Some studies have directly focused on the value of market intelligence and planning in the process of enterprise transformation (Harker, 2001). Jaworski (1993) believes that the understanding of the market environment is the key factor for the success of enterprise transformation, and that understanding market

intelligence is the basis for enterprises to understand the market environment. Marketing oriented enterprises take customers as the center, actively track and investigate consumers, and then generate intelligence, which is then used in the company's management decisions (Jaworski et al., 1993). Harker (1998) found through case analysis that those enterprises with successful transformation will carefully arrange salespeople to establish respect and trust with customers. This is very important for enterprises to maintain customer relations, and such enterprises can perceive and respond to the market more accurately than those competitors who only focus on the interior of the enterprise (Jaworski et al., 1993).Based on the above analysis, a hypothesis made in this study is as followed:

H2. d: Good marketing and sales managements are conducive to promoting and driving enterprise strategic transformation.

According to Shamsud (1996), R & D is also an important aspect of enterprise work process. The R & D status of enterprises is affected by product planning, product development, technology development and so on. At present, the rapid change of consumer demand forces enterprises to innovate constantly and provide high-quality products different from competitors in order to obtain competitive advantage first. Innovation activity is an important factor to increase the core competitiveness of enterprises. R & D investment, as an important support for product innovation, is the basis for trying innovation. In order to gain competitive advantage, enterprises must invest a lot of human and material capital in R & D activities. Through the investment in R & D, enterprises accumulate and integrate the acquired new technologies and convert them into productivity. On the one hand, they optimize the production process and reduce the production cost, on the other hand, they help enterprises put innovative products into the market, So as to better respond to and meet customer needs. Some scholars have done research on this aspect. Guth & Ginaberg (1990) believes that continuous investment in R & D can help enterprises take the lead in entering new business areas, seize new markets and form

new profit growth points and profitability. Pandit et al. (2011) through quantitative analysis of the impact of R & D input and output on enterprise performance, it is found that R & D input can improve R & D output, and R & D output can further improve enterprise business performance. Therefore, this research believes that R & D investment is an essential material condition for enterprises to carry out strategic transformation, and then puts forward the following hypothesis:

H2. e: Good R & D management is conducive to promoting and driving enterprise strategic transformation.

### 3.3.3 The adjustment effect of management decision on the relationship between work process and enterprise strategic transformation

As mentioned above, in the enterprise transformation theory, value deficiencies and work process are the factors set by Rouse influencing on enterprise transformation. Rouse (2005) also points out that the possibility of changing the work process largely depends on the internal environment of the transformation, in which leadership is the key, but reward, recognition and ability will also have a significant impact on the success of the transformation. Rouse (2005) collectively referred to these internal factors affecting the work process as management decision-making. Value defects and work process are considered from the perspective of engagement, while management decision-making is considered from the perspective of people and organization. Different managers will take different management decisions, which will change the driving force of work process on enterprise strategic transformation. Therefore, this research holds that the management decision-making of enterprise management, as a moderator variable, also affects the road of enterprise transformation.

Further, Abhijit and Pallavi (2013), and Michael and Bishnu (2000) discussed the impact of management decisions on enterprise transformation from two aspects: management structure and leader style. They pointed out that the complexity of enterprise structure affects the management efficiency of enterprises, and the way leaders implement power and the size of power affect the promotion of enterprise innovation and transformation decisions. According to their research, this research mainly analyzes the regulatory role of management decision-making on the relationship between work process and enterprise strategic transformation from the two dimensions of enterprise management structure and leadership behavior. This research holds that entrepreneurs mature in the social environment, and their attitude towards enterprise management is likely to be affected by their basic social values (Steensma et al., 2000). Therefore, this study also pays attention to some enterprise management factors with Chinese cultural characteristics. By comparing the relevant studies of Chinese and Western scholars on family enterprises (Cater et al., 2010) and private enterprises, and the literature of foreign scholars examining the differences between Chinese and western enterprise management from the perspective of cultural differences, this research finds that: first, Chinese and western enterprise managers have different decision-making styles, The western enterprise strategy model is not fully applicable to Chinese enterprises, especially family enterprises (Bruton et al., 2003). For example, Fan et al. (2004) found that Chinese and American entrepreneurs are significantly different in conflict management, decision-making and working group characteristics. Especially in management decision-making, Chinese entrepreneurs tend to avoid risks, while Western managers tend to take risks in the reform and transformation. Second, many enterprises in China have developed after the reform and opening up, and many are family enterprises. In the relevant research on Chinese family enterprises, the researchers found that as of mid-2017, 1152 of the 3272 enterprises in the domestic A-share market were family enterprises, accounting for more than 30% (Yu Xiaodong et al., 2018). In the process

of transformation and upgrading, family enterprises may lead to strategic failure due to their familiarization governance structure, ineffective familiarization internal control and backward familiarization personnel management (Liu Li, 2020). Therefore, this study adds the manager's decision-making style and the degree of enterprise familiarization to the constituent dimension of management decision-making, making the variables and model more suitable for the study of enterprise transformation under the cultural background with Chinese characteristics. Therefore, this research holds that management decision-making is composed of four aspects: management structure, manager's leadership style, manager's decision-making style and the degree of enterprise familiarization.

(1) Regulatory role of management structure

The impact of managers' management decisions on enterprises will be affected by the organizational structure. McKinsey & company pointed out in its 2015 report that if employees can understand the assigned tasks and fully participate in the transformation process, the success rate will be three times that of inefficient implementation. This is because the inefficient implementation may prolong the transformation time and increase internal conflicts, resulting in the decisive failure of the transformation. In a highly competitive market, speed or response time is crucial. The speed at which enterprises respond to customers and other stakeholders and the possibility of taking the lead in entering the market will have a significant impact on enterprises. In order to maximize response time, in addition to initiatives such as downsizing and networking, the organizational structure of enterprises is also crucial. The organizational structure that can develop new products faster or adapt to market changes faster is more and more favored by modern enterprises, so many enterprises have been flattening their hierarchical structure (Chandratreya & Sajanapwar, 2013). Compared with the traditional pyramid organizational structure, the flattening of the modern organizational structure means that there is little or no level intervention between employees and managers by reducing the

levels between the enterprise decision-making level and the operation level, so that the enterprise decision can be quickly promoted to the front line of production and sales (Harker,2000; Chandratreya & Sajanapwar,2013). The implementation of this management model can not only reduce the management level and help enterprises reduce management costs, but also improve the feedback speed and decision-making efficiency of the organization through appropriate decentralization, improve the operation and management efficiency of enterprises, and establish a rapid market change response mechanism and efficient production transformation flexibility (Chen Hui, Sui Yubing, 2019). In today's era, the needs of consumers are more diverse and personalized, and the refinement of the market forces enterprises to meet the needs of every customer. For food enterprises, it is particularly important to accurately and quickly grasp consumer preferences. Understand and grasp consumers' demand and consumption habits for products in the shortest time, and feed back to decision-making in a timely and effective manner, which requires the fewer management levels, the better. The biggest feature of the flat organizational structure is that it can change the organizational scale by increasing or decreasing business processes according to market changes, which greatly improves the organizational flexibility. In particular, when facing enterprise strategic transformation, this flexible management structure can help enterprises better reallocate resources, adjust work process, and then successfully complete enterprise strategic transformation. Therefore, the following hypothesis is made:

H3. A: the flat management structure has a positive regulatory effect on the relationship between work process and enterprise strategic transformation,

(2) Regulatory role of managers' leadership style

According to the high-order theory, the probability of successful change is from top to bottom. When the organization handles major decisions, the high-level people have a greater impact. In other words, as the decision-makers of the enterprise, senior managers have more

advantages in formulating business policies, coordinating the work of various departments and implementing business strategies. They play a decisive role in the mobilization and allocation of enterprise resources and the promotion of new strategies, and affect the success rate of enterprise transformation (Hambrick & Mason, 1984). Relevant studies at home and abroad also show that enterprise management plays an organizational and promoting role in the process of strategic transformation, which is closely related to the success of enterprise strategic transformation (Battilana, 2010; Wang, 2008). Hermmann (2002) found that the personality characteristics of managers will affect the choice of enterprise strategy. The strategic decision-making of an enterprise largely depends on the personal management style, decision-making ability and risk preference of the management. Different leadership decision-making styles have different decisions on the strategic transformation of the enterprise. In this process, the interaction between leadership decision-making style and transformation motivation determines the decision-making quality and implementation effect (Wang, 2008). It can be said that the correct leadership decision-making style is the basis for enterprises to realize strategic transformation.

In the existing research on leadership style, the more famous theory is Lewin's leadership style theory, which divides leadership style into dictatorship, democracy and laissez faire (Zeng fue et al., 2016). With the development of leadership style theory, bass proposed two new leadership theories in 1985, namely transformational leadership and transactional leadership. In view of the influence of traditional social culture, Chinese enterprises tend to be centralized and conservative. This study mainly analyzes the role of management's leadership style in the process of enterprise strategic transformation from the perspective of traditional leadership style, that is, authoritarian leadership style.

"Authoritarian" leadership style, also known as authoritarian leadership, is a highly centralized leadership model. Leaders hold power in their own hands, everything is decided by

themselves, and subordinates need absolute obedience. In 1939, when Lewin analyzed the effects of different types of leadership, he found that under authoritarian leadership, leaders exercise strict supervision and control over the work of their subordinates, the group work efficiency is high, and the established work objectives can be achieved. However, this model only cares about the task results and does not care about the individual employees, which will lead to more negative attitudes and confrontational emotions among group members, Such as lack of work motivation, shirking responsibility, mutual attack, etc. Moreover, under this leadership style, the organizational atmosphere is dead, employees have no opportunity to give full play to their subjective initiative, and members can not cooperate well, which is not conducive to the innovation and development of enterprises (Dukerichet al., 2002). McKinsey & company pointed out in its 2015 report that if senior managers or project leaders cannot actively communicate with employees and support enterprise transformation at the company's request, the transformation success rate is only about 1 / 5 compared with the management and its enterprises with positive attitude. Therefore, this research believes that authoritarian leadership style is not conducive to the strategic transformation of enterprises, and puts forward the following hypothesis:

H3. B: "authoritarian" leadership style has a negative regulatory effect on the relationship between work process and enterprise strategic transformation (Davis, 1989).

(3) Regulatory role of managers' decision-making style

The main task of the management is to deal with the internal uncertainty and external risks of the company. If the managers have keen observation and insight, they can strengthen their understanding of the internal and external environment of the enterprise and identify the changes of the environment in time (Finkelatein, 1992). Both Miller (1986) and song (1982) have shown that there is a certain correlation between the decision-making style of managers and whether the enterprise strategy is radical and conservative. The more confident and

aggressive managers will implement strategies with innovation and risk preference. Decision style refers to the relatively stable decision-making tendency formed in the long-term decision-making process. It is the decision-making habit and way of managers, which has a significant impact on the decision-making effect and efficiency (Yu Jiayuan, 2001). According to the decision-makers' different ways of using information, the decision-making style can be divided into analytical type and action type. Analytical decision-makers think deeply about problems or like logical analysis. They make clear statements on problems by collecting a large amount of information, and make rigorous reasoning and Analysis on this basis. This type of decision-makers generally adopts an avoidance attitude towards risks. Action oriented decision makers mainly rely on their own experience, intuition and personal preferences to make decisions decisively. Such decision makers need to be quick thinking, have a broad vision, be able to overview the overall situation, grasp the key links, pay attention to action and speed in the decision-making process, like and dare to take risks, and are particularly sensitive to new opportunities. The risk-taking spirit of managers can help enterprises decisively make change decisions based on environmental changes and obtain first mover advantage. McKinsey & company pointed out in its 2015 report that if senior managers or project leaders take more effective actions in the implementation process, the probability of successful transformation can be greatly improved (from nearly 5% to about 60%). Therefore, in the process of enterprise strategic transformation, the action decision-making style of the management is more conducive to the transformation of the enterprise. Based on the above analysis, a hypothesis made in this study is as followed:

H3. C: the management's action decision-making style has a positive regulatory effect on the relationship between work process and enterprise strategic transformation.

(4) The regulatory role of family enterprises

Since the reform and opening up, the number of private enterprises in China has increased

sharply. Influenced by Chinese traditional culture, Chinese entrepreneurs like to start businesses with relatives and friends, resulting in most private enterprises in China being family enterprises. China's food industry is also dominated by family food enterprises. The establishment and development of enterprises have obvious family characteristics, and the most prominent feature is that business owners form employment relations by hiring relatives to operate enterprises (Yang Qian, 2015). At the beginning of the establishment of the enterprise, the business owner, relying on his personal super ability, constructed a simple organizational structure through blood or marriage, created a low-cost and efficient competition model for the enterprise, and helped the enterprise develop and grow rapidly. When the enterprise develops to a certain extent, due to the needs of enterprise scale expansion and transformation, it is necessary to introduce professional technical talents and management talents to carry out standardized and institutionalized reform of the enterprise. Although the introduction of external professional talents makes a large number of non-kinship enter the enterprise, the core power of the enterprise is still controlled by the business owner and his relatives. The kinship and family culture formed in the early stage of family business still play an important role in the enterprise. However, the kinship and nepotism among employees caused by the familialization of enterprises is easy to cause contradictions and conflicts within the enterprise, which is not conducive to enterprise reform. First, with the development and growth of the enterprise, relatives and employees no longer focus on altruism, but pay more attention to benefit distribution. In order to strive for their own interests, various contradictions and conflicts will occur within the enterprise (Swagger, 1991; Memili et al., 2011). Second, the introduction and implementation of institutionalized management policy will hinder the exertion of relatives' sense of privilege in the enterprise, destroy the vested interests of relatives in the enterprise, and then cause strong dissatisfaction of relatives with professional managers, resulting in conflicts and contradictions (Yang Qian, 2015). Third, the appointment of leaders

by family enterprises in the way of their close relationship with the founders rather than their ability will not only dissatisfy the professional talents introduced from the outside, but also easily lead to the situation that laymen (relatives who do not know the profession) lead insiders (non-relatives who know the profession). Therefore, this research believes that the kinship between employees is not conducive to the strategic transformation of enterprises through scientific production and management, and puts forward the following hypothesis:

H3. D: Family business has a negative regulatory effect on the relationship between work process and enterprise strategic transformation.

To sum up, this research put forward two sets of hypotheses according to the influence of independent variables (value defect and work process) on dependent variable (corporate strategic transformation). Besides, according to the moderating effect of management decisions on work process and corporate strategic transformation, the research put forward another set of hypotheses. The corresponding relationships of the three groups of hypotheses were analyzed respectively according to their dimensionality, and a total of 11 sub-hypotheses were proposed. All the hypotheses of this study are shown in the following table.

Table 3-10 summary of research hypotheses

| **Summary of Research hypotheses** | | |
|---|---|---|
| Research projects | | Research hypotheses |
| Value deficiencies | Evaluation of existing deficiencies of the enterprise | H1.a: Employees' understanding of the existing deficiencies of the enterprise will promote and drive the strategic transformation of the enterprise |
| | Expectations for the future crisis of the enterprise | H1.b: Employees' expectations of the future crisis will promote and drive the strategic transformation of the enterprise |
| Work process | Financial management | H2.a：Good financial management will promote and drive the enterprise's strategic transformation |
| | operating management | H2.b：Good operating management will promote and drive enterprise strategic transformation |
| | Human resources management | H2.c: Good human resources management will promote and drive the strategic transformation of enterprises |
| | Marketing and marketing | H2.d: Good marketing and sales strategies are |

| | | |
|---|---|---|
| | strategy | conducive to promoting and driving enterprise strategic transformation |
| | R & D status | H2.e: Good R & D managements conducive to promoting and driving enterprise strategic transformation. |
| Management decision | Management structure | H3.a: The flat management structure has a positive regulatory effect on the relationship between work process and enterprise strategic transformation. |
| | Manager's leadership style | H3.b: The "authoritarian" leadership style has a negative regulatory effect on the relationship between work process and enterprise strategic transformation. |
| | Manager's decision-making style | H3.c: The management's action-based decision-making style has a positive regulatory effect on the relationship between work process and enterprise strategic transformation. |
| | Familization degree of enterprise | H3.d: Managerial familization has a negative regulatory effect on the relationship between work process and enterprise strategic transformation. |

## 3.3. Main innovations of the model

First, the data used in the model is innovative. Unlike most of the references mentioned in this research, the sample data in this study comes from internal questionnaire surveys rather than large-scale data collection within or across industries. In addition, the data collected through questionnaire surveys have timeliness, and the feasibility of the data is higher, so the work of data preprocessing is less difficult.

Second, this study does not directly evaluate the final result of the enterprise transformation, but uses the variable of employee consensus as an estimate of the potential of the enterprise transformation. Since the sample data used in this study mainly comes from a company that can be investigated (Q Group), it is only a single-layer data, and there is no financial statement related data for horizontal comparison. Therefore, this study chooses the variable "employee consensus" as the outcome variable, but does not choose financial indicators to measure the transformation performance of the enterprise in this research model.

# 4. Data collection, investigation and analysis

## 4.1. Data collection

This study uses the method of questionnaire to collect data, and then carries out empirical research. It screens out a well-known food enterprise undergoing corporate strategic transformation from China A-shares as the object of data collection.

The scale of this study is a combination of multiple scales extracted from different literature, and some of its items are refined from interviews, pre-survey is therefore considered necessary. Then the reliability and validity of the scale is tested before the creation of a formal questionnaire, which serves to collect data and examine hypotheses.

Firstly, the pre-survey questionnaire of this study is designed on the basis of sorting out the items of each scale, combined with the context and purpose of research. The questionnaire consists of the following parts: (1) questionnaire guide. This part introduces the purpose of the survey, the usage of data, the survey organizer, and instructions on how to correctly fill in the questionnaire. (2) The main body. Questions on work process, management decision-makings, enterprise strategic transformation and value defects are listed successively. They are measured by the Likert 7 scale. (3) Demographic information collection of respondents. This section covers information like gender, age, education level, work role, etc.

Considering the efficiency of questionnaire collection, this pre-survey was implemented electronically. As questions were loaded into Questionnaire Star, a famous Chinese electronic questionnaire platform, the author invited 4 doctoral students experienced in questionnaire research and 10 employees of different titles to read through and fill in the questionnaire as a test, and calculated their average time of completion: about 250 seconds. The online questionnaire platform has some advantages over the traditional research format. For example, no printing is needed and therefore cost-saving. Manual input is avoided to make data collection faster, not to mention the errors occurring during the course of input. The system

can record how much time respondents spend on their survey, which helps researchers with the screening process to a certain extent.

## 4.2. Pre-investigation and scale test

### 4.2.1. Pre-investigation procedures

The electronic questionnaire was sent to employees and business owners to fill in. Due to the large number of collected questionnaires, a stricter screening method was adopted. First, all the copies submitted in less than 200 seconds were deleted. Then, according to the variance of questionnaire answers, we eliminated the samples that were not carefully answered. In the end, 158 questionnaires were retrieved for this pre-research. From the perspective of gender composition, female respondents accounted for 39.94% and the male 60.06%. Judging from the age groups, most respondents were in the range of 35-44 years old or 25-34, constituting 33.69% and 46.97% respectively.

### 4.2.2. Pre-survey data analysis

#### 4.2.2.1 Reliability analysis

Reliability refers to the reliability of data, which is the degree of consistency of the results obtained from repeated measurement on the same object with the same method. It is generally expressed by the correlation coefficient (Guilford, 1942). There are four main methods for reliability analysis: test-retest reliability, replicate reliability, split-half reliability, and alpha reliability coefficient. In this study, Cronbach's alpha coefficient and corrected item-total correlation (CITC) are the most commonly used indicators to evaluate the internal consistency of the reliability test. They measure the correlation ability between each measurement indicator and the rest components of the same group. As to Cronbach's alpha value, the standard selected for this study is above 0.7 (Nunnally, 1994); for CITC value, it is greater than 0.5 (Churchill, 1979). Based on the foregoing methods and standards, we can find CITC value, and Cronbach's α value with and without the measured item for each test as follows:

(1) Reliability test of independent variables

Table 4-1 Reliability test of independent variables

| Reliability values and measurement indicators of each dimension | CITC | Cronbach's α without the measured item |
|---|---|---|
| Existing defect assessment (X1a): 0.907 | | |
| X1a1 | 0.853 | 0.825 |
| X1a2 | 0.781 | 0.914 |
| X1a3 | 0.823 | 0.874 |
| Future crisis expectations (X1b): 0.654 | | |
| X1b1 | 0.612 | 0.455 |
| X1b2 | 0.632 | 0.762 |
| X1b3 | 0.553 | 0.539 |
| X1b4 | 0.127 | 0.862 |
| Cost management (X2a): 0.853 | | |
| X2a1 | 0.686 | 0.789 |
| X2a2 | 0.702 | 0.791 |
| X2a3 | 0.636 | 0.810 |
| Lean management (X2b): 0.826 | | |
| X2b1 | 0.817 | 0.862 |
| X2b2 | 0.868 | 0.891 |
| X2b3 | 0.834 | 0.875 |
| X2b4 | 0.701 | 0.745 |
| X2b5 | 0.213 | 0.832 |
| X2b6 | 0.256 | 0.809 |
| X2b7 | 0.379 | 0.731 |
| Supply chain (X2c): 0.912 | | |
| X2c1 | 0.901 | 0.933 |
| X2c2 | 0.332 | 0.801 |
| X2c3 | 0.805 | 0.867 |
| X2c4 | 0.858 | 0.958 |
| Corporate culture (X2d): 0.822 | | |
| X2d1 | 0.829 | 0.801 |
| X2d2 | 0.732 | 0.828 |
| X2d3 | 0.121 | 0.869 |
| X2d4 | 0.732 | 0.828 |
| X2d5 | 0.101 | 0.833 |
| X2d6 | 0.323 | 0.678 |
| X2d7 | 0.276 | 0.783 |
| Consumer orientation (X2e): 0.876 | | |
| X2e1 | 0.261 | 0.843 |
| X2e2 | 0.832 | 0.819 |

| | | |
|---|---|---|
| X2e3 | 0.805 | 0.867 |
| X2e4 | 0.831 | 0.898 |
| X2e5 | 0.423 | 0.656 |
| X2e6 | 0.158 | 0.758 |
| Research and development status (X2f): 0.712 | | |
| X2f1 | 0.301 | 0.712 |
| X2f2 | 0.826 | 0.819 |
| X2f3 | 0.225 | 0.869 |
| X2f4 | 0.879 | 0.890 |
| X2f5 | 0.769 | 0.802 |
| X2f6 | 0.455 | 0.710 |
| X2f7 | 0.158 | 0.758 |

When testing the CITC value and reliability of independent variables on each dimension, if the CITC value of the measured item is lower than 0.5 and the Cronbach's α without the measured adds up, the item should be deleted (Churchill, 1979). Therefore, X1b4, X2b5-7, X2c2, X2d3, X2d5-7, X2e1, X2e5, X2e6, X2f1, X2f3, X2f6 and X2f7 in the table were removed for re-examination, and new values were shown as follows:

Table 4-2 Reliability test without non-compliant independent variables

| Dimension | Test code | CITC | Cronbach's α without the measured item | Cronbach's α |
|---|---|---|---|---|
| Future crisis expectations (X1b) | X1b1 | 0.865 | 0.844 | 0.906 |
| | X1b2 | 0.878 | 0.845 | |
| | X1b3 | 0.844 | 0.894 | |
| Lean management (X2b) | X2b1 | 0.785 | 0.840 | 0.836 |
| | X2b2 | 0.786 | 0.821 | |
| | X2b4 | 0.814 | 0.829 | |
| Supply chain (X2c) | X2c1 | 0.825 | 0.849 | 0.871 |
| | X2c2 | 0.858 | 0.804 | |
| | X2c3 | 0.814 | 0.851 | |
| Corporate culture (X2d) | X2d1 | 0.793 | 0.807 | 0.786 |
| | X2d2 | 0.784 | 0.791 | |
| | X2d4 | 0.803 | 0.812 | |
| Customer orientation (X2e) | X2e2 | 0.852 | 0.861 | 0.870 |
| | X2e3 | 0.833 | 0.866 | |
| | X2e4 | 0.865 | 0.878 | |
| Research and development status | X2f2 | 0.833 | 0.859 | 0.868 |
| | X2f4 | 0.857 | 0.878 | |
| | X2f5 | 0.842 | 0.854 | |

| |
|---|
| (X2f) |

Excluding the deleted, the CITC values of all the items are greater than 0.5, indicating their meeting the reliability standard. Besides, as most of the deleted items are duplicates, scale composition is believed to be reasonable.

(2) Reliability test of moderating variables

Moderating variables were simplified in this study—the average value of an observable variable was used as the observable measure of its latent variable.

Table 4-3 Reliability test of moderating variables

| Reliability values and measurement indicators of each dimension | CITC | Cronbach's α without the measured item |
|---|---|---|
| Management decision-making (X3): 0.854 | | |
| X3a | 0.739 | 0.787 |
| X3b | 0.721 | 0.743 |
| X3c | 0.826 | 0.884 |
| X4d | 0.719 | 0.765 |

All the CITC values of moderating variables at different dimensions were greater than 0.5, illustrating that the reliability standard was met, and no adjustment should be required.

(3) Reliability test of dependent variables

Table 4-4 Reliability test of dependent variables

| Reliability values and measurement indicators of each dimension | CITC | Cronbach's α without the measured item |
|---|---|---|
| Desire for transformation (Y1): 0.654 | | |
| Y1a | 0.822 | 0.759 |
| Y1b | 0.853 | 0.863 |
| Y1c | 0.816 | 0.839 |
| Y1d | 0.279 | 0.722 |
| Work enthusiasm (Y2): 0.736 | | |
| Y2a | 0.810 | 0.832 |
| Y2b | 0.853 | 0.878 |
| Y2c | 0.234 | 0.779 |
| Y2d | 0.201 | 0.852 |
| Y2f | 0.717 | 0.721 |
| Confidence in successful transformation (Y3): 0.817 | | |

| | | |
|---|---|---|
| Y3a | 0.892 | 0.903 |
| Y3b | 0.813 | 0.828 |
| Y3c | 0.412 | 0.742 |
| Y3d | 0.790 | 0.811 |
| Y3f | 0.459 | 0.857 |

The CITC values of Y1d, Y2c, Y2d, Y3c and Y3f turned out to be lower than 0.5 during the reliability test of dependent variables. As they were deleted, Cronbach's α values increased. A new table without these values was therefore created as follows:

Table 4-5 Reliability test of adjusted variables

| Dimension | Test code | CITC | Cronbach's α without the measured item | Cronbach's α |
|---|---|---|---|---|
| Desire for transformation (Y1) | Y1a | 0.798 | 0.813 | 0.863 |
| | Y1b | 0.892 | 0.854 | |
| | Y1c | 0.849 | 0.876 | |
| Work enthusiasm (Y2) | Y2a | 0.858 | 0.876 | 0.886 |
| | Y2b | 0.865 | 0.839 | |
| | Y2f | 0.839 | 0.879 | |
| Confidence in successful transformation (Y3) | Y3a | 0.823 | 0.854 | 0.865 |
| | Y3b | 0.834 | 0.813 | |
| | Y3d | 0.843 | 0.834 | |

As the items Y1d, Y2c, Y2d, Y3c and Y3f were removed, the rest indicators were in compliance with the standard. It can be judged that the deleted items were duplicates, and the model building of structural equations was reasonable.

#### 4.2.2.2 Validity analysis

Validity analysis refers to the analysis of measuring whether the scale used for data analysis reaches the accuracy of the measurement index. It can be mainly divided into item analysis, independent validity standard measurement validity analysis, and factor analysis. There are plenty methods for validity analysis, each may reflect different aspects of validity. For this research, validity analysis focuses on two aspects: content validity and construct validity.

(1) Content validity

Content validity discusses the suitability and logical consistency between the measurement index and the measured content. It shows whether the scale has included a sufficiently representative set of items to measure the target content, and reflects the suitability of measurement tools when excluding the content that should not be measured. To ensure the content validity of the scale, this study strictly followed relevant procedures for scale development obeyed, with scientific methods and processes arranged. The first draft of scale was created on the basis of adjusting and revising the contents of accurately translated sophisticated scales from both English and Chinese literature, combined with the conditions of convenience stores. After that, experts from convenience stores were invited to adjust and optimize the items in the first draft of the scale to further improve its content validity.

(2) Construct validity

Construct validity refers to the extent to which the measurement tool can reflect the meaning and internal structure of the construct. In order to test construct validity, exploratory factor analysis (EFA) is generally required to determine the constructs that have a small number of test items in each group but are more related to each other.

Basically, it is deemed as a necessity to analyze the suitability of EFA before analysis and confirm the validity of the model structure throughout research by examining the KMO value and the Bartlett sphericity test (Anderson and Gerbing, 1988). The KMO value, between 0 and 1, is an indicator to compare the size of the simple correlation coefficient and the partial correlation coefficient between measurement indicators. The closer the KMO value is to 1, the more suitable the data are for EFA. Kaiser (1974) believes that the KMO value below 0.5 is not suitable for EFA. If between 0.5-0.6, 0.6-0.7, and 0.7-0.8, it should be respectively determined as barely suitable, generally suitable and relatively suitable. If above 0.8, the value will be perfect for EFA. However, some scholars do not carry out EFA unless the KMO value is higher than 0.6 (Yu Jianying, 2003). To improve the validity of the study, we set the

evaluation standard as when the KMO value is higher than 0.6. In addition, the Bartlett's sphericity test can only be applied to exploratory factor analysis if it denies the null hypothesis that the variables are not correlated. Consequently, when the significance level (p-value) of the Bartlett's test of sphericity is less than 0.05, it implies that the data are well suited for exploratory factor analysis.

This research counts on the Varimax method for factor analysis. With maximum variation being the rotation method, the characteristic value should not be less than 1. If all the factor loads in this research range from 0.5 to 1 and the explainable variation is greater than 60%, then the questionnaire can be testified to be of constructive validity. In an ideal state, the dimensions used to measure a variable should all fall on one factor. Some researchers have suggested that if there are many latent variables involved in exploratory research, the conventional way of putting all measurement indicators together for factor analysis may be doubtful. In other words, the variables in the model can be factored separately according to different constructs. Therefore, this study conducted factor analysis of independent variables and dependent variables respectively.

1. The structural validity test of independent variables

In this study, SPSS21.0 was singled out for the Bartlett's test of sphericity and KMO test, with corresponding results shown in the table below. Analysis revealed the Bartlett's test value of the 25 test items regarding value deficiencies and work processes as 4976.678 (100 degrees of freedom, sig=0.000), indicating a certain degree of overlapping information among these items and therefore the necessity of factor analysis. Given the KMO value at 0.758, it was relatively suitable for exploratory factor analysis.

Table 4-6 The Bartlett's test and KMO value of independent variables

| | | |
|---|---|---|
| KMO value | | 0.818 |
| Bartlett's test of sphericity | $\chi 2$ | 857.329 |
| | Degree of freedom | 100 |
| | Significance (α) | 0.000 |

From the rotated component matrix, it can be seen that the explained variance met the standard of explaining more than 60% when it hit 91.491% as a total of eight common factors extracted from the eight test items according to the extraction method that set eigenvalues greater than 1. In regard to factor aggregation and theoretical analysis, the eight common factors consisted of existing defect assessment, future crisis expectations, cost management, lean management, supply chain, corporate culture, consumer orientation, and R&D status. The factor loading of the 25 test items included in the eight extracted factors were all above 0.5 to exceed the critical level, reflecting high construct validity of independent variables.

Table 4-7 Rotated component matrix of independent variables

| Test item | Components | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| X1a1 | 0.008 | 0.124 | 0.910 | 0.022 | 0.017 | 0.090 | 0.024 | 0.120 |
| X1a2 | 0.063 | 0.045 | 0.946 | 0.142 | 0.025 | 0.023 | 0.035 | 0.160 |
| X1a3 | 0.038 | 0.175 | 0.879 | 0.002 | 0.136 | 0.018 | 0.285 | 0.109 |
| X1b1 | 0.048 | 0.873 | 0.143 | 0.138 | 0.202 | 0.048 | 0.223 | 0.123 |
| X1b2 | 0.038 | 0.886 | 0.160 | 0.109 | 0.253 | 0.038 | 0.126 | 0.112 |
| X1b3 | 0.108 | 0.739 | 0.123 | 0.107 | 0.266 | 0.108 | 0.209 | 0.120 |
| X2a1 | 0.091 | 0.384 | 0.165 | 0.171 | 0.722 | 0.012 | 0.214 | 0.022 |
| X2a2 | 0.134 | 0.397 | 0.205 | 0.167 | 0.705 | 0.134 | 0.397 | 0.005 |
| X2a3 | 0.265 | -0.025 | 0.127 | 0.063 | 0.785 | 0.129 | 0.022 | 0.285 |
| X2b1 | 0.861 | 0.022 | 0.371 | 0.112 | 0.025 | 0.261 | 0.072 | 0.064 |
| X2b2 | 0.911 | 0.206 | 0.289 | 0.128 | 0.215 | 0.029 | 0.286 | 0.200 |
| X2b3 | 0.902 | 0.286 | 0.211 | 0.109 | 0.098 | 0.114 | 0.086 | 0.109 |
| X2b4 | 0.889 | 0.274 | 0.201 | 0.105 | 0.078 | 0.082 | 0.174 | 0.202 |
| X2c1 | 0.136 | 0.193 | 0.206 | 0.858 | 0.165 | 0.036 | 0.078 | 0.207 |
| X2c2 | 0.044 | 0.062 | 0.159 | 0.919 | 0.058 | 0.944 | 0.022 | 0.110 |
| X2c3 | 0.039 | 0.093 | 0.187 | 0.846 | 0.116 | 0.939 | 0.231 | 0.120 |
| X2d1 | 0.112 | 0.129 | 0.022 | 0.201 | 0.062 | 0.910 | 0.139 | 0.109 |
| X2d2 | 0.123 | 0.125 | 0.026 | 0.142 | 0.015 | 0.893 | 0.042 | 0.124 |
| X2d4 | 0.308 | 0.075 | 0.029 | 0.092 | 0.152 | 0.818 | 0.175 | 0.062 |
| X2e2 | 0.028 | 0.051 | 0.132 | 0.107 | 0.009 | 0.021 | 0.029 | 0.743 |
| X2e3 | 0.031 | 0.006 | 0.109 | 0.221 | 0.012 | 0.032 | 0.026 | 0.660 |
| X2e4 | 0.109 | 0.109 | 0.121 | 0.112 | 0.087 | 0.112 | 0.302 | 0.823 |
| X2f2 | 0.022 | 0.091 | 0.005 | 0.067 | 0.105 | 0.034 | 0.806 | 0.105 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| X2f4 | 0.206 | 0.098 | 0.125 | 0.023 | 0.227 | 0.065 | 0.897 | 0.082 |
| X2f5 | 0.165 | 0.022 | 0.078 | 0.112 | 0.025 | 0.161 | 0.821 | 0.270 |
| Initial eigenvalues | 3.891 | 3.109 | 2.747 | 2.578 | 1.236 | 2.291 | 2.891 | 1.943 |
| Explained variance (%) | 26.723 | 25.934 | 10.201 | 8.242 | 3.289 | 7.298 | 8.799 | 1.005 |
| Cumulative explained variance (%) | 26.723 | 52.657 | 62.858 | 71.100 | 74.389 | 81.687 | 90.486 | 91.491 |

2. The structural validity test of dependent variables

Likewise, the Bartlett's test of sphericity and KMO test of dependent variables were also performed, and results were recorded in the Table 4-9. Analysis showed the Bartlett's test value of the 9 test items as 1986.625 (36 degrees of freedom, sig=0.000), meaning a certain degree of overlapping information among the 9 items and necessary factor analysis. With the KMO value being 0.799, it was relatively suitable for exploratory factor analysis.

Table 4-8 The Bartlett's test and KMO value of dependent variables

| | | |
|---|---|---|
| KMO value | | 0.799 |
| Bartlett's test of sphericity | $\chi^2$ | 1986.625 |
| | Degree of freedom | 36 |
| | Significance (α) | 0.000 |

In the Table 4-9 the results of dependent variable EFA were indicated. We could tell from the rotated component matrix that the explained variance, being 75.291%, reached the standard of explaining more than 60% for a total of three common factors extracted from the nine test items, with eigenvalues being greater than 1. As to factor aggregation and theoretical analysis, desire for transformation, confidence in successful transformation, and work enthusiasm were the three common factors. The factor loading of the 9 test items included in the three extracted factors—all greater than 0.5—exceeded the critical level to tell high construct validity of dependent variables.

Table 4-9 Rotated component matrix of dependent variables

| Test item | Components | | |
|---|---|---|---|
| | 1 | 2 | 3 |
| Y1a | 0.009 | 0.801 | 0.092 |
| Y1b | 0.025 | 0.812 | 0.102 |

| | | | |
|---|---|---|---|
| Y1c | 0.098 | 0.711 | 0.121 |
| Y2a | 0.843 | 0.093 | 0.129 |
| Y2b | 0.897 | 0.126 | 0.067 |
| Y2f | 0.873 | 0.006 | 0.203 |
| Y3a | 0.089 | 0.323 | 0.834 |
| Y3b | 0.018 | 0.007 | 0.891 |
| Y3d | 0.290 | -0.089 | 0.901 |
| Initial eigenvalues | 5.233 | 3.823 | 1.978 |
| Explained variance (%) | 35.984 | 20.399 | 18.908 |
| Cumulative explained variance (%) | 35.984 | 56.383 | 75.291 |

## 4.3. Sample selection and description

Random sampling is the most ideal sampling method for data collection. However, due to the high cost of random sampling and the large number of measurement indicators for this study, a high sample recovery rate cannot be guaranteed if the sampling method is applied. Therefore, convenience sampling was our decision to conduct the survey.

The employees of Q Group are the main target of this research. Before the start of formal data collection, it is necessary for us to determine the sample size, but scholars have not formed a unified understanding of its optimal value. As Bentler (1990) points out, for variables that conform to normal distribution or elliptical distribution, 5 samples for each of them are sufficient. Anderson and Gerbing (1988) suggest that the number of samples should be at least 100 to 150 when performing structural equation model analysis. Jun Liu (2008) believes that if the data are normally distributed, the ratio of the sample size to the measurement index should be 5:1 or above, and 100 is for the minimum sample size; If the data present a non-normal distribution, the minimum ratio would be 10:1, and the minimum sample size can keep the same as the foregoing scenario. Hou Jietai et al. (2004) state that the larger the sample size, the better the data fitting effect of structural equations. Our formal survey covered 62 questions. According to the recommended standard proposed by Jun Liu (2008), the effective sample size of a formal survey needs to be at least 630 to meet the minimum sample size requirements for confirmatory factor analysis and structural equation model analysis. Considering Hou Jietai et

al.'s (2004) suggestion that the sample size should be as large as possible, coupled with the financial and human resources, this study finally distributed 658 copies as we intended to ensure enough valid samples for empirical analysis when taking off invalid ones. Appendix 1 can be referred to for detailed survey questionnaires and results. In the end, a total of 630 valid questionnaires were collected as invalid ones were excluded.

### 4.3.1. Statistical analysis of sample population

Statistical characteristics mainly refer to the total population, gender, age, health status, occupation, marriage, education level, income, etc. This research classifies the solicited questionnaires in accordance with the statistical features to identify the similarities and differences of views on enterprise transformation by different groups. The descriptive analysis of samples is as follows:

Table 4-10 Sample descriptive statistics

| Demographic variables | Classification | Frequency | Percentage |
|---|---|---|---|
| Gender | Male | 366 | 58.1% |
| | Female | 264 | 41.9% |
| Age | Under 18 | 0 | 0% |
| | 18-24 | 50 | 7.94% |
| | 25-34 | 288 | 45.71% |
| | 35-44 | 206 | 32.70% |
| | 45-54 | 83 | 13.17% |
| | 55 and above | 3 | 0.48% |
| Education level | Under college | 135 | 21.43% |
| | College | 286 | 45.40% |
| | Bachelor | 194 | 30.79% |
| | Master and above | 15 | 2.38% |

It can be noticed from descriptive statistical analysis above that the gender distribution of samples was reasonable: for gender composition, males accounted for 58.1% of the total samples, while females 41.9%--their ratio was close to 1:1. In terms of age distribution, the majority of total samples was respondents aged 25-44 as they made up 78.41%, which was in line with the characteristics of enterprise employees. Judging from educational composition, the respondents who had finished college and undergraduate education formed 76.19% of the

sample population, which told much of food enterprises. On the whole, our survey samples were reasonable, and the estimation of overall samples could even be a typical example to a certain extent.

### 4.3.2. Characteristic analysis of main variable data

Characteristic analysis of sample data lays the basis for understanding the data structure for statistical analysis. In this study, structural equation model and regression model were adopted for hypothesis testing and model validation. Maximum likelihood estimation, based on the assumption of data conforming to a multivariate normal distribution, is the most commonly used estimation method for structural equation modeling, a multivariate normality test is therefore required for sample data. According to Waternaus (1976), if the absolute value of skewness is less than 3 and the absolute value of kurtosis is less than 8, the data conform to multivariate normal distribution. The mean, standard deviation, kurtosis and skewness of each indicator from sample data for this survey are shown in the following table:

Table 4- 11 Latent variables and test items

| | Latent variables and test items | Mean | Standard deviation | Skewness | Kurtosis |
|---|---|---|---|---|---|
| Value defect | X1a1 | 3.15 | 1.236 | -.687 | .135 |
| | X1a2 | 3.98 | 1.293 | -.581 | -.130 |
| | X1a3 | 3.76 | 1.189 | -.503 | -.128 |
| | X1b1 | 3.08 | 1.312 | -.379 | -.281 |
| | X1b2 | 3.47 | 1.331 | .521 | .242 |
| | X1b3 | 3.23 | 1.101 | .619 | .316 |
| Work process | X2a1 | 3.84 | 1.095 | -1.328 | 2.402 |
| | X2a2 | 4.78 | 1.172 | -1.327 | 2.204 |
| | X2a3 | 3.30 | 1.145 | -.696 | .422 |
| | X2b1 | 3.27 | 1.158 | -.737 | .575 |
| | X2b2 | 3.10 | 1.273 | -.563 | -.083 |
| | X2b3 | 3.19 | 1.183 | -.522 | -.115 |
| | X2b4 | 4.12 | 1.301 | .715 | .542 |
| | X2c1 | 4.05 | 1.287 | .582 | .337 |

| | Latent variables and test items | Mean | Standard deviation | Skewness | Kurtosis |
|---|---|---|---|---|---|
| | X2c2 | 3.98 | 1.293 | -.681 | -.242 |
| | X2c3 | 3.76 | 1.189 | -.521 | .414 |
| | X2d1 | 3.76 | 1.304 | .793 | -.513 |
| | X2d2 | 3.46 | 1.193 | -.691 | .402 |
| | X2d4 | 4.36 | 1.034 | -.923 | -.529 |
| | X2e2 | 4.03 | 1.108 | .914 | .385 |
| | X2e3 | 3.63 | 1.403 | .811 | .409 |
| | X2e4 | 3.01 | 1.311 | .418 | .583 |
| | X2f2 | 4.19 | 1.564 | -.424 | .459 |
| | X2f4 | 4.21 | 1.183 | -.398 | -.612 |
| | X2f5 | 3.36 | 1.211 | -.602 | -.813 |
| Management decision-making | X3a | 3.52 | 1.178 | -1.060 | 1.293 |
| | X3b | 3.58 | 1.145 | -.990 | .915 |
| | X3c | 3.43 | 1.265 | -1.010 | .931 |
| | X3d | 4.35 | 1.224 | -.157 | .082 |

In the table, the scores for each test item of sample data meet the standard that the absolute value of skewness is lower than 3 and absolute value of kurtosis less than 8, indicating that the collected sample data fall into normal distribution and can be used for structural equation model analysis.

## 4.4. Reliability and validity test

Before carrying out structural equation model analysis, it is necessary to test the reliability and validity of data from the formal survey, which is an important step to examine the reliability and validity of the data structure.

### 4.4.1. Reliability test

The overall consistency of the formal survey scale is still judged by the index that sees Cronbach's α value and CITC greater than 0.7 and 0.5 respectively (Nunnally, 1994; Churchill,

1979), and the internal consistency of each construct counts on combined reliability as the judgment index.

(1) Reliability test of independent, moderating and dependent variables

The Cronbach's α value and CITC value of each construct for the formal survey data can be found below:

Table 4-12 Cronbach's α value and CITC value of each construct

| Variable | Test item | CICT | Cronbach's α | Whether pass the consistency test |
|---|---|---|---|---|
| Value defect | X1a1 | 0.873 | 0.873 | Yes |
| | X1a2 | 0.812 | | Yes |
| | X1a3 | 0.838 | | Yes |
| | X1b1 | 0.901 | | Yes |
| | X1b2 | 0.867 | | Yes |
| | X1b3 | 0.835 | | Yes |
| Work process | X2a1 | 0.878 | 0.883 | Yes |
| | X2a2 | 0.898 | | Yes |
| | X2a3 | 0.796 | | Yes |
| | X2b1 | 0.894 | | Yes |
| | X2b2 | 0.792 | | Yes |
| | X2b3 | 0.832 | | Yes |
| | X2b4 | 0.897 | | Yes |
| | X2c1 | 0.893 | | Yes |
| | X2c2 | 0.853 | | Yes |
| | X2c3 | 0.865 | | Yes |
| | X2d1 | 0.886 | | Yes |
| | X2d2 | 0.901 | | Yes |
| | X2d4 | 0.930 | | Yes |
| | X2e2 | 0.781 | | Yes |
| | X2e3 | 0.901 | | Yes |
| | X2e4 | 0.871 | | Yes |
| | X2f2 | 0.899 | | Yes |
| | X2f4 | 0.875 | | Yes |
| | X2f5 | 0.881 | | Yes |
| Management | X3a | 0.910 | 0.947 | Yes |

| Variable | Test item | CICT | Cronbach's α | Whether pass the consistency test |
|---|---|---|---|---|
| decision-making | X3b | 0.891 | | Yes |
| | X3c | 0.872 | | Yes |
| | X3d | 0.918 | | Yes |
| Consensus on enterprise strategic transformation | Y1a | 0.913 | 0.903 | Yes |
| | Y1b | 0.876 | | Yes |
| | Y1c | 0.832 | | Yes |
| | Y2a | 0.812 | | Yes |
| | Y2b | 0.867 | | Yes |
| | Y2f | 0.901 | | Yes |
| | Y3a | 0.915 | | Yes |
| | Y3b | 0.896 | | Yes |
| | Y3d | 0.812 | | Yes |

Results showed that the CITC value of every construct exceeded the threshold of 0.5, while the Cronbach's α was over 0.7, indicating a high degree of internal correlation between the indicators under each construct, and good internal consistency of the overall scale.

### 4.4.2. Validity test

Validity is related to the validity of research or the accuracy of results, usually acknowledged by researchers as the evaluation standard for research quality. Specifically, validity reflects the degree to which a measure actually intends to examine the latent variable (or construct). In empirical research, content validity and construct validity are the most common types for validity analysis. Content validity refers to the suitability and logical consistency between the measurement index and the measured content. It is presented as whether the scale has included a sufficiently representative set of items to measure the target content. The scale of this study was drafted based on the scales that are relatively sophisticated and widely used from relevant literature in both English and Chinese. Then we asked consumers and marketing professionals with experience in convenience stores to adjust and optimize the survey questions, thus ensuring the indicators to fully reflect the constructs for

measurement and the content validity of our research. Construct validity, composed of convergent validity and discriminant validity, refers to whether the measurement tool can reflect the true meaning and internal structure of the construct.

(1) Convergence validity test

Convergent validity can be interpreted as the degree to which indicators measuring the same construct are related to each other. The higher their correlation, the better the convergence validity. Convergence validity is mainly tested by examining the standardized factor loading and average variance extracted (AVE) of the test items (Muller, 1996). If the standardized factor loading is lower than 0.45, the test results should be considered not ideal; if greater than 0.63, then good; if greater than 0.71, then excellent. Meanwhile, the factor loading of the test indicators needs to reach the significant level ($t>1.96$). It should be noted from the table below that the standardized factor loading of each latent variable item was higher than 0.75, significant in the 99% confidence interval. In addition, the AVE of constructs should be greater than 0.50 (Bentler, 1990). Details can be found in the Table 4-13:

Table 4-13 The AVE value of each construct

| Dimension | AVE |
|---|---|
| Recognition of existing defects (X1a) | 0.8658 |
| Future crisis expectation (X1b) | 0.8419 |
| Cost management (X2a) | 0.8231 |
| Lean management (X2b) | 0.8621 |
| Supply chain (X2c) | 0.8754 |
| Corporate culture (X2d) | 0.8653 |
| Customer orientation (X2e) | 0.8566 |
| R & D status (X2f) | 0.8196 |
| Management structure (X3a) | 0.8723 |
| Leadership (X3b) | 0.7643 |
| Decision-making style (X3c) | 0.8657 |
| Characteristics of family-run business (X3d) | 0.7653 |
| Desire for transformation (Y1) | 0.8924 |
| Work enthusiasm (Y2) | 0.8327 |
| Transformation information (Y3) | 0.8329 |

As the foregoing table shows the average variance extraction of all constructs higher than 0.5, it can be concluded that the test items under each construct feature strong correlation and effectively reflect the connotation of the construct and good convergence validity of the scale.

(2) Discriminant validity test

Discriminant validity suggests the degree to which the indicators measuring different constructs can be distinguished from each other—they should be of low correlation in between. There are three commonly used methods to test the discriminant validity. One is the correlation coefficient interval estimation: if the 95% confidence interval of the correlation coefficient between two constructs covers 1.0, it indicates that the construct lacks discriminant validity. The second is to compare the correlation coefficient between constructs and the average variance extraction. In other words, to compare whether the AVE of each construct is greater than the correlation coefficient between the construct itself and the rest. If the square root of the AVE value is above the correlation coefficient between two constructs, good discriminant validity of the construct can be told. The competing model comparison method comes as the third, for which two competing CFA models should be built. One of them allows free estimation between the two constructs, while in the other constructs are completely correlated. If the fitting degree of the former is significantly better than the latter, we can conclude that constructs have discriminant validity.

The second method mentioned above was adopted to verify the discriminant validity between constructs. For the following table, we calculated the square root values of the AVE for 15 constructs and the correlation coefficient values between constructs:

Table 4-14 Results of discriminant validity test

| Num | Construct | Correlation coefficient and AVE square root values | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 1 | Recognition of existing defects (X1a) | 0.893 | | | | | | | | | | |
| 2 | Future crisis expectation (X1b) | 0.4512*** | 0.9084 | | | | | | | | | |
| 3 | Cost management (X2a) | 0.5665*** | 0.5116*** | 0.9016 | | | | | | | | |
| 4 | Lean management (X2b) | 0.4396*** | 0.4795*** | 0.5296*** | 0.9273 | | | | | | | |
| 5 | Supply chain (X2c) | 0.3559*** | 0.2585*** | 0.328*** | 0.2677*** | 0.9377 | | | | | | |
| 6 | Corporate culture (X2d) | 0.3796*** | 0.3097*** | 0.4286*** | 0.3259*** | 0.3387*** | 0.911 | | | | | |
| 7 | Customer orientation (X2e) | 0.4813*** | 0.4046*** | 0.2126*** | 0.4059*** | 0.4235*** | 0.6101*** | 0.8907 | | | | |
| 8 | R & D status (X2f) | 0.4314*** | 0.4047*** | 0.4082*** | 0.4429*** | 0.4212*** | 0.4149*** | 0.4623*** | 0.8832 | | | |
| 9 | Management structure (X3a) | 0.4856*** | 0.4323*** | 0.4169*** | 0.4763*** | 0.4221*** | 0.4322*** | 0.4253*** | 0.4534*** | 0.9213 | | |
| 10 | Leadership (X3b) | 0.4816*** | 0.4049*** | 0.2028*** | 0.2751*** | 0.4632*** | 0.4321*** | 0.2454*** | 0.2549*** | 0.2426*** | 0.8879 | |
| 11 | Decision-making style (X3c) | 0.4765*** | 0.4230*** | 0.4591*** | 0.4232*** | 0.4723*** | 0.4323*** | 0.4723*** | 0.4276*** | 0.4227*** | 0.4538*** | 0.8735 |
| 12 | Characteristics of family-run business (X3d) | 0.4818*** | 0.3051*** | 0.2052*** | 0.3363*** | 0.4328*** | 0.4523*** | 0.4236*** | 0.2337*** | 0.4763*** | 0.4329*** | 0.4260*** |
| 13 | Desire for transformation (Y1) | 0.4193*** | 0.2352*** | 0.3323*** | 0.3054*** | 0.4398*** | 0.4236*** | 0.4198*** | 0.4088*** | 0.4721*** | 0.4210*** | 0.4123*** |
| 14 | Work enthusiasm (Y2) | 0.4313*** | 0.5394*** | 0.5048*** | 0.4129*** | 0.2775*** | 0.4256*** | 0.4115*** | 0.1611*** | 0.4231*** | 0.4182*** | 0.1294*** |
| 15 | Transformation information (Y3) | 0.3149*** | 0.2513*** | 0.3471*** | 0.2611*** | 0.3862*** | 0.3751*** | 0.4568*** | 0.5014*** | 0.1314*** | 0.3022*** | 0.2216*** |

Note: 1. Except for the diagonal values that represent mean extraction variance, we should read the rest as correlation coefficients.

Research results indicate good discriminating validity of this research since the AVE square root values of all 15 constructs are greater than the correlation coefficients between constructs from the same column.

## 4.5. Hypothesis testing

The significance test, most often used for hypothesis testing, works this way. Firstly, a hypothesis about the characteristics of the population is created. Then, an inference is made about whether this hypothesis should be rejected or accepted through statistical inference of sampling research. Among the commonly used methods for hypothesis testing are Z test, T test, Chi-square test, and F test.

This research completed preliminary variable assumptions when constructing the structural equations. In view of the assumptions above, this research focused on chi-square test for measurement. Due to the existence of multiple latent variables in the research model, the Amos 21.0 software was introduced, along with the maximum likelihood estimation method for corresponding analysis. Part of the data was processed in conjunction with SPSS 19.0 or Excel 2007. Before verifying the hypothesis, we checked the fitting indicators for the research model to confirm whether relevant data would be reasonably processed by the structural equation model.

Table 4-15 Main fitting indicators

| Fitting Indicators | $\chi^2$ | d.f. | $\chi^2$/df | RMSEA | SRMR | NFI | IFI | CFI | PGFI | PNFI | PCFI |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Fitted value | 2294.218 | 610 | 3.761 | 0.067 | 0.056 | 0.967 | 0.943 | 0.928 | 0.770 | 0.793 | 0.801 |

Generally speaking, the model was proved to be of good fitting validity with main fitting indicators reflected as follows: 2294.218 for $\chi^2$, 610 the degree of freedom and 3.761 $\chi^2$/df (meeting the standard of $2<\chi^2/df<5$); in the value of 0.067, RMSEA was below 0.08 for the usual test standard, so was SRMR lower than the recognized good fitting standard of 0.08 for

being calculated at 0.056; CFI was set at 0.928, NFI 0.967, RFI 0.924, IFI 0.943, all greater than the fitting standard of 0.9; PGFI was valued at 0.770, PCFI 0.801, and PNFI 0.793, all above the test standard set at 0.5. As a conclusion, the data obtained in this study were suitable for analysis with the structural equation modeling, and the results of confirmatory factor analysis were credible.

### 4.5.1. Test for the role of value defect and work process in the strategic transformation of enterprises

This study firstly examined the direct effects of value defect and work process on corporate strategic transformation to describe the main effect. For the convenience of exposition, the basic model for this study was defined as the model of how independent variables influenced dependent variables. Value defect and work process were regarded as variables composed of 2 and 5 sub-variables respectively to study the relationship between sub-variables and dependent variables, in which latent variables were not considered. With the hypothesis test implemented in SPSS19.0, standardized regression coefficients, significance levels, and hypothesis validation for the basic model were listed below:

**Table 4-16 Standardized regression coefficients, significance levels and hypothesis verification of the basic model**

| Hypothesis | Standardized regression coefficients | Standard error | t | Conclusion |
|---|---|---|---|---|
| H1.a: Employees' awareness of the company's existing deficiencies will promote and drive enterprise transformation | 0.324*** | 0.019 | 11.992 | Support |
| H1.b: The expectations of employees for the company's future crisis will promote and drive enterprise transformation | 0.494 *** | 0.032 | 16.33 | Support |
| H2.a: Effective financial management strategies will promote and drive enterprise transformation | 0.255 *** | 0.063 | 9.045 | Support |
| H2.b: Positive operational status will promote and drive enterprise transformation | 0.432 *** | 0.025 | 8.992 | Support |
| H2.c: Human resources in favorable status will promote and drive enterprise transformation | 0.432 *** | 0.021 | 11.382 | Support |

| | | | | |
|---|---|---|---|---|
| H2.d: Good marketing strategies will promote and drive enterprise transformation | 0.253 *** | 0.013 | 8.011 | Support |
| H2.e: Good R&D status will promote and drive enterprise transformation | 0.326 *** | 0.041 | 12.096 | Support |

Note: * means significant in the 90% confidence interval, ** means significant in the 95% confidence interval, *** means significant in the 99% confidence interval.

The table above reports in detail the test results for each hypothesis. According to its standardized regression coefficients for value defect, the estimated coefficients of corporate strategic transformation to the cognition of existing defects and future crisis expectations were 0.324 and 0.494, and positively correlated. Their being significantly positive indicated that the two factors could impact corporate strategic transformation. Hypotheses H1a and H2a were hereby validated. With regard to work process, significant positiveness for the estimated coefficients of financial management strategy, operational status, human resources status, marketing strategy, and R&D status to enterprise strategic transformation signified its being impacted by the five subdivision factors. Therefore, H2 hypotheses were verified. To conclude, value defect and work process would drive strategic transformation. Specifically, enterprise strategic transformation could be motivated by understanding of existing defects, future crisis expectations, financial management strategies, operational status, human resource status, marketing strategies, and R&D status.

### 4.5.2. Test for the moderating effect of management decision-makings on the relationship between work process and enterprises transformation

This research believes that management decision-makings have a moderating effect on the relationship between corporate issues and transformation consensus. Group comparison was our strategy to probe the moderating effects of the four variables under management decision-makings. Work process was processed as a latent variable consisting of five dimensions instead of being divided into five sub-variables. Structural equation analysis allowed both independent and dependent variables to contain measurement errors as well as delved into the structural relationship between latent variables. In models with latent variables,

structural equations were deemed as the most commonly used method, more effective than such traditional methods as regression analysis. For this reason, AMOS was applied to the test of moderating effect.

(1) Moderating effect test for management structures

With the average score of management structure factors being the dividing line, the management structure was divided into two groups. In accordance with the questionnaire design, the management structure factors scored above the average were classified into flat management groups (SH groups for short). Their sample size was calculated at 483. The under-average was included into non-flat management groups (SL groups for short) at a sample size of 147.

On the whole, the fitting validity of the model for groups of flat management was good. The data for main fitting indicators can be found in the following table. $\chi^2$ equaled to 1232.208, the degree of freedom 480, and $\chi^2$/df 2.5671 to satisfy the standard of being greater than 2 but less than 5 (Zhonglin Wen et al., 2004). RMSEA, calculated at 0.076, was less than the normal 0.08 test standard, while SRMR was 0.0714, also below 0.08 for the good fitting standard. CFI was 0.938, NFI 0.912, RFI 0.894, and IFI 0.939, all close to or greater than the fitting standard of 0.9. PGFI was valued at 0.643, PCFI 0.786, and PNFI 0.756, all greater than 0.5 as the test standard.

Table 4-17 Goodness-of-fit of the moderating effect of flat management groups

| Fitting indicators | $\chi^2$ | d.f. | $\chi^2$/df | RMSEA | SRMR | NFI | IFI | CFI | PGFI | PNFI | PCFI |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Fitted value | 1232.208 | 480 | 2.5671 | 0.076 | 0.0714 | 0.912 | 0.939 | 0.938 | 0.643 | 0.756 | 0.786 |

In the case of selecting only the sample groups featuring flat management, the coefficient of each path relationship in the model and the statistical results of significance were shown in the Table 4-18. As can be seen from relevant data, the work process positively weighed on confidence in and consensus of enterprise transformation under the condition of flat management.

Table 4-18 Path coefficient and significance of flat management groups

| Path relationship | Standardized path coefficient | Standard error | t |
|---|---|---|---|
| Work processes —> Transformation confidence and consensus | 0.248*** | 0.0618 | 2.32 |

Note: ** means significant in the 95% confidence interval, *** means significant in the 99% confidence interval

In the table below, we can find the main fitting indicators of SL groups. $\chi^2$ is 529.2, the degree of freedom 144, and $\chi^2$/df 3.675 (meeting the standard of $2<\chi^2/df<5$). RMSEA, being 0.078, is less than the normal 0.08 test standard, so is SRMR less than the recognized good fitting standard of 0.08 for being valued at 0.073. The values for CFI, NFI, RFI and IFI are respectively 0.916, 0.902, 0.89 and 0.923, all close to or greater than the fitting standard of 0.9. PGFI is 0.612, PCFI 0.658, and PNFI 0.772, all greater than 0.5 being the test standard.

Table 4-19 Goodness-of-fit of the moderating effect of non-flat management groups

| Fitting indicators | $\chi^2$ | d.f. | $\chi^2$/df | RMSEA | SRMR | NFI | IFI | CFI | PGFI | PNFI | PCFI |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Fitted value | 529.2 | 144 | 3.675 | 0.078 | 0.073 | 0.902 | 0.923 | 0.916 | 0.612 | 0.658 | 0.772 |

Table 4-19 shows the coefficient of each path relationship for non-flat management groups and the statistical results of their significance. Given the condition of non-flat management structure, the standardized path coefficient of work process and transformation confidence and consensus is 0.131, reflecting positive significance. In other words, the work process has a significant positive impact on the strategic transformation of enterprise.

Table 4-2 Path coefficient and significance of non-flat management groups

| Path relationship | Standardized path coefficient | Standard error | t |
|---|---|---|---|
| Work processes —> Transformation confidence and consensus | 0.131*** | 0.0828 | 2.15 |

Note: ** means significant in the 95% confidence interval, *** means significant in the 99% confidence interval

In order to examine the moderating effect of different management structures on the relationship between work process and transition confidence and consensus, this study fitted both flattening and non-flattening styles in the proposed theoretical model and observed their significant difference. A comparative study between the path coefficients of the two groups was launched. The T test served to check whether the path coefficients were significantly different between the two groups, with corresponding results shown in Table 4-20.

Table 4-3 Path coefficient and significance of management structures

| Hypothesis and path relationship | Path coefficient difference | t | Conclusion |
|---|---|---|---|
| H3a: Flat management structure helps increase the impact of work process on corporate strategic transformation | 0.117*** | -10.94 | Support |

It is readily apparent from Table 4-21 that there is significant difference between the path coefficients of groups with flat management structure and those that are non-flat. Therefore, the path coefficient values directly indicate the magnitude of effect. The path coefficient of groups featuring flat management structure is 0.248, while the non-flat management style shows 0.131. From the data, we can conclude that the work process of both groups has a positive impact on corporate strategic transformation, but the flat style brings stronger effects. To put it differently, management structure has a moderating effect on the relationship between work process and corporate strategy. Specifically, compared with the non-flat management structure, the flat style is more conducive to strengthening the positive impact of work process on corporate strategic transformation. Hypothesis H3a is therefore proved valid.

(2) Moderating effect test for leadership styles

Taking the average score of leadership style factors as the dividing line, groups are divided into two sets by leadership style. According to questionnaire design, groups with leadership style factors scored higher than the average are named democracy-led groups (LH groups for short), and they have a sample size of 263. For those lower than the average, in a sample size of 367, are referred as the authoritarian style (LL groups for short). Overall, the LH group model displays good fitting validity. The data for their main fitting indicators can be found as follows: 694.98 for $\chi^2$, 260 the degree of freedom. In the value of 2.673, $\chi^2$/df meets the criterion of being greater than 2 yet lower than 5. The RMSEA value is 0.075, which is less than the usual test standard of 0.08, and SRMR, being 0.0698, is also below 0.08 as the generally accepted fitting standard. Besides, CFI, NFI, RFI, and IFI values are greater than the 0.9 fitting

standard for their being 0.918, 0.922, 0.894 and 0.928 respectively. PGFI is worked out as 0.635, PCFI 0.765, PNFI 0.778, all above the inspection standard of 0.5.

Table 4-4 Goodness-of-it of the moderating effect of democracy-led groups

| Fitting indicators | $\chi^2$ | d.f. | $\chi^2$/df | RMSEA | SRMR | NFI | IFI | CFI | PGFI | PNFI | PCFI |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Fitted value | 694.98 | 260 | 2.673 | 0.075 | 0.0698 | 0.922 | 0.928 | 0.918 | 0.635 | 0.778 | 0.765 |

In the scenario of selecting democracy-led group samples only, the coefficient of each path relationship in the model and the statistical results of their significance are shown in Table 4-22. It can be noticed from this table that for democracy-led groups the path coefficient of the influence of work process on enterprise transformation confidence and consensus is -0.0179, which is significantly negative. Alternatively, the work process has a significant negative impact on the strategic transformation of enterprises if they are dominated by the democratic leadership style.

Table 4-5 Path coefficient and significance of democracy-led groups

| Path relationship | Path coefficient difference | Standard error | t |
|---|---|---|---|
| Work process —> Transformation confidence and consensus | -0.0179*** | 0.0711 | 2.07 |

Note: ** means significant in the 95% confidence interval, *** means significant in the 99% confidence interval

The main fitting indicators of groups under dictatorship, shown in Table 4-24, include $\chi^2$ being 992.376, the degree of freedom 264, and $\chi^2$/df 3.759 (meeting the standard of $2<\chi^2/df<5$). RMSEA is 0.072, which is less than the usual 0.08 test standard, and SRMR, in the value of 0.067, is below the recognized good fit standard set at 0.08. CFI is 0.912, NFI 0.904, RFI 0.894, and IFI 0.919—they are all close to or greater than the fitting standard of 0.9. PGFI is 0.610, PCFI 0.667, and PNFI 0.770, which are all greater than 0.5 for the test standard.

Table 4-64 Goodness-of-it of the moderating effect of authoritarian groups

| Fitting indicators | $\chi^2$ | d.f. | $\chi^2$/df | RMSEA | SRMR | NFI | IFI | CFI | PGFI | PNFI | PCFI |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Fitted value | 992.376 | 264 | 3.759 | 0.072 | 0.067 | 0.904 | 0.919 | 0.912 | 0.610 | 0.667 | 0.770 |

Table 4-24 describes the coefficient and significance statistics of each path relationship when authoritarian groups are screened out only. The table indicates that, under the authoritarian leadership, the path coefficient of the influence of work process on the confidence and consensus of enterprise transformation is 0.1702, namely significantly positive. It can be concluded that the work process has a significant positive effect on the strategic transformation of authoritarian enterprises.

Table 4-7 Path coefficient and significance of authoritarian leadership

| Path relationship | Path coefficient difference | Standard error | t |
|---|---|---|---|
| Work process —> Transformation confidence and consensus | 0.1702*** | 0.0702 | 2.63 |

Note: ** means significant in the 95% confidence interval, *** means significant in the 99% confidence interval

To examine the moderating effect of managerial leadership styles on the relationship between work process and transformation confidence and consensus, this study blends both democratic management and authoritarian management into the proposed theoretical model and monitors if significant difference. The path coefficients of the two groups are compared and analyzed, and the T test is used to judge whether the path coefficients are significantly different between the two groups. Results are shown in Table 4-25.

Table 4-8 Path coefficient and its significance of leadership styles

| Relationships between assumptions and paths | Path coefficient difference | t | Conclusion |
|---|---|---|---|
| H3b: The dictatorship style reduces the impact of work process on corporate transformation | 0.1881*** | 15.95 | Unsupported |

It is noticeable from Tables 4-23 and 4-25 an obvious difference in the path coefficient between democratic leadership and autocratic leadership. Comparing the two values can basically tell the magnitude of leadership impact. The big gap exhibits that the work process can negatively affect transformation confidence and consensus for different leadership styles.

In terms of the path coefficient, the value for groups of democratic leadership is -0.0179, contrasted by 0.1702 for the authoritarian style. In democracy-led groups the work process has a negative effect on the strategic transformation of enterprises. To rephrase it, the work process hinders the strategic transformation of democracy-led enterprise. With respect to the authoritarian leadership, the work process plays a positive role in the strategic transformation of enterprises. In other words, the work process can drive the strategic transformation of authoritarian enterprises. To sum up, although the style of leadership has a significant moderating effect on the relationship between work process and corporate strategic transformation, the effect is on the contrary to the hypothesis H3b. The authoritarian leadership actually reinforces the impact of work process on strategic transformation. Compared with democratic managers, authoritarian ones affect more the driving effect of work process on the strategic transformation of enterprises. The hypothesis H3b thereby fails.

Probably, the reason why H3b is not supported is that the leadership styles, either democratic or authoritarian, has both positive and negative effects on the change of work processes and corporate strategic transformation, resulting in a lack of clarity in the final results. A dictatorial leader is an independent decision-maker and, tends to hold his power, and expects subordinates to obey absolutely. If taking correct transformation direction and measures, the management team can eliminate outliers and noises to quickly promote corporate changes. However, it is also difficult for the leaders to hear or listen to constructive suggestions from others. They are prone to the overlook of some problems and flaws in devising strategies for corporate strategic transformation, and even strategic failure in extreme cases. Democratic leaders are all ears to opinions and suggestions. They fully understand existing problems in a company, along with a broad range of outcomes and risks that may result from transformation. However, in the face of transformation, they can be a group of people against transformation

for the sake of safeguarding vested interests or fear of change. As a result, democratic leaders often find it difficult to drive changes.

(3) Moderating effect test for decision-making styles

Likewise, the decision-making styles of managers are grouped for test. They are divided into two groups by the average score of decision-making style factors. Based on the questionnaire design, groups that score higher than the average of leadership style factors are named as action-oriented groups (DH groups for short). Their sample size is 528. For groups below the average are categorized as the analytical style (referred to as DL groups), which has a sample size of 102. On the whole, the fitting validity of DH groups is good with their main fitting indicators shown as follows. $\chi^2$ is 1437.45, the degree of freedom 525, $\chi^2$/df 2.738 which is in line with the standard of greater than 2 and less than 5. RMSEA, being 0.071, is less than the usual 0.08 test standard. Also, SRMR, in the value of 0.0668, is less than the recognized good fit standard of 0.08. CFI equals to 0.911, NFI 0.920, RFI 0.894, IFI 0.958, all close to or greater than the fitting standard of 0.9. PGFI is 0.612, PCFI 0.75, and PNFI 0.728, all greater than the standard of 0.5.

Table 4-27 Goodness-of-it of the moderating effect of action-oriented groups

| Fitting indicators | $\chi^2$ | d.f. | $\chi^2$/df | RMSEA | SRMR | NFI | IFI | CFI | PGFI | PNFI | PCFI |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Fitted value | 1437.45 | 525 | 2.738 | 0.071 | 0.0668 | 0.920 | 0.958 | 0.911 | 0.612 | 0.728 | 0.75 |

In the case of action-oriented group samples only, the path coefficient of work process's impact on corporate transformation confidence and consensus is 0.1092, which is significantly and positively correlated at the 1% level. It can be interpreted as that the work process has a significant positive effect on corporate strategic transformation if managers are action-oriented when making decisions.

The main fitting indicators of groups featuring the analytical style (disagree with the risk-taking situations) are shown in the following table. $\chi^2$ is 277.002, the degree of freedom 99, $\chi^2$/df 2.798, which meets the standard of $2<\chi^2/df<5$. RMSEA is 0.070, less than the usual 0.08

test standard, and SRMR is 0.058, also less than 0.08 as the recognized good fit standard. CFI is 0.901, NFI 0.904, RFI 0.912, and IFI 0.915. They are all close to or greater than the fitting standard of 0.9. PGFI is 0.602, PCFI 0.656, and PNFI 0.703, all greater than the 0.5 standard.

Table 4-28 Goodness-of-it of the moderating effect of analytical groups

| Fitting indicators | $\chi^2$ | d.f. | $\chi^2$/df | RMSEA | SRMR | NFI | IFI | CFI | PGFI | PNFI | PCFI |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Fitted value | 277.002 | 99 | 2.798 | 0.070 | 0.058 | 0.904 | 0.915 | 0.901 | 0.602 | 0.656 | 0.703 |

For analytical groups only, the path coefficient of work process's influence on transformation confidence and consensus is 0.0976, which is significantly and positively correlated at the 1% level. This indicates that if managers are inclined to be analytical for decision-makings, then the work process has a significant positive effect on corporate strategic transformation.

In a similar way, the two decision-making styles are blended into the proposed theoretical model of this study in order to examine their moderating effect on the relationship between work process and transition confidence and consensus. It is found from the T test that there is a significant difference at the 1% level between the action-based decision-making style and the analytical style in the path coefficient. Literally, a comparative study of the path coefficients for the two groups can tell the level of moderating effect. The path coefficient of action-oriented groups is 0.1092, while the analytical groups show 0.0976. The gap tells that the work process has a positive effect on the confidence and consensus of enterprise transformation, in spite of different decision-making styles, but it weighs more on the strategic transformation of action-oriented groups. That is to say, the action-based decision-making style facilitates the relationship between work process and corporate strategic transformation. As a consequence, the hypothesis H3c is proved solid.

(4) Moderating effect test for family-run businesses

Similarly, grouping tests are also conducted on family-owned businesses, which are sorted into two based on the average score of their characteristic factors. Businesses of familial leadership (hereinafter referred to as FH groups) refer to those scoring higher than the average of characteristic factors, and their sample size is 378. Businesses of unfamilial leadership (FL groups for short) are those that score lower than the average and has a sample size of 252. Overall, the fitting validity of FH groups looks feasible with main indicators shown as follows. $\chi^2$ is valued at 894.75, the degree of freedom 525, and $\chi^2$/df 2.738 (consistent with the criterion $2<\chi^2/df<5$). The RMSEA value is 0.068, which is less than the usual test standard of 0.08. So is SRMR less than the generally-recognized fit standard as it is 0.0635. CFI, NFI and RFI are 0.911, 0.920 and 0.843 respectively, all close to or greater than the fitting standard of 0.9. The PGFI value is 0.622, PCFI 0.76, and PNFI 0.737—they are greater than the 0.5 test standard.

Table 4-29 Goodness-of-it of the moderating effect of FH groups

| Fitting indicators | $\chi^2$ | d.f. | $\chi^2$/df | RMSEA | SRMR | NFI | IFI | CFI | PGFI | PNFI | PCFI |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Fitted value | 894.75 | 375 | 2.386 | 0.068 | 0.0635 | 0.911 | 0.917 | 0.920 | 0.622 | 0.737 | 0.76 |

For businesses of familial leadership only, the path coefficient of work process's influence on transformation confidence and consensus is 0.1498, which is significantly positively correlated at the 1% level. The data suggest that the work process has a significant positive effect on corporate strategic transformation if the management is family-oriented.

In the following table display FL groups' main fitting indicators. $\chi^2$is 729.072, the degree of freedom 249, $\chi^2$/df 2.928 which is in line with the standard of greater than 2 and less than 5. RMSEA, being 0.066, is less than the usual 0.08 test standard. SRMR, in the value of 0.051, is also less than the recognized good fit standard of 0.08. CFI equals to 0.910, NFI 0.904, RFI 0.912, IFI 0.929, all close to or greater than the fitting standard of 0.9. PGFI is 0.611, PCFI 0.621, and PNFI 0.712, all greater than the standard of 0.5.

Table 4-30 Goodness-of-it of the moderating effect of FL groups

| Fitting indicators | $\chi^2$ | d.f. | $\chi^2$/df | RMSEA | SRMR | NFI | IFI | CFI | PGFI | PNFI | PCFI |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Fitted value | 729.072 | 249 | 2.928 | 0.066 | 0.051 | 0.904 | 0.929 | 0.910 | 0.611 | 0.621 | 0.712 |

In the scenario of FL group samples only, the path coefficient of the work process's impact on corporate transformation confidence and consensus is 0.1746, which is significantly and positively correlated at the 1% level. Statistics testifies that the work process has a significant positive effect on the strategic transformation of enterprises, if their management is yet to be familial.

With the hope of examining the moderating effect of family business characteristics on transformation confidence and consensus, we merged the samples of familial and non-familial management into the proposed theoretical model. Our T test reveals an obvious difference at the 1% level between the path coefficient of familial and non-familial management. Still the path coefficients can be a sign for the magnitude of moderating effect. The path coefficient of family management group is 0.1498, lower than 0.1746 for being that of the non-familial style. The data can be read as a positive effect of work processes on transformation confidence and consensus, regardless of the degree of familization in the management. However, when the management is not family-oriented, the work process has a stronger driving effect on the strategic transformation of enterprises. To put it another way, familial management has a negative moderating effect on the relationship between the work process and corporate strategic transformation. For that reason, the hypothesis H3d is made evident.

(5) Test summary for the moderating effect of management decisions on the relationship between work process and corporate transformation

This paper employs the method of group comparison to examine the moderating effect of management decisions on the relationship between work process and corporate transformation. With work process being a latent variable of five dimensions, corporate transformation is

measured by corporate transformation consensus, and the moderating effect of four sub-variables of management decision-makings are examined separately. Since structural equation analysis allows both independent and dependent variables to contain measurement errors, the structural relationship between latent variables can also be analyzed. In models with latent variables, structural equations work better than traditional strategies such as regression analysis. Therefore, AMOS is adopted for the test of the moderating effect. The test results of the moderating effect of the four sub-variables of management decision-makings can be found below:

Table 4-31 Test results for the moderating effect of management decisions on the relationship between work process and corporate transformation

| Relationships between assumptions and paths | Path coefficient | t | Conclusion |
|---|---|---|---|
| H3.a: The flat management structure has a positive regulatory effect on the relationship between work process and enterprise strategic transformation | 0.117*** | -10.94 | Supportive |
| H3.b: The "authoritarian" leadership style has a negative regulatory effect on the relationship between work process and enterprise strategic transformation | 0.1881*** | 15.95 | Unsupportive |
| H3.c: The management's action-based decision-making style has a positive regulatory effect on the relationship between work process and enterprise strategic transformation. | 0.0116*** | -10.89 | Supportive |
| H3.d: Managerial familism has a negative regulatory effect on the relationship between work process and enterprise strategic transformation. | -0.0248*** | 12.96 | Supportive |

Note: ** means significant in the 95% confidence interval, *** means significant in the 99% confidence interval

The table above details the test results for the moderating effect hypotheses, in which we shall notice the four hypotheses, except for H3b, have been verified. First of all, for groups set under flat and non-flat management structure, the work process exhibits a significant positive impact on enterprise strategic transformation, but it has much stronger effects on the flat management structure. Therefore, the management structure can moderate the relationship between work process and corporate strategy, and the flat type is more conducive to improving the positive impact of work process on the strategic transformation of an enterprise. The H3a is hereby verified. Second, the managerial leadership style indeed has a significant moderating

effect on the relationship between work process and corporate strategic transformation. However, the work process negatively works on enterprise strategic transformation under the leadership of democratic managers and it turns out to be opposite for the authoritarian leadership style, which works against the hypothesis H3b. In other words, compared with managers with democratic leadership, authoritarian leaders are more capable of strengthening the driving effect of work process on corporate strategic transformation. Third, it is found through the T test that there is a significant difference between the path coefficient of the action-based decision-makings and the analytical style at the 1% level. For the action-based style, the path coefficient stays at 0.1092, and it is reduced to 0.0976 for the other type. Data indicate that the work process has a positive effect on the confidence and consensus of strategic transformation regardless of decision-making styles. Still, it works as a stronger driving force for the strategic transformation of an enterprise when managers follow the action-oriented decision-making style. To conclude, the hypothesis H3c is proved as the action-oriented decision-making style promotes the relationship between work process and enterprise strategic transformation. Fourth, the T test also shows that the path coefficient of groups featuring managerial familism is significantly different from that of non-familial management groups at the 1% level—the former is 0.1498 and the latter 0.1746. In spite of different degrees of managerial familism, work process plays a positive role in transformation confidence and consensus, but it has a stronger effect on groups categorized into the latter. The hypothesis H3d is therefore tested since managerial familism has a negative moderating effect on the relationship between work process and corporate strategic transformation.

## 4.6. Summary

On the basis of pre-investigation, this chapter carries out the formal investigation with modified scales as well as performs descriptive statistical analysis and reliability and validity tests on the 630 valid samples collected from the investigation. Relevant results unfold that the

data gathered in this study are of good reliability and validity, and fit the proposed theoretical model.

This study utilizes Amos 21.0 and SPSS 19.0 to test the hypothesis proposed in the theoretical model by way of reliability and validity tests. First, it verified the direct impact of value defects and work process on corporate strategic transformation. Second, it tested the moderating effect of management decisions on the relationship between work process and corporate strategic transformation. This study list 3 groups of hypotheses, and form a total of 11 sub-hypotheses. Of the 11 sub-hypotheses, all but H3b (The dictatorship style reduces the impact of work process on corporate transformation) is not supported. Therefore, the theoretical model built for this study is appropriate, and the collected sample data have a high degree of fit with the model.

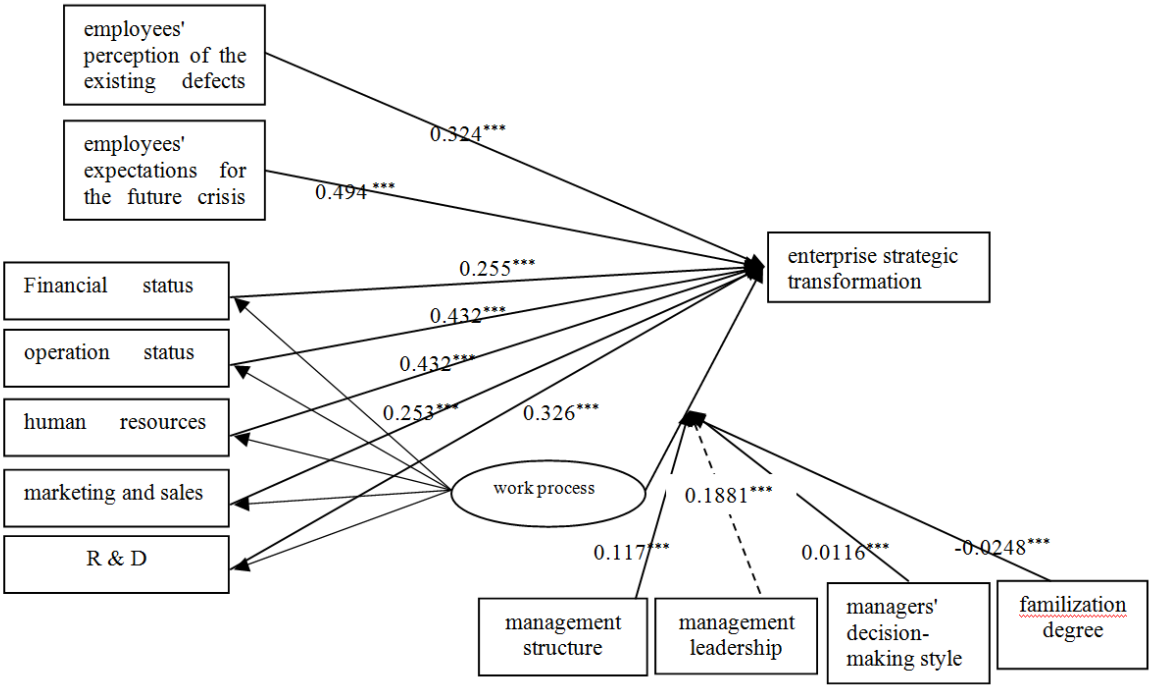



**Figure 4-1 Test results of the research model**

## 5. Case Analysis of Q Group's Strategic Transformation

Based on the foregoing theoretical analysis and empirical research, it can be concluded that the way the management and employees interpret the enterprise's value defects is the

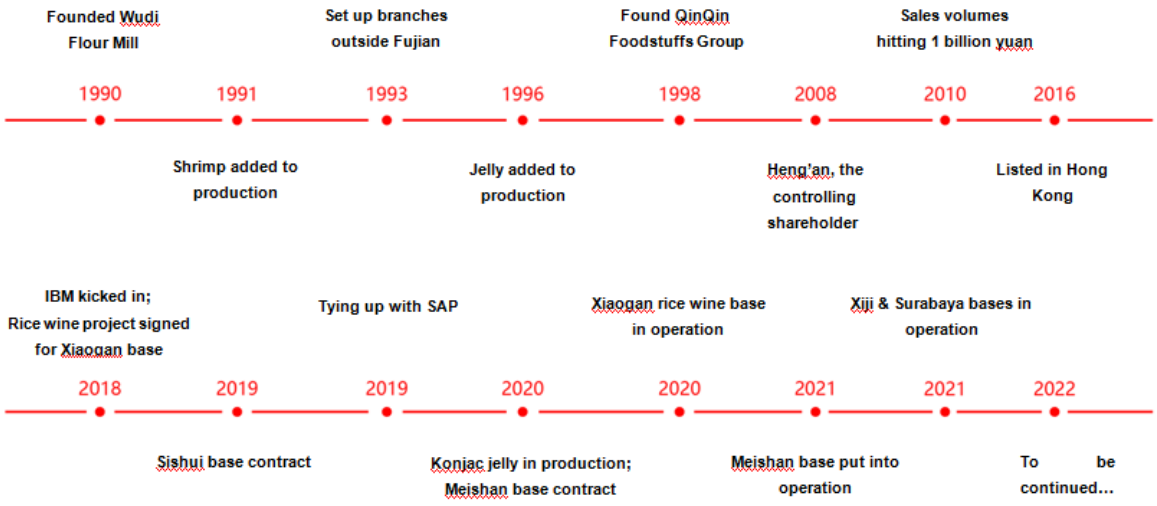
premise of corporate strategic transformation, that continuous efforts in polishing work process helps the implementation of strategic transformation. The management team will also have a strengthening or weakening effect on the implementation of strategic transformation. In accordance with the analysis framework for the driving factors of strategic transformation targeting food companies, this chapter will conduct a case study on Q Group's transformation practice and verify the effectiveness of the framework for further optimization so as to supplement relevant research and inspire food enterprises on effective transformation and development.

## 5.1. Background of strategic transformation

### 5.1.1. Overview of Q Group

Q Food Company (hereinafter referred to as "Q Group"), established in Jinjiang, Fujian in 1990, was a private enterprise developed out of township. It was restructured into a joint-stock company in 1998, controlled by Hengan Group in 2008, and listed independently in Hong Kong in 2016. The company is mainly engaged in the production and sales of jelly, puffed food, condiments, rice wine, and series of snack foods. As of the end of 2019, Q Group, being an important snack food brand in China, hired more than 280 employees, possessed 10 production bases and 16 commercial and trade branches across the country, and a sales network all over China, and exported to overseas markets with sales exceeding 10 billion RMB. It was valued 1.7 billion Hong Kong dollars to be an icon among Chinese food companies.

Figure 5-1 Group Q’s major events

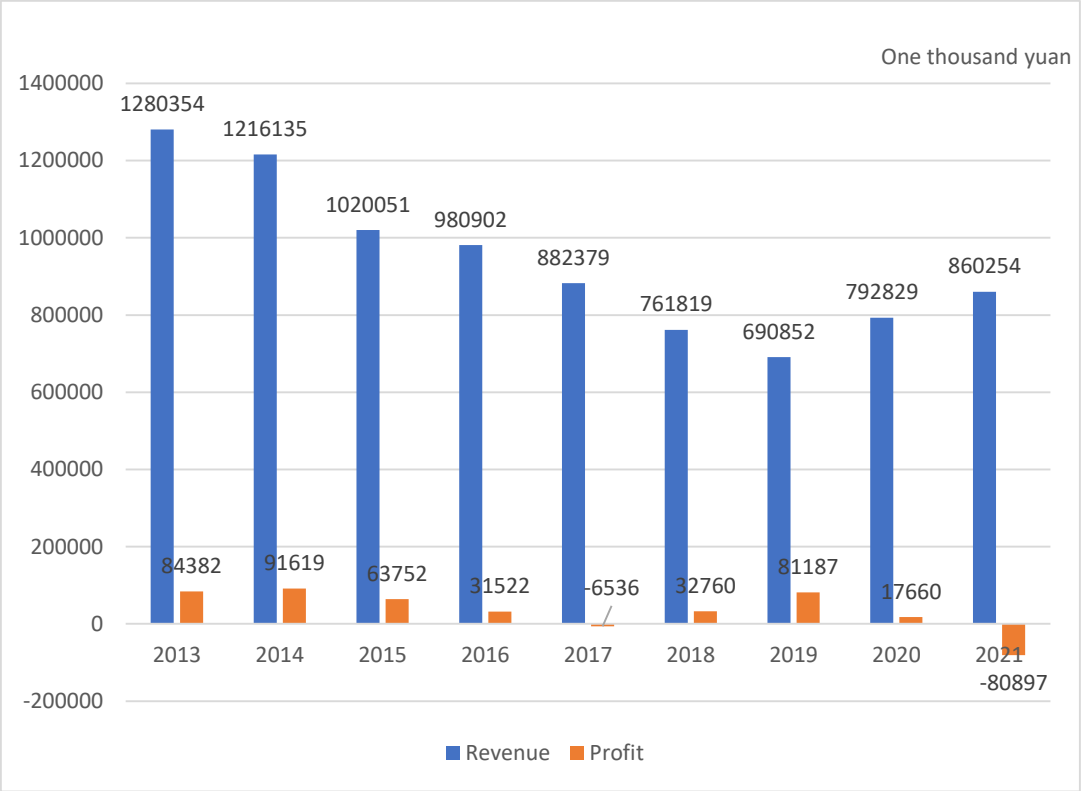



### 5.1.2. History of strategic transformation

Since its establishment, Q Group has undergone two transformations. The first was marked by the establishment of a modern enterprise system. In 1985, six brothers of the same Wu's clan found Q. Tiding on the advantages of family business and the spring breeze of reform and opening up, the venture quickly fulfill its profit target and scale expansion. However, with the intensification of internal conflicts within the management, Q Group sold 51% of its equity to the listed company Hengan Group in 2008. From then onwards, Q had to modify its management system, financial system, channel market, etc., as a follower of Hengan Group scaled at 10 to 20 billion. Unfortunately, Q Group experienced steady decline in its sales performance since 2012 due to a superficial imitation and copy of outdated experience from listed companies.

The following year Mr. Xu, the major shareholder of Q Group, predicted its future sales revenues and profitability to be a continuous downward trend if the issue of weakening sales revenues and net profits year by year was not fixed. In other words, he discovered the value defects of the enterprise. Such conditions forced his return as the chairman of Q Group in 2017, and subsequently the new president of Q Group. The new chairman began to sort out the reasons for Q group's operating difficulties, prepared to bring drastic changes the second time.

Figure 5-2 Q Group's sales revenues and net profits from 2013 to 2019




The new president then convened management-level meetings to discuss Q Group's problems and solutions. Meeting after meeting, research after research, many problems were unearthed. In order to comprehensively sort out all the problems, Q Group hired scholars from business schools and the food industry to analyze its current problems from a macro level, and provide suggestions for its development based on the typical experience of domestic and foreign companies. In the meantime, IBM, an internationally renowned management consulting firm, was invited to conduct a micro-diagnosis of the current status of Q Group's management system, to issue a diagnosis report and management proposal. To put it another way, Q Group diagnosed its own internal and external problems, both theoretically and practically, and then made relatively accurate assessment of its value defects, and gained clearer insights into the specific conditions of each process within the company.

## 5.2. Diagnosis of Q Group's management system status

### 5.2.1. Scholars' view on Q Group's value defects and work process

Professor Li, an expert in food studies, analyzed the reasons for the existence of Q Group's value defects from its external environment—countless challenges from both domestic and international markets. In view of global competitions, the entry of food multinationals, intricate international trade situations and the vigorous development of cross-border e-commerce put domestic traditional food companies in front of grave rivalry with foreign companies and severe tests from the international market. From the perspective of the domestic market, there were a large number of enterprises in the food industry, some of which were inevitably in a situation of "homogeneous competition". The increasingly fierce market competition led to slumped operating income, growing production costs, and dropping net profits.

Professor Liao of the Business School pointed out that Q Group was built upon a family business, whose value defects could be a result of problematic management system. The company shared with its competitors the distress of deteriorating performance owing to China's general environment. Since the reform and opening up, China has been encouraging the growth of private economy. Under the circumstances, many people started their own businesses. Private companies bear two major drawbacks. One should be relatively low cultural level of managers. A number of entrepreneurs do not hold a college degree, and even some of them were farmers. For example, Yang Guoqiang, the founder of Country Garden, a well-known private real estate brand in China, came from a farmer background. He used to work as a mason, a construction contractor, and then entered the real estate industry. The other drawback is high degree of familial management. Indeed, most private companies are firstly established by siblings, but core management positions are still held by their relatives instead of professionals as the company grows and develops. In case of this, many family businesses will not adopt the most advanced management strategies financially, the latest technology for supply chain, or

develop corporate culture to parallel with modern enterprises, or dig into customer needs for marketing, or pay sufficient attention to research and development. They are having a hard time competing with modern enterprises and possibly on the slide year after year.

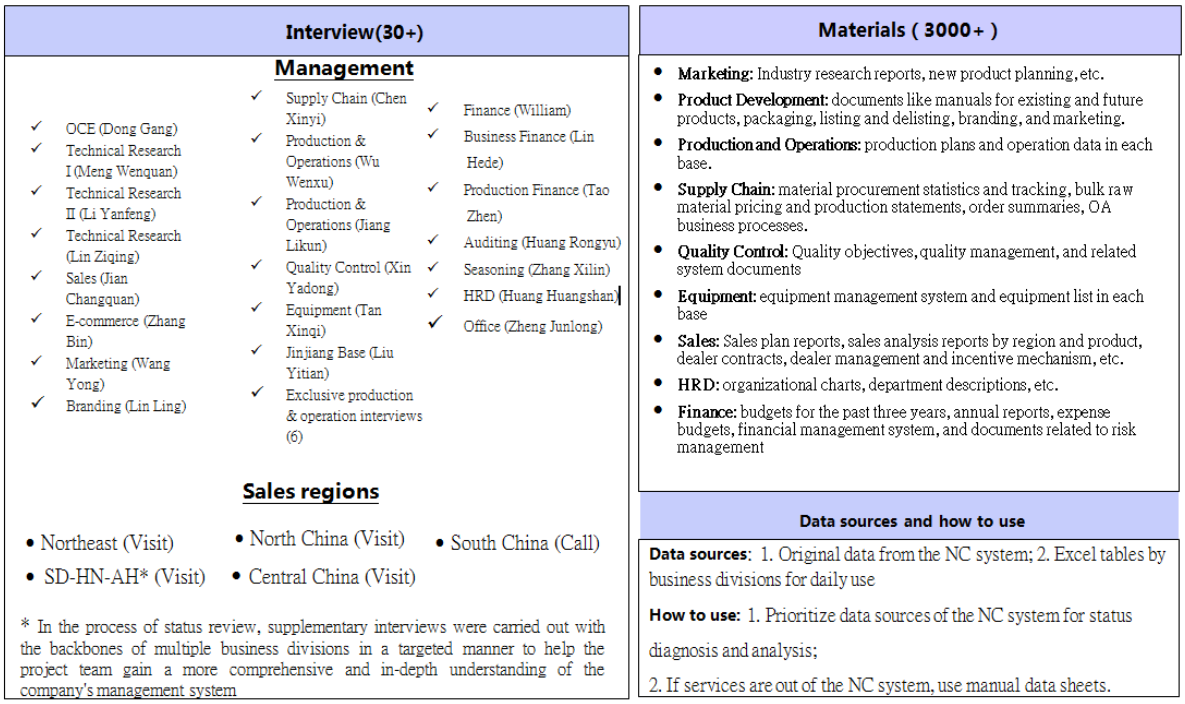
Professor Liao also emphasized the problems of Q Group are also typical of private companies and food companies, not only because of changes in the external market environment, but also internal management issues. To reverse the waning trend of a company, radical reforms are inevitable, instead of minor changes. Enterprise managers should carry out the reform of finance, marketing, corporate culture, etc., at the strategic level, and then achieve overall strategic transformation. Only in this way can we prolong the life of the enterprise and pull the enterprise from recession for growth again. Otherwise, the company is likely to go into bankruptcy and reorganization. For the precise formulation of strategic transformation, an accurate diagnosis of the corporate's current situations by a distinguished consulting firm should be the right thing to do, according to Professor Liao.

### 5.2.2. Diagnosis of Q Group's work process by consulting firm

Q Group vigorously introduced external consulting companies in the process of strategic transformation. In 2018, Q Group hired IBM, a world-renowned consulting firm, to diagnose and analyze its problems. IBM's consulting team filled its process of diagnosis with value deficiencies, work process examination (finance, operations, market management, human resources, R&D, and management), the optimization of problematic work processs, and estimation of how work process changes could affect the future of the business.

IBM started with over 30 interviews with internal management and key sales areas, enormous desk studies, document and data collation from various functional departments to grasp a comprehensive and in-depth understanding of the current status of Q Group's management system. Investigation and analysis also helped IBM shape a clearer judgment on the problems of Q Group.

Figure 5-3 Sources of data for diagnosis of Q Group's status quo




1. Lack of directional guidance on strategic management

Analysis of top-level strategy revealed Q Group's insufficient strategic management before 2018, which was mainly reflected in the lack of obvious directional guidance for strategic channels. To be more specific, Q Group was confronted with such issues as unclear overall positioning, incomplete analysis of the external environment, and lack of perfect strategic planning. Clearly, if an enterprise wants to survive and keep long-term development, the first thing to do is clarifying its own positioning. The problem is that Q Group failed. As a 30-year-old brand in the snack food industry, Q Group lived by the philosophy of "sharing like a close family" at the beginning of its establishment and tried to bring good childhood memories to consumers. However, as time goes on, the group itself and the markets and customers it currently faces have changed. Its original concept should not always be the lighthouse for corporate positioning, values and development. It is necessary for Q Group to redefine its strategic positioning and clarify missions, visions and values, which point out the way for its employees to understand themselves, clarify the direction of development, perceive what should be done, what can be done, what should not be done in the course of development.

The quality of how strategic decision-makers control and assess strategic trends depends on the research and analysis of the external environment for development. Although Q Group carried out analysis and research work on the external environment to some extent, its efforts could not be praised for relatively incomplete contents, unified division of functions, and unclear requirements. Still it failed to invent a perfect external information collection and analysis mechanism to support the basic input requirements required of strategic planning. In addition, the incompleteness of Q Group's strategic planning also stemmed from vague business portfolio planning at the level of company, in terms of lacking in-depth analysis of existing businesses and clear plans for the overall operating model of new businesses. Insufficient analysis of the external environment and unclear planning of internal business prevented Q Group from developing a clear strategic planning program. Without a strategic direction for work planning, each department was buried into their daily work and the addressing of short-term problems. In spite of carrying out certain optimization of management in such areas as marketing, sales, supply chain, and quality, no changes have taken place in the strategic level to support the long-term development of the company.

2. Insufficient attention to financial management

Q Group's poor financial management resulted from insufficient attention and obvious defects in budget management, fund management and business-finance linkage. IBM's diagnosis unearthed that the company employed traditional financial budget management, which was decoupled from strategy and business. It was viewed as neither a systematic support for data collection, statistics and analysis, nor a useful tool for management and control, business analysis and auxiliary decision-makings. At the same time, the company held a weak sense of capital management, and the function of capital management was almost void, meaning low comprehensive utilization efficiency of capitals and no restraint and supervision over the process of capital operation. Moreover, IBM discovered no real-time linkage between

financial management and business, due to which enterprise operators could not follow the dynamics of business in a timely manner. A large number of business companies (branches) also indicated a huge workload of accounting processing and report integration, but their disconnection with sales areas impaired the value of serving management. In its financial statements highlighting data display, the absence of business performance analysis disqualified their being effectively supporting business operators with decision-makings support.

3. Distressing operations and management

IBM spotted five major problems in the supply chain management of Q Group: absence of planning coordination at the headquarters, chaotic production plan management, extensive cost accounting models, imperfect quality management mechanism, and seriously aging equipment. First of all, since a company-level coordination planning system was not established, Q Group showed deficiency in coordinating the production and sales ends of its supply chain. For order distribution, trading units adopted an unscientific system that did not take into consideration factors like the capacity constraints of different bases. When it came to production capacity, bases were allowed to allocate on their own, resulting in uneven distribution. As to the link of order delivery, there was no unified guidance for order delivery and tracking management, implying ineffective supply chain management and weakening intensification capacity. Secondly, Q Group's planning department was too weakening to formulate and implement a system for production plans, where IBM noticed chaotic management of production plans, unreasonable, unstable and unbalanced production arrangements, and unrhythmical release of production capacity. Its existing production plan was mainly dependent on the transformation of sales plans and product inventory, and the lack of an order-oriented production scheduling mechanism was not conducive to the timely fulfillment of orders and the reasonable release of production capacity. Thirdly, Q Group occupied a coarse system for the management of production cost accounting, and the lack of a

single product cost accounting mechanism made it difficult to detect and control waste in the production process. Fourthly, the company's quality management system was coitized for incomplete certification and rough quality management in some bases coupled with disunity in quality management among the bases and inadequate supervision. All these hindered the progress of quality and safety system certification. Fifthly, Q Group utilized an unsound system for equipment management. Seriously aging devices, in a low utilization rate, not only brought about idle production capacity to a large extent, but also restricted the improvement of production efficiency and failed the requirements of new technology and cost control. Such phenomena were a common issue for all production bases.

Apart from the issues of supply chain management, insufficient linkage with other departments was also a big hinderance to the improvement of Q Group's overall level of supply chain services. For example, fragile linkage between supply chain units and the front-end R&D department impaired the ties between in R&D and procurement for new product development. Suppliers might not be updated on the real-time needs of product upgrades, while the quality control department was not able to form a supervision system based on the technical and process standards formulated by the technical research department, and their management of production equipment may not be paced with the process requirements from the R&D department. Insufficient linkage with the back-end sales department immobilized the shaping of a synergistic mechanism, causing mismatch between production plans and sales plans, inconsistency of value orientation for evaluation in different departments, and a poor awareness of the company's overall benefit management.

4. Backward market management

As the value chain theory states, sales and service are among the most yielding activities to bring up the added value of products. Effective marketing activities can help improve the visibility of products, thereby expanding their market share. Backward marketing activities

were one of the problems facing Q Group. Focusing on product planning, its marketing department failed to perform the function of marketing and was yet to develop a consistent operation management mechanism for the tackling of problems in brand strategy, marketing strategy, marketing activity management, customer relationship management, promotion management, and market resource management for the ultimate purpose of effective marketing.

For years, Q Group suffered a lot from entering the high-end market due to the vacancy of strategies to go with its market development and brand management and the stereotype of a low-end brand image shared by dealers and consumers. Unclear brand strategies blurred audiences' perception of the brand itself. Seemingly, the 30-year-old brand was experiencing a "mid-life crisis". In the minds of many consumers, jelly is synonymous with snacks for childhood. Such image limits the possibility of radiating to more consumer groups. In terms of marketing strategies, Q Group was unclear about its own products and the stage of product life cycle in the market, not to mention the establishment of systematic marketing strategies based on product life cycle. Consequently, product release ended up with unsatisfactory results. As to marketing promotion, the company was unable to collect effective market resources to connect customers through multiple touch points in the marketing activity network, to achieve point-to-point promotions and classification management of target customers for different categories in the product strategy. The lack of such management activities deprived the enterprise of attempts to form an integrated marketing and promotion scheme.

5. Absence of strategic planning for human resources

The plans for recruitment and job allocation, salary management, performance management, training and development by the human resources department of Q Group were below the par with its requirements for attracting and cultivating talents. On the one hand, for the selection of talents, adequate recruitment planning was not in place. Q Group's human resources management in the headquarters functioned in a relatively simple manner as its main

responsibility was the modularization of basic human resources. Stable as modularized work was after years of system application, it could only meet the needs of basic personnel management, delivering limited function for business support. Relatively large gaps could also be spotted, whether it was human resources output for each business module, the application of human resource tools, and the adaptability of human resources management to business units. The model of human resources management was run so stably that it failed to meet the ever-changing needs of R&D, production, and sales for recruitment, training, performance, and employee relations. In other words, the department stayed at basic support. On the other hand, as job responsibilities were not clearly defined, job descriptions could not exactly describe key position information, and relevant hiring did not bring promising candidates due to the lack of evaluation criteria. In the aspect of employment, performance management in Q Group was not set in a closed management loop but was assessment-oriented and discouraging. It overlooked coaching and follow-up procedures as part of the assessment process, let alone a system-wide application mechanism. In case of talent retaining, the company lacked a salary management scheme to clarify the correlation between payment and position level. Unreasonable salary structure was also found to be of no appeal for the long-term retention of outstanding talents. For personnel training, the absence of a talent training and promotion mechanism triggered unsatisfaction from employees, who complained about unclear personal development and no idea of how to grow with the company. Additionally, Q Group's talent reserve capacity was too weak to foster a good number of daring and innovative professionals. However, if a company aspires to sprint higher goals in the future and maintain healthy development, more resources should be invested into the construction of talent echelon.

In light of corporate culture, Q Group focused more on money-making and profits, given the nature of a family business and its living environment. Indeed, it lacked meaningful corporate culture as limited attention was given to its construction. In its long-term journey of

operation, the company did not sort out and deepen their value pursuit and business philosophy for the shaping of a complete system, failing to tap into the crucial role of corporate culture. On the one hand, unpolished culture made it impossible to gain from employees consensus on value pursuit and business philosophy. At the same time, the missing of systems, mechanisms and other carriers crippled the company's ability to penetrate culture into the management process, thereby affecting organization and individual behaviors. On the other hand, without grooming, the company's corporate culture became too singular to resonate with its business sections, resulting in tricky issues related to internal coordination and communication. Corporate culture therefore failed to serve as a lubricant for operations.

6. Insufficient technical research and development reserves

Confusing technology development with product development, Q Group was vulnerable in advanced technology reserves and the independent development of core technologies. For a long period of time, product development was covered by the technical research department, which utilized the outsourcing model for some products requiring new technologies. For instance, to develop new functional jelly, Q Group nailed down collaboration with the State Sports General Administration to obtain core technologies and outsourced the section of core technology development. By doing so, technology development and product development were carried out at the same time, in no particular order. However, the application of immature technologies into product development gave rise to poor tastes and ultimately delayed product launch. This was a scenario of failing the principle of "technology first". Meanwhile, the simultaneous development of technologies and products did not shorten the development cycle but slowed down the overall progress during which employees had more chances to blame each other and waste resources. Although the food industry has limited technical requirements to deal with, Q Group aims at the development of innovative functional products for the next stage. That being the case, technology constraints will be a huge barrier. We should note that

technology outsourcing and cooperation only bring short-term competitive edges to companies—they should not be viewed as a long-term development strategy. The introduction of new technologies is a manifestation of progress. But if a company fails to transfer external technologies to its own technical reserves, it will be more dependent on the outside and face increased costs for future research and development.

7. Incompetent management

Before the new president took office, the majority of Q Group's leaders came from the previous founding team and their descendants. The founders were six brothers from three families in the same village with the surname Wu. Most of them were born in a peasant's family and had limited education. They jumped at the chance to expand business but poor management ability led to countless conflicts within the team. Most managers intended to serve for their own benefits and frequently trigged malicious competitions and conflicts for the position of general manager. In 2008 they had to sell 51% of the company's shares to a listed company. Still no signs indicated the improvement of management skills afterwards. The leadership just copied from the listed company with a scale of 10 to 20 billion for experience in management system, financial system, etc. Their doing, however, was not a complete solution to existing management problems. Afterwards, Q Group itself went public and had no actual controller. Its largest shareholder secured equity less than 20%, facing the dispersion of actual control and confusion in management.

8. Unstable organizational structure

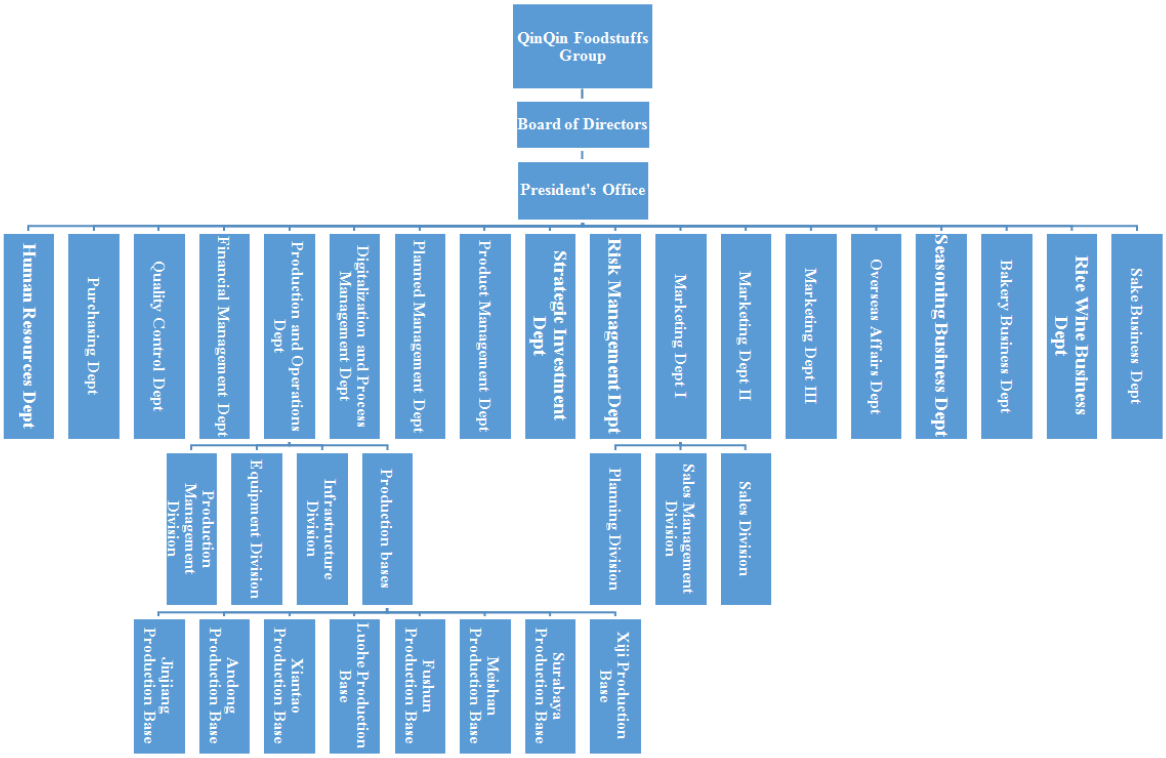
A stable organizational structure provides a favorable condition for strategic transformation. Q Group was run in the mode of flat management, which to a certain extent avoided information distortion and inefficiency from top to bottom, but the organizational structure was not stable enough to effectively support business goals. The organizational structure of Q Group was constructed according to the nature of functions. The topmost level

housed the President's Office, which coordinated 15 functional departments including the Marketing Department, Human Resources Department, and Production and Operation Department. Some key functions were missing or insufficiently embedded in the management structure. Without strategic management department, internal control department, and comprehensive plan management, there were no systems and processes for strategic reforms formulated at the company level, so were supervision and feedback on the implementation process of management measures and systems. Some departments were redundant. For example, the R&D No.1 and No.2 Departments fell into the same category, but they were divided into two functional departments, bringing superior leaders more coordination work. There were also some departments whose functions were not clearly defined. For instance, the responsibilities and work scope of the CFT department were implemented, not to mention specific and operable process for its daily management.

IBM noticed from interviews with the management that the most common problems in the leadership were the dislocation of senior management, lack of middle management, insufficient empowerment, and weak admiration for management. Specifically, senior leaders were doing the work of the middle-level, of which executive work accounted for a large proportion. They showed insufficient control over strategic and directional work as a lot of time and energy was attributed to executive work but no changes were promoted, let alone the company's future development. Being an important executive layer of Q group, most of its middle-level leaders were actually disqualified given their insufficient ability, lack of systematic thinking, attention to short-term benefits instead of long-term planning, and inability to comprehensively and comprehensively analyze and solve problems. Insufficient leadership empowerment could be interpreted as the lack of systematic training on managers' "coaching" methods and tools. Far from being a coach, managers generally "cared for business and kinship", rather than developing the awareness of talent cultivation. In addition, the

leadership, embodying the drawbacks of a family business, showed no reverence for the rules and regulations, making the management system an empty shell.

Figure 5-4 The organizational structure of Q Group




## 5.3.Schemes for strategic transformation

According to all the existing problems spotted during the process of diagnosis, the IBM consulting team put forward suggestions for the improvement and optimization of problematic work processs, based on which Q Group has established a mechanism for efficient strategic planning, target consensus and implementation along with an executive team for strategic planning and decision-makings, dug into industry environment, products, and markets for decision-makings, reached strategic consensuses in the form of a strategy map, and created an annual strategic action theme and target accountability indicators. The author has also conducted one-on-one interviews with senior executives from key departments before sorting out strategic transformation proposals for Q Group based on Rouse's transformation theory.

### 5.3.1. Strategic positioning and goals

With all the issues sorted out and discussed, Q Group has decided on repositioning and strategic transformation. It expects to get rid of the old brand image by virtue of brand remodeling, product upgrade, channel expansion and OEM, invent a complete set of operation and management mechanism, embrace the new generation of consumers with a new image, and win the favor of young people as a rebirth from the classics. At the same time, it promises to quickly act to changes in the external environment and stand out in the fierce competition for rapid business expansion so as to lay the foundation for a century-old 10 billion enterprises.

In the short term, Q Group is advised to focus its strategy on sorting out and rebuilding its internal management system. The first step to take should be clarifying strategies, missions, visions and values, and reshaping corporate culture. Secondly, it should renovate the sales and marketing system with the linkage of supply and sales, production and sales, and marketing and sales, and see it as a leading strategy to upgrade product development and supply chain systems. Besides, business intention should be clearly defined with products being the core. Specifically, the product strategy determines product development and technology development, product mix and cost structure, and the matching relationship between products and the market. Its organizational capabilities should also be enhanced to cater to business needs on the basis of adjusting the management structure, constructing the ability and quality system, and optimizing the management and control modes. Last but not least, Q Group should check and fill in the gaps in various functional areas for a higher degree of professionalism, including the mechanism of sales, supply chain, finance, quality and the level of informatization.

In the medium term, Q Group will increase attention to category integration and technological innovation, with its strategic goal pinpointed at industry integration within the snack food industry. Its marketing system will be further upgraded through digital marketing

and cross-channel/multi-channel integration. For products, its focus will be laid on the building of core product and the integration of multiple categories in the industry. In view of organization, an open and flexible organization will be established by upgrading management models and integrating external resources, and then the supply chain system deepened.

In the long run, Q Group will further expand its scope of business, take scenario-based ecological entry and centralized integration of local ecosystems as its strategic goals, explore in-depth view on dynamic customer demands as its core competitiveness, spread its product range to a wide variety of categories and industries, and build digital-empowered management capabilities and cross-industry resource integration skills to achieve the empowerment of platforms.

### 5.3.2. Implementation measures for strategic transformation

Guided by the diagnosis of management system and clear and definite strategic goals, Q Group has energetically adopted measures for strategic transformation and carried out drastic reforms with the aim of improving the operating efficiency of the entire firm. Q Group tries to implement strategic transformation from the following aspects.

1. Transformation of financial management mechanism

(1) Solutions for financial management transformation

With increasing attention to enhance corporate financial management, Q Group has introduced the ERP system and the SAP financial system for the creation of a strategy-oriented holistic budget management system that goes beyond the traditional category of pure financial budget. It closely links forecasting, planning, budgeting, reporting and performance appraisal through the target system to achieve process automation, streamline the flow of information between tasks, enhance work processs and work efficiency. For the purpose of fund management, a fund management system has been enacted to centrally manage the fund pool, which features plan-driven for the long-term, contract-driven for the mid-term, and payment-

driven for the short-term. For the integration of business and finance, the financial system is closely linked to the entire business floor to monitor financial goals and the operational status of the enterprise, thus contributing to the optimization of resource allocation. To offer decision support for business development, the front-end business is predicted from the angle of value and the performance of business activities evaluated.

(2) Effects of financial management transformation

After transforming and upgrading the financial management system for years, the following effects were gradually achieved:

First, IT automation replaced traditional manual operations to improve the efficiency of financial work. The introduction of ERP and SAP systems interconnected various systems as a whole, thus improving the overall work efficiency of finance and reducing the size of financial staff by 30%. For example, as the OA cost and reimbursement system was launched, processes like expense declaration, reimbursement, entry, and payment were linked up, which brought about quicker approval of expense applications and reimbursement, and reduced operations like entry and making financial payments.

Second, the integration of business and finance contributed to the satisfaction of employees and customers. Before the transformation of financial management, business dealings between clients and Q Group were time-consuming and labor-intensive, often embarrassed by human errors. For instance, customers received manually-produced reconciliation statements through email, WeChat, post, etc. in the past. It was time-consuming and costly to have one-to-one communication and reconciliation with each customer. In old days, Q Group staff abided by the following work process of reconciliation: the creation of statements by financial staff in Q Group—the collection of signatures and stamps from customers by sales staff—sales staff handling over bills to financial staff for verification and filing. As the ERP and SAP systems have straightened out the links of orders, invoices and

payment collections, statements are automatically generated and pushed to customers for confirmation on applications. If clients have any questions, they can contact the financial personnel for quick solutions. By doing so, the work load for financial and business personnel is reduced and customer satisfaction improved. In addition, the ERP and SAP systems allow customers to place orders and make invoices with their mobiles. In such convenient way, the interaction between customers and Q Group has deepened and customer stickiness enhanced.

Third, the timeliness and accuracy of reports are improved and data visualization realized. In ERP and SAP, financial statements, business statements and the like are automatically issued. Q Group only issued financial statements on the 15th of month before the transition, but it has been advanced to the 4th. Financial specialist A appreciates the transformation of financial management for it has largely reduced the timeframe for manual bookkeeping and reporting. For example, working overtime to settle accounts and reports was a routine for the financial crew throughout the National Day. At present, information technology leads to quick checkout and the automatic generation of management reports, financial reports, etc. Normally, all can be done within 3 days. In order to have data serve operations, reveal problems and assist in business decision-making in a timely manner, the systems also generate to sales managers customer input and output tables on a daily basis, and present them in a visual format where data can be directly perceived.

(3) Advantages and disadvantages of the transformation program

For the transformation of financial management, Q Group introduced ERP and SAP systems together with a comprehensive budget management system. As expected, they have upgraded the level of corporate management as a whole, improved operational efficiency in Q Group, and laid the foundation for its long-term development.

Apparently, the transformation scheme is a double-edged sword. First of all, the introduction of ERP and SAP systems creates a more open mechanism for financial work.

Featuring a high degree of flexibility, the SAP system provides open interfaces and effectively integrates third-party software products to change the independent and closed operation of each software system in the past—a breakthrough from the limitations of traditional technology to bring a more flexible and convenient workstyle. Currently, Q Group's SAP system has been docked with the OA office automation system and the Fine Report system. Secondly, the ERP and SAP systems facilitate the interconnection between the business end and the financial end. With strong business integration, the SAP system aggregates the data from business to finance to achieve end-to-end automatic connection, the same source, and real-time communication, thus fully integrating the data between the two ends. According to financial specialist B, the introduction of SAP and ERP has greatly reduced the basic workload of financial personnel, improved the work efficiency of each position, and allowed financial personnel to pay more attention to the level of profession and dig into how finance can better serve the business department, how to deliver to them high-quality and efficient data support, on which managers count for their decision-making. Thirdly, the implementation of comprehensive budget management clarifies strategic orientation. Since the implementation of comprehensive budget management, Q Group, guided by its strategic goals, has carried out comprehensive forecasting and planning of financial indicators for operating activities in a certain period, scientifically and rationally allocated various resources, supervised and analyzed the implementation process, and evaluated and gave feedback on the implementation results to guide the improvement and adjustment of business activities. Q Group's efforts in comprehensive budget management have enabled its employees to be aware of strategic goals and fight for them. Fourthly, the implementation of comprehensive budget management is conducive to process control and timely correction. Comprehensive budget management enables the business end to control the process, identify operational problems and formulate countermeasures as soon as possible on the basis of monitoring the achievement of budget objectives in real time and implementing

effective evaluation. Fifthly, the execution of comprehensive budget management enhances coordination and full participation. For its budget management, Q Group deemed business as the lead and functional departments as coordination, and embedded budget management in operations and management of all fields, levels and links to realize the participation of all employees. Moreover, the application of comprehensive budget management benefits the sustainable development of the company since it combines long-term goals with short-term goals, overall interests with local interests, and rigid budgets with flexible budgets to avoid short-sighted behaviors at all levels of the company and promote sustainable development. Not only did Q Group emphasize the rigid constraints of budgets on operations and management, but also it adjusted budget strategies in a timely manner according to changes in the environment, such as a sudden epidemic.

However, there are some flaws in such management system transformation. The high cost of ERP and SAP systems shuts the door on the introduction or continuous use of their service for many companies not earning enough profits. Besides, comprehensive budget requires a holistic and long-term view, and full participation of staff, resulting in a substantial increase in workload.

Table 5-1 Advantages and disadvantages of financial management transformation solutions

| Advantages | | Disadvantages | |
|---|---|---|---|
| Introducing SAP and ERP systems | Implementing comprehensive budget management | Introducing SAP and ERP systems | Implementing comprehensive budget management |
| Extending the openness of systems | Clear strategic direction | Higher costs | Increased workloads |
| Connecting business end to financial end | Process control and timely correction | | |
| | Corporate sustainability | | |

(4) Challenges for financial management transformation and solutions

The process of financial management transformation met some difficulties. When implementing system upgrades and docking automation, some employees in a rut found it difficult to accept new systems, new rules, and new practices. As the ERP and SAP systems were just launched, many employees viewed them as complicated and cumbersome. Considering their huge difference from the previous system, some employees even complained to be unacceptable and uncomfortable with new changes. Cross-departmental communication and their insufficient understanding of transformation were among the issues occurring in the process of implementing comprehensive budget. Without fully realizing the importance of comprehensive budget management, many employees tended to hold a one-sided understanding of budget work and interpreted it as the pure responsibility of the financial department and a summary calculation of financial data. Under the circumstances, Q Group offered employees continuous training to figure out the process and logic of systems. As training and work built up, the thinking patterns of employees has changed, who deeply recognize budget management as the first step to strengthen financial management and cost control as the only way to gain more market competitiveness. In addition, it has been a common understanding that financial managers must innovate the concepts of financial management, make full use of information technology, and build an efficient platform for financial operations, if to bring a company greater economic benefits.

2. Improvement of operating model

(1) Plans to transform operational model

Targeting the improvement of the operating model, Q Group has introduced an advanced OA office system and created a scientific, clear-cut business management model ranging from products to the marketing end. In terms of the product end, a closed-loop standardized floor for throughout product development has been shaped, ranging from product positioning, product planning to product development and product marketing. On the market side, the floor supports

diversified marketing strategies and promotion plans to match with different markets, different channels, and different products. The new management model has addressed the problems of extensive management and lack of consistent operation Q Group encountered before transformation, as well as optimized internal processes and the efficiency of operation management. On this basis, Q Group has executed efficient organizational control and division of responsibilities, clarification of key business processes, and efficient management processes, sorted out the organizational structure, the responsibilities of first-level and second-level departments based on the company's future strategic planning, market competition strategies, and business value chain, aimed at the key-link problems occurring during the business process by clarifying the issues, designing solutions through collaborations in the form of seminars, determining responsible persons, and setting up the reward and punishment mechanism in line with the business value chain processes, combined with the requirements of the SAP system, so as to achieve consensus and advance work for higher efficiency.

(2) Effects of operational model transformation

The transformation of the operating model has brought about tangible results. First is higher work efficiency but lower work intensity. Before the transformation, all the business data in the entire supply chain were processed and transmitted manually, which was quite inefficient. Now, thanks to the OA office system, employees are able to quickly fulfill information sharing, efficient network-based collaboration, rapid and all-round information collection and processing to provide a basis for corporate management and decision-making. Previously, staff had to go through the following process when purchasing a hardware spare part: applying for a new code → review → creating a code in the system → placing a purchase order → warehousing → delivery. Normally, it took several weeks to buy a spare part. Sometimes, a longer timeframe could be expected. An offline manual form needed to be signed for every node, and the time limit for signature could be extended by the work status of the

person in charge, like business trips, meetings and others. Another time difference should be considered was the return of forms to the applicant. As a result, frequent audit problems occurred as buyers tried to skip the prescribed procurement procedures. To reduce the frequency of procurement, some buyers even overstocked spare parts, causing serious backlog of raw materials and waste of storage resources. Since the docking of SAP with the OA system, employees can complete their part without leaving office. With reduced processing time for administrative and transaction work, repetitive transactions have been cut as well, and efficiency improved.

Second, the rapid integration of data and information comes as a strong support for operational management decisions. As soon as an order is received, scheduling, material control, warehousing and reporting, product inspection, and logistics delivery can be tracked through the OA system. It also displays such operating indicators as cost, quality, and delivery completion as fast data support for overall scheduling and improvement. In the words of Employee A, the Planning and Management Department has successfully achieved an automatic business integration system for the whole supply chain that ranges from plan forecasting and production factor planning to order entry, material requirements, material procurement, production planning, quality inspection, warehousing reporting, warehouse management, logistics delivery, and order delivery. Currently, the whole-chain data system focuses on the increasing of added value, which is more beneficial for the systematic promotion of processes and operational improvement for the whole supply chain.

Third, the process of building and implementing systems upgrades everyone's ability. The creation of OA and SAP required a lot of manpower, finance and time. To put these systems online, Q Group dispatched backbones from different business lines to lend a hand on project construction, during which they learned from each other and cooperate a lot to establish a deep friendship. On the other hand, for the purpose of transformation, each business line needed to

rebuild basic data, sort out business processes, and operate drills, etc. That was partly why workload increased to a large extent. However, system launch was phased and increase in workload was temporary. Apparently, hiring more was not applicable to Q Group. Instead, multi-level mobilization, detailed deployment, overtime hours, remote business coaching and the like were the solutions for the company to ensure SAP's successful launch. The operational model transformation has helped the management team and other employees boost their skills in scientific organization and implementation, team spirit and sense of responsibility. Employee B from the Operations Department believes that the OA system endows a quick grasp of business flow chart and process nodes, as well as clear thinking on processes and operations during work.

(3) Advantages and disadvantages of operating model transformation solutions

In view of improvement on the operating model, Q Group introduced the advanced OA office system and created a scientific and well-established business management model from the product end to marketing. Supported by OA, various departments cooperated with the digitalization and process management department to initiate a large number of automatic data reports—a faster and more accurate basis for management decisions. Such automation benefits whole-process management and control, operational efficiency and the acceleration of business progress. Operation department head A explains that the OA office system guides every employee to find out their own responsibility, the actions by upstream and downstream partners, what the current progress is, even to obtain a clear visualization of nodes across the whole process. The function of information push also reminds corresponding parties of pending meeting approval and joint review. If a certain link overstays, managers and collaborators can discover the issue in real time and take follow-up actions to ensure process cycle control. The downside of the OA office system, however, lies in reduced opportunities for face-to-face communication between employees while efficiency is improved.

3. Guarantee of human resources and shaping of corporate culture

(1) Human resource transformation plans

As a guarantee for human resources, Q Group has designed plans for talent recruitment and development based on strategic goals. A talent map has been invented along with the plans for talent development on the basis of sorting out the key talents and talent needs of core positions, checking existing key talents to identify their strengths and weaknesses in accordance with the consensus of talent standards. The talent training mechanism that covers internal training, selection, and job rotation has been designed to enrich the development channels for internal talents and promote a group of potential employees to the backbone of management or technology. In the meantime, Q Group has gone beyond regional limitations to balance talent resources through transfer programs in different areas as it tries to address the talent dilemma, fill in the gap of talent management before transformation, and ensure the talent supply chain. To be more specific, it starts with the optimization of people. Soft power assessment based on corporate culture is carried out within the organization in order to provide talent and cultural support, where some key positions that are contrary to corporate culture and unwilling to accept changes will be optimized. Secondly, the management structure is flattened to better manage functional departments and business units. Levels are reduced to bring down communication costs and strengthen execution ability. Thirdly, to extend the scope of job rotation and competition mechanism so that all the organization staff will have the chance to rotate in each business department. The rotation mechanism should enhance communication between departments and facilitate the goal of shifting specialist cultivation to generalists. A number of competition programs are carried out across functional departments and business departments to identify potential employees for orientation, and cultivate talents for key positions to meet the needs of transformation.

To embrace updated strategies, missions, visions and values, Q Group took on the reshaping of its corporate culture. It analyzed the systematic factors shaping the characteristics of current corporate culture from the aspects of employees, leaders, systems, human resources, etc., according to the key advanced operational/management concepts and cultural characteristics. That's how the current corporate culture was confirmed. Q Group holds the vision of "becoming the most innovative enterprise in China's food industry through continuous iteration of its own cognition, continuing its efforts in the creation of a better life" by taking "Better Food, Better Life" as the business philosophy and the corporate mission of "being people-oriented, joyful and touching", and striving for the creation of brand-new corporate culture of "righteousness, sincerity, passion, and kindness".

Q Group has deepened its corporate culture from two areas. One is to roll out publicity for corporate culture within the company to open up the lifeline of the firm and employees as it wishes all the staff to share the same goals and constantly stimulate entrepreneurial momentum under the guidance of a common direction. The other is the formulation of company policies to match corporate culture and implement it into employee behaviors with culture and system being the guide. The creation of a high-performance-oriented institutional culture is an example. Following its strategic goals, Q Group has built "performance-oriented" corporate culture and "high-performance, high-incentive" management mechanism that rewards the capable and punishes the poor as an attempt to transform the existing culture and create a supportive culture for corporate operation. Besides, it has laid out codes of conduct for leaders and employees to match current business needs, while the launch of ERP and SAP systems has clarified normative requirements for the daily work of each business department and stipulated red lines to be strictly applied into key events.

(2) Effects of human resources transformation

Q Group has carried out human resources transformation from multiple perspectives and resolved the following issues:

First, the company has expanded geographically and achieved the strategic goal of nationalization in stages. Owing to the creation of a talent map, the sales and production talent teams can be quickly replenished to be consistent with organizational development. In recent years, a number of bases across the country have been established to radiate a nationwide sales network.

Second, as personnel becomes younger, the company's talent structure is further enriched. Q Group's personnel structure has been continuously optimized as transformation is in place, exhibiting an obvious trend of rejuvenation. 28.8% of staff members are under 30 years old, 69.9% of managers are under 40 years old, of which 6.8% are under 30; 79.9% of staff members have a college degree or above, and the percentages rise to 91.7% and 91.2% for the level of managers and general managers respectively. To conclude, the talent structure is continuously optimized as more younger talents with a higher educational background join.

Third, employees are able to obtain clear individual goals for development, along with a higher level of stability and sense of identity. From the perspective of individual development, the talent development program helps clarify goals and shore up their sense of stability and identity. The enactment of the promotion and job rotation mechanism, supported by an overall training system, inspires many employees to better adapt to their positions and even take advancement to management positions. Job competition—a breakaway from the traditional mode—expands scope of hiring, brings favorable conditions for more talents to stand out, and injects into the leading team a stronger of motivation and sense of crisis. The reshaping of corporate culture breeds a more transparent organizational culture, more direct and faster communication, and the shifts from focus on performance to the combination of performance and long-term development. New corporate and organizational cultures blend company goals

into daily management and operations, and transforms individual departments from a "deep well" structure into a team of close horizontal connections, shared awareness, and concerted efforts through information sharing and rapid response mechanisms, thus reinforcing cohesion of staff to a great extent. The organizational development of Q Group has undergone changes as follows due to a series of reforms for human resources and corporate culture:

Table 5-2 Human resources transformation plans and effects

| Implemented measures | Before transformation | After transformation |
|---|---|---|
| Career development:<br>Job rotation, M&P dual channels, competition & promotion defense | Singular career development channel that granted limited chances. Many employees were stuck in the same position for years and their enthusiasm wore out. | Rotation: The introduction of more "embedded plans" to enhance mutual trust among departments and their problem-solving skills.<br>The dual-channel promotion system, a combination of management level and technical level, takes into account the development needs of the firm and employees.<br>Competition and promotion defense allows employees to sense the possibilities and ways of career development, meet their desires for development, and further boost work enthusiasm. |
| Salary incentives:<br>Annual salary adjustment, incentive policies and option incentives | The salary stayed the same for many years, either for good or poor performance. | Employees are evaluated for their performance, and results are directly reflected in the salary adjustment mechanism of the current year. This greatly stimulates the enthusiasm of employees and execution ability.<br>Incentive policies and option incentives targeting business, production, and back office bind the short-term and long-term interests of managers at all levels with corporate development so as to achieve consensus on corporate strategies. |
| Reshaping cultural values:<br>Group-wide infrastructure renovation and base construction, implementation of corporate culture manuals, corporate culture training, reading clubs, sweeping, 5S implementation, corporate culture publicity, activities to celebrate the 100th anniversary of the China Party, cultural activities (Southern Fujian series), birthday parties, etc. | Employees showed a low degree of enthusiasm to participate in traditional activities based on human resources and administrative modules. | Publicity events and employee activities based on corporate culture have greatly stimulated employees' awareness of corporate culture and a sense of belonging to the company. Big investment in overall hardware facilities and the implantation of soft culture to fill the process of teaching and learning with fun. Employees can fully experience the changes of the enterprise, eliminate the "broken window effect", inject more vitality to activities and make them more innovative. |
| Changes in personnel structure and overall organizational optimization | Average age of senior management: 45<br>Average age of staff: 40<br>Total staff number: 4,000<br>Senior executives are old and live in the past<br>Bloated structure | Average age of senior management: 40<br>Average age of staff: 27<br>Total staff number: 2,700<br>The average age of management is declining, and they are more executive and inclusive.<br>The company's personnel is optimized and rejuvenated, thus improving organizational vitality as a whole. |

4. Updated marketing strategies

(1) Marketing strategy transformation plans

In the face of consumption upgrade, Q Group is committed to reshaping its brand image from "childhood memory" to "new fashion" as an attempt to attract the favor of new-generation consumers. Around the slogan "Better Food Better Life", the company has continuously brought new, creative snacks in line with the current market environment to achieve product iterations. In recent years, Q Group has tried the means of fun and innovative tastes to enhance consumer experience as part of brand rejuvenation. It has developed highly differentiated squeeze bags and konjac, upgraded potato chips in golden package and “ring series” products including onion rings, cheese rings, chocolate rings, and chicken-flavored rings, which are packaged with no trans-fatty acid and cosmic elements. Meanwhile, the upgrade of corporate brand and logo image has been fulfilled to make more appealing to customers, no matter it is on the product side or brand marketing.

Seizing the tide of e-commerce, Q Group has increased brand exposure and the scale of promotion on relevant channels—joining Xiaohongshu, Tik Tok, Weibo, live commerce by well-known anchors Wei Ya and Li Jiaqi, to name a few. Significant increase in e-commerce revenue in 2020 came as the result of growing penetration rates. Besides, the company has gradually penetrated the terminal to figure out the preference of consumer consumption and explore new possibilities for future. To meet market demands, it continues to adjust its product structure and sales strategies with focus placed to new product development and richer product categories, including the introduction of new production lines for compound potato chips and squeezing jelly and the development of foundries.

(2) Effects of marketing strategy transformation

Q Group has succeeded in two aspects as a result of marketing strategy transformation. First should be soaring sales volumes as its marketing chain extends to the terminal. Before the changes, the marketing staff placed most of their attention on dealers, considering the time cost, and hoped to increase sales by enlarging the number of dealers and their sales momentum. With

the digital transformation of marketing going on, the work efficiency of marketing personnel was greatly improved so that they started to allocate attention to terminal promotion, marking the transition of sales from channel to terminal. Meanwhile, the company formulated requirements for different levels of terminal visit, and introduced 365SFA, a field tool, to directly collect information on visits and terminal sales. Eventually, the number of terminal stores doubled and then dramatic increase in sales volumes. In addition, the management of dealers was strengthened along with digital transformation. With an online platform for dealers, Q Group improved its efficiency of the whole link with dealers from ordering, delivery to reconciliation, saving time for sales staff to deal with them but triggering better performance.

Secondly, the forms of offline brand promotion are diversified and brand exposure enhanced. Sales can directly contact consumers in terminal stores, where themed activities for holidays are launched to enhance the communication and interaction between the brand and consumers. Additionally, Q Group actively explores new types of marketing activities like large-scale exhibitions including Spring Candy, Autumn Candy and Food Fair to attract new dealers; bus advertisement on buses and buildings to achieve precise exposure of the brand in the core market; co-branding projects to gain brand exposure and reputation in other fields.

(3) Advantages and disadvantages of marketing strategy transformation

Actually, some plans for marketing strategy transformation are a mixed bag of advantages and disadvantages, which are mainly reflected in brand image remodeling and the expansion of new channels. For the former, Q Group transformed its brand image from "childhood memory" to "new fashion". Not only did it upgrade its brand to younger generations, but also it completed the upgrade of its corporate brand and logo image, setting the stage for both product and brand marketing. Apart from advantages to enterprise development, brand image reshaping has its downsides.

Table 5-3 Advantages and disadvantages of marketing strategy transformation

| Advantages | Disadvantages |
|---|---|

| | |
|---|---|
| Attracting new customer groups: Q Group is conveying new goals and values to young consumer groups after the transformation. This helps gain more attention and resonance among young generations. | Time to recognize new brands: Customers need time to process their understanding of brand remodeling, and there may be a vacuum period of declining sales during the replacement of old and new brands. |
| Reflection of brand vitality: It reflects the corporate values that the company is constantly exploring, growing and innovating. | Increased costs: Additional expense inputs are needed to help customers accept and recognize the new brand image. |
| A younger brand image: Reshaping customers' cognitive impression of the company to regain their confidence in the brand, and showing to new generations a younger brand image and the creative product matrix. | Differences between corporate branding and product branding: Different means are needed to promote different types of brand images. |
| Stabilization of customer confidence: Upgrading and reshaping the brand image to maintain its vitality and stabilize the confidence of customers. | Loss of old customers: Brand remodeling can easily lead to the loss of old customers. |
| Conveying the brand concept: Reshaping the brand image to better convey the concept of "Better Food Better Life". | Confusion of brand communication: Brand image reshaping can easily lead to the confusion of the old and new brand images. |

In today's market that embraces fragmented channels, multi-channel development is critical to enterprises. Over the past years, Q Group has increased its promotional efforts in e-commerce channels, joining hands with multiple e-commerce platforms and well-known livestreaming bloggers for commerce. However, new channel expansion is a double-edged sword.

Table 5-4 Pros and cons of expanding new channels

| **Advantages** | **Disadvantages** |
|---|---|
| Increased brand exposure. | Different channels may follow inconsistent standards in terms of product prices, promotion methods, and promotion expenses. Particularly, different price systems can exacerbate channel contradictions. |
| Direct communication with consumers on e-commerce channels can bring the most intuitive feedback on products. Accurate analysis of consumer portraits through data obtained from various information systems is helpful for more accurate product development. | Different channels require different operating strategies and more investment in operation from the company to analyze the characteristics of each channel, and formulate corresponding operational strategies for the needs of expansion. |
| New channels can attract new consumer groups, and multi-channel operation reduces the risk of business operation. | Multi-channel operation may lead to competition among different channels and even easy loss of customers in individual channels. |

(4) Difficulties for the transformation of marketing strategies

Difficulties occurred in the process of marketing strategy transformation. The first challenge to tackle was the way the marketing team viewed new changes. It was indeed difficult for them to modify the way of thinking and working when actions should be taken for updated terminal management. The fact is only by changing their own thinking could the marketing team inspire dealers on the terminal. In response to this difficulty, Q Group invited lecturers,

both internal and external, to train executives and then employees. Such online systems as SAP and OA were also exploited to carry out online training and share knowledge, by which the enterprise expected its employees to polish their insights as learning built up. Also, the management team was encouraged to analyze marketing data together with employees and help them recognize new marketing ideas through performance. The contradiction between online and offline integration came as the second problem. For Q Group, promoting online products was its strategy to establish new markets and new channels, especially e-commerce channels, in the process of transformation. Moreover, the cost of online sales was lower than offline, enabling the selling of products at a lower price. In case of this, contradictions arose due to inconsistent product prices online and offline. Inconsistency intensified with the release of new logo since offline platforms were still selling old products. To fix this contradiction, new portals were loaded with both new and old products and bundled sales adopted to inform customers of on-going transition. For offline terminals, feedback from customers were collected and communicated with large terminals in time. Different solutions were also prepared for different terminals in order to minimize the drawbacks of rebranding.

(5) Enhancing independent research and development capabilities

a. R&D capability transformation plans

As to investment in technology research and development, Q Group paid much attention to the layout of full production capacity and brought in more investment. In 2019, it successively built new factories in Sishui, Meishan, Xiji and Xiantao as well as designed a strategic layout for its self-produced products in the domestic market. The same year equipment from Orihiro Group in Japan, was introduced into Q Group, which also sent off teams there for the advanced production technology of konjac jelly. In such way, its line of jelly became an example of global leading standards in terms of production equipment, formula research and development, and technical processes. At the same time, the existing puffing

equipment was upgraded for a higher degree of automation. As well-known and emerging brands like Pepsi and Qixu recognized its transformation efforts, Q Group was appointed as one of their foundries. The combination of self-owned products and OEM products greatly enriched the variety of product selection and even sales revenue. Worthy of particular mention is the introduction of new equipment and upgraded production technology as they significantly shortened the development cycle of products and enabled new products developed by the company to catch up with the trend, putting an end to such issues as long cycle for new product development, product aging, and product creativity before the transformation. For the cultivation of technology research and development capabilities, Q Group adopted internal training and external cooperation as a short-term solution, but aimed at independent research and development in the mid-term so as to gain technological competitiveness.

b. Effects of R&D capability transformation

Q Group enhanced its efforts in independent research and development to develop healthier and nutritious milk-containing jelly, namely pudding products. Since their launch, the sales of pudding products skyrocketed, reaching 38.95 million yuan in 2021, a year-on-year increase of 187% in 2020. The proportion of pudding in the jelly category increased from 3% to 8%. For the first quarter of 2022, pudding sales hit 25.03 million yuan, showing a trend of growth in both sales volumes and category proportions.

Table 6 Sales of newly released pudding products

| No. | Products | Sales volumes |
|---|---|---|
| 1 | 118 Pudding | 10 million sales in 2019 |
| 2 | 2 pudding series | A sales volume of 38 million in 2021 |
| 3 | Ice cream pudding | Listed in March 2022; achieved a sales volume of 1.5 million in March |

c. Pros and cons of R&D capability transformation plans

On the one hand, upgraded R&D capabilities contributed to sales volumes since new products turned out to be a good fit for market demands and helped expand the market share and sales. For example, Q Group successfully developed and launched the first konjac inhalable jelly without preservatives for the domestic market in April 2020. Its production line was China's first to produce preservative-free jelly. On its first day of sales, the preservative-free jelly was so widely received that it enhanced the brand power and competitiveness of Q Group's jelly products. More importantly, it attracted the attention of Qixu, a well-known children's food company, to nail down OEM dealings. In 2021, its OEM sales achieved 5.7 million. On the other hand, Q Group has enhanced its independent research and development capabilities. The introduction of new production equipment and technology not only serves as reference for refining old versions and provides technical support for the research and development of new products to shorten the research and development cycle, speed up the research and development progress, and extend product categories, but also broadens the direction of independent research and development for stronger capabilities and optimized product costs. However, the transformation of R&D capabilities requires a large sum of money. Even the course of new product development could be embarrassed by challenges like R&D failures and overcapacity.

d. Challenges for R&D capability transformation and solutions

It is normal to encounter R&D failures throughout the process. For example, swelling package was one of the problems Q Group suffered when developing the preservative-free juice jelly. Early back in 2018, the company started to develop smokable juice jelly without preservatives as a response to the demand trend of natural and additive-free products and even purchased China-made filling equipment. The issue was that it had to recall the jelly after some swelling items were reported, resulting in the scrapping of bulk packaging materials valued at several millions, and relevant equipment put on hold. The overall loss was tens of millions. On the basis of proactively summarizing experience and lessons, Q Group continued searching for

jelly equipment and technologies to make preservative-free possible. In the end, it was able to introduce from ORIHIRO of Japan up-to-date devices in 2019 after months of inspection, as well as sent R&D and production staff there to acquire advanced production technology and management concepts. The following year the preservative-free project was put on the market.

(6) Leadership changes

a. Plans to adjust leadership

In response to its current management status, Q Group appointed a new chairman in early 2017, who noticed the decentralization of actual control after Q Group's going public on the Hong Kong Stock Exchange on July 8, 2016. In April 2017, the shares of Hengan Group occupied a controlling position to make it the actual controller again as the chairman proposed the acquisition of other shareholders' equity and additional issuance. Drastic reforms followed as the new chairman took office, which served the main idea of improving the operating efficiency as a whole. In his own way, the leadership team was then adjusted. Also, in the role of president, he fulfilled a bunch of innovative measures for management, rather than a rote imitation of management ideas by traditional entities. Compared with the previous management, the new team created by the president featured a higher cultural background—all the members received higher education, and some returned from overseas studies with an international perspective. At a younger age, they were more decisive, pursued work efficiency, and echoed with the idea of creating a bigger cake for more personal income. The leadership team obviously reinforced democracy as the degree of kinship was reduced to a large extent. Any concerning employee was allowed to report problems to the chairman through WeChat, internal OA, etc. Therefore, bottom-up information distortion and inefficiency could not a problem.

b. Effects of leadership changes

Q Group has ushered in scientific thinking on management with the changes set for its leadership team. As new managers speak for new ideas and methods, the employment mechanism of Q Group has been reshaped to be in line with meritocracy. Employee Mr. Lin sensed the talent-honored atmosphere and the value of sharing after the adjustment of management, instead of cronyism, string pulling, and intrigue. Such aura largely stimulated the enthusiasm and initiative of all employees as well as meld a new outlook on the company's humanistic atmosphere. Mr. Zhang from the product department praised the simple relationship between the middle-level management and senior managers after all the changes. "Our core mission now is to deliver quality orders on time. People in the product department are concentrated on on-time delivery and work together to push order fulfillment. In the past, we had to take into consideration interpersonal ties and do tricks. New managers also drive business innovation and strengthen team dynamism. They bring in new strength, new ideas, new thinking and new methods, bear in mind the philosophy of lean supply chain and promote lean management thinking in the entire supply chain for higher work efficiency yet lower production costs."

c. Merits and demerits of leadership changes

Changes in management can influence corporate transformation to the core. First, leadership changes bring about new concepts and perceptions. Believing that nothing is impossible, new managers encourage everyone to tap into talent, master new skills, and bring new values to the company. Engineer E found it difficult to advance new projects in the past, but praised the launch of several new projects or renovations and expansion ones after changes in the leadership as they provided engineers with more chances to exercise their specialist knowledge and train their skills in project management, and inter-departmental coordination. Undoubtedly, their sense of belonging became stronger. Second, a younger management team can set a powerful example for new generations to follow. By internal promotion and hiring

outside, the company has built a team of young, capable employees, while a number of outstanding middle-level managers have been promoted to make a younger leadership team. Such practice has convinced employees of diversity in promotion and refilled the grassroots level with more confidence and motivation. Third, young forces can bring to a company more innovation capabilities. The change of young management brings about changes in work style. The atmosphere is dynamic, personalized, and the on-site management atmosphere is more relaxed. Work is carried out under relaxed pressure, and often in collisions, both parties are given more thinking to further accelerate management innovation. A young management team can mean more dynamics and personalized elements in work style and a more relaxed aura of management, where employees can work without much pressure and trigger more collisions of thinking so that innovative management are further enhanced.

However, a younger management team and the managers recruited from outside can be blamed for being less experienced due to systemic weakness, insufficient front-line background, and fair work quality. They are expected to continuously learn, summarize and improve.

(7) Management structure adjustment

a. Schemes to modify management structure

Q Group has made adjustments to its management structure in response to strategic transformation and management system reforms. Still it keeps the nature of functions to construct the organizational structure. At the top is the Chairman, followed by the President's Office to be responsible for company-level strategic decision-makings, coordinating the strategic management department, the product management department, the supply chain center and the human resources department and other 5 functional departments along with two new business departments. Among them, the strategic management department is newly added to clarify strategic functions. The previously No.1 & No. 2 R&D departments have been merged into the product management department that embodies two functions: product

development and technology development. A new marketing center has been created to highlight the importance of brand management. To conclude, the adjusted management structure showcases clearer division of functions, clear division of labor, and a more flattening style. Through standardized work processs, the progress of transformation implementation can be monitored quickly, and regional adjustments added for the changes in the new environment.

b. Effects of management structure adjustment

It is acknowledged that the adjustment of the management structure has the following three advantages. First of all, a flattened structure means the reduction of management levels, and higher operational efficiency. Flat management can better solve such management problems as overlapping levels, redundant staff, and low organizational efficiency. It speeds up information flow and accelerates decision-making efficiency. Smoother cross-department coordination is a case to justify. In the past, if the development of a new product needed the support of a device to meet the requirements of the R&D department for processing, the packaging department for packaging materials, and the marketing department for appearance, equipment transfer and coordination was predictable in the case of contradictory needs. Now, as long as information is fed back to the product management department, they will coordinate and speed up the time for equipment selection and procurement to drive the rapid implementation of a project. Secondly, the functional structure emphasizes professional division of labor and business segmentation to intensify functional management. Subdivided divisions states clearer division of powers and responsibilities and smoother communication and assistance. Thirdly, the headquarters and branches implement vertical business management to exhibit throughout business support and strong execution. For the vertical management of the business system, as overall planning is achieved at the headquarters, bases are supposed to implement all the orders and take responsibility for processes and results.

Changes in on-time delivery, finished product turnover, slow-moving finished products, and slow-moving materials after the adjustment of the management structure can be found as follows:

| No. | Improvement indicators | Before adjustment | After adjustment |
|---|---|---|---|
| 1 | On-time delivery | 75% | 91% |
| 2 | Slow-moving finished products | 1.1% | 0.25% |
| 3 | Loss of finished product discount | Decreased by about 70% than before | |
| 4 | Loss of material discount | Decreased by about 75% than before | |
| 5 | Turnover of finished products | 24 次/年 | 41 次/年 |
| 6 | Rate of on-time logistics pick-up on-time | 90% | 96% |
| 7 | Logistics freight rate | Within 5% for 3 consecutive years | |
| 8 | Rate of on-time freight settlement | 45% | 85% |

c. Difficulties in adjusting management structure and solutions

Q Group is facing problems like abundant horizontal business boundaries and increased cross-functional horizontal communication as a result of the detailed division of organizational functions. Predictably, poor communication can affect the efficiency of how cross-functional integration is completed. However, big issues are yet to be discovered, thanks to the clear division of responsibilities for different departments in Q Group and the OA system that guarantees timely communication with corresponding parties for updates on the progress of work.

## 5.4. Lessons from strategic transformation

For Q Group, the journey of transformation is full of twists and turns, although great achievements have been secured. Some experience and lessons can be shared as follows:

1. Timely detection of corporate value defects

Q Group was able to keep a sales revenue of more than one billion yuan and net profit of tens of millions before 2017. If it was not for vertical comparative analysis of operating data, and frequent visits to the company for updates on its status quo, a non-represented leader may not be able to spot so many problems and the urgency of strategic transformation. With more than ten years of investment experience, the new president, very sensitive to business data, quickly obtained insights into the current status of the food industry. He started to work on the overall picture of Q Group as soon as some problems were noticed. Fortunately, he gained a deep understanding of Q Group's existing value defects in a timely manner and presented relatively accurate expectations for the consequences if the enterprise was not undergoing transformation. Early discovery saved the company from more serious mistakes, and its net profits acted as a solid support to expenditure on strategic transformation.

2. Corporate culture shaping being the first step

When a company is confronted by many problems to call for transformation, the first step should be clarifying its culture and vision. Only by the vision can employees share goals and motivations to strive for; only by corporate culture can a company establishes the foundation of cohesion and close unity. As the new president took over, he acknowledged an aging brand and imminent changes in team culture. Therefore, the first move he took was the proposing of a fresh corporate vision: to become the most innovative enterprise in China's food industry with the power of self-iteration and continue efforts in creating a better life. To this end, Q Group must embark on the journey of upgrading its corporate mission, values, corporate logo, product logo, and cultural system. Despite of poor performance, the new president decided to build a corporate office building for its being a hybrid of corporate culture. What should be noted is that changes in corporate culture need to be carried out in a cautious and gradual manner, because many employees are very sensitive to small changes. Even logo change on the product packaging will influence the thinking pattern of a team.

3. Optimizing financial system as foundation

The financial system pinpoints the work process of an enterprise. With the modern financial management system, a company can closely coordinate different target systems through forecasting, planning, budgeting, reporting and performance appraisal, and integrate finance with business for the realization of financial goals and in the meantime, deep insights into the operation status of the enterprise as a decision support for business development and a guide for strategies. This partly explains why Q Group invested into SAP and ERP, in spite of dropping net profits.

4. The biggest challenge: organizational structure adjustment

Changes to the organizational structure of an enterprise will inevitably affect the positions of team members. From a multi-functional level to a flat hierarchical structure, the relationship between superiors and subordinates as well as horizontal in the original hierarchical structure of an organization will be changed, which will eventually affect most people within the structure. How to unify team thinking and goals, and how to balance the rights and interests of all parties will be the biggest challenge in the reform of organizational structure. If the organizational structure is adjusted without good team integration and responsibility control, it is easy to skip responsibility and evade trust and input, eventually leading to losses. In an effort to reduce the impact of organizational structure adjustment and leadership changes on a large scale, Q Group, on the one hand, promoted advanced management concepts, position changes and innovative culture, granted employees more opportunities for growth and exercise, and encouraged the innovation and development of talents to point out the negative sides of institutional rigidity. On the other hand, the “Management Rotation” plan was enforced, which encouraged regular job rotation of managers to screen out and cultivate internal high-quality candidates, to facilitate the relationship between the management team and employees from different departments.

5. Setting clear and transparent standards for management selection, largely internal selection-based

The process of corporate strategic transformation often involves changes in management, during which how to fill in a new management team is a big challenge. For internal promotion, a common problem is the lack of competent candidates. If hiring from the outside, existing employees will give up the hope of promotion. Normally, "airborne" managers need time to get familiar with the company's situations and may encounter resistance from original interest groups. For companies undergoing strategic transformation, they are suggested to go with internal training as the key solution, supplemented by external hiring if needed. Basically, employees who are promoted from the internal have a better understanding of how the company is operated. If switched to a management position, they should be able to quickly fit in the new role without too much time for adaptation, while keeping a relatively high degree of loyalty. Shortly after the new chairman took office in Q Group, the original president resigned due to physical reasons. To minimize the impact of leadership changes, the new chairman shouldered the role of general manager as well. Then he put forward the selection criteria for the management team: 1) four types of thinking: empathetic, introspective, goal-mean orientation, and forward-looking; 2) down-to-earth attitude, a strong sense of service and corporate mission, and continuous efforts in sharpening self-control and management skills; 3) spirit of innovation, art of leadership and a positive workstyle that embraces criticism and self-criticism; 4) the awareness of cultivating successors to surpass themselves and the ability to withstand changes for the gaining of more core competitive edges and the growth of benefits. Such transparent selection criteria for the leadership team not only reduce people's stereotype of "nepotism" in family businesses, but also points out the way to work hard.

6. Strengthening supply chain cooperation to achieve synergy

An opener mindset should be encouraged to deal with challenges for future corporate operation and supply chain management. The competition of the future is about supply chain. For companies in the upstream and downstream, the trend of cooperation, unity and resource sharing is recommended. To change the existing business model and hold an invincible position in the future market, a company is expected to cooperate with upstream and downstream supply chains, share channels with competitors, and even establish joint venture projects with employees and incubate new industries, so that all stakeholders can cooperate more closely and achieve synergy.

7. Deliberation on spokespersons for publicity

Q Group is a traditional food brand that appeals to those born in the 1980s and 1990s. To recall consumers' memory of the brand, celebrity spokespersons are needed. Since 2018, the enterprise has been collaborating with its spokespersons to increase product and brand exposure. However, unclear brand positioning and insufficient analysis of products, markets and channels at that time, the effect of spokespersons was basically limited to brand exposure--they barely contributed to the rate of product conversion. In today's Z era, it will be necessary for the firm to understand target groups, conduct market positioning analysis, and then pick up a spokesperson whose image is strongly correlated to the brand and product positioning, in order to occupy the mindset of customers and enhance the rate of product conversion and brand values. Moreover, against the Chinese background of zero tolerance with performers who lack moral discipline, the brand should take into consideration what risks may occur when a specific spokesperson is decided from the perspectives of personal background, social network, industry reputation, etc. Much deliberation should be given to the invitation of celebrities for product and brand publicity, otherwise huge endorsement fees may be wasted.

8. R&D innovation in a systematized framework

Food should be treated differently from other products, because of its being eatable. For the development of new products, a food company is supposed to invent a systematic and traceable mechanism as much as possible to inhibit the probability of food safety incidents and facilitate rapid processing. Q Group established a project in 2017 to develop a preservative-free jelly product and planned its launch nationwide in September 2018. In May 2019, the incidents of bulging bags caught its attention as the number continued to grow. Afterwards, the company had to recall products nationwide despite of major economic losses. It was verified by the quality management department that microbial fermentation and gas production resulted in swelling bags. Lack of reliability during the production process—insufficient hygiene guarantees and sterilization intensity—was determined as the root cause. To fix the issue, senior executives paid visits to Japan and returned back with the introduction of a 25-year-old production line of preservative-free inhalable jelly, which produces a new generation of inhalable "Konjac" jelly. So far, the new jelly has been on the market for nearly two years as a safe and reliable project, and no swelling has been reported ever since. The safety guarantee of food R&D innovation is viewed as a comprehensive project. It counts on a complete guarantee system covering from plant construction, hygiene prevention, formula design, process guarantee to product verification, as well as rigorous process guarantee and safety verification to ensure safety and reliability.

9. Cautious about advice from consulting firms

For the sake of scientific and rapid transformation, Q Group spent a lot of money on IBM for strategic consulting. Looking back at the entire course, we suggest companies in need of transformation not relying too much on consulting firms, and being cautious about the opinions from them. There are two main reasons to support such point of view. First, consulting companies may not gain as much understanding of the target industry and the current situation of an enterprise as its management team and experienced employees do. Most employees of a

consulting firm often go to different companies for a broad range of projects, whose cycle is rather short, and they change jobs frequently. Few employees would dig into the very depth of an industry. Often they put forward strategic plans for a company based on textbook knowledge, certain analysis frameworks, past consulting materials, and their own understanding, but the ideas may not be applicable. For instance, IBM believed that jelly and puffing were unhealthy products to deserve a bright future, and suggested switching industries. But the reality was that jelly and puffing contributed a lot of revenue and profits to Q Group, whose leadership finally decided on the upgrade and extension of jelly and puffed food categories as the right path to take. Secondly, consulting firms may tend to guess the management's intention to suit their preferences, instead of painting a real picture. When there is disagreement between a consulting firm and the management team, the former, for most of the time, would speculate the mind of actual controllers or decision-makers for the modification of transformation schemes as they aim at completing the consulting process as soon as possible and securing the consulting fee, rather than beginning a new round of more thorough analysis and searching for new data and evidence. Therefore, a piece of advice for companies in need of transformation is to stay cautious about hiring a consulting firm or analyze their proposals in light of the actual situation.

# 6. Research Conclusions and Recommendations

## 6.1. Main conclusions

This research comprehensively adopts literature research, questionnaire survey, case analysis, and built a data-tested analysis framework for influencing factors applicable to the transformation of traditional Chinese food companies. This study has found:

1)Value defects have a significant positive impact on corporate transformation. Theoretical analysis and case analysis have led to the finding that when the management and employees realize the value defects of their employers, they will embrace the thought of supporting corporate managers to change and transform the business. Value defects can result in loss of value and reduced profitability, because of which the management will adjust their attention and reallocate resources accordingly. In this study we have discovered that the more serious the existing defects of a company perceived by its management team and employees, including plunge in efficiency, a huge gap between operating conditions and the predicted, and a bunch of product quality problems, the stronger the company's motivation for strategic transformation; the higher expectations the management and employees have for the upcoming crisis that their company will encounter. For example, the greater the economic loss to the company due to the current problems in business operations, the more likely the company may experience a decline in market performance in the future if no action is taken, and the stronger the company's motivation for strategic transformation.

2)Plausible work process has a significant positive impact on the transformation of enterprises. From our theoretical analysis and case analysis, it can be seen that the management and employees may check and modify their work processes and recognize their optimization to fulfill corporate strategic transformation, when the value defects of their companies are perceived. Consequently, this study believes that reasonable work processes will also

positively affect the strategic transformation of enterprises. It should be noted that the work process of a company is a complex network structure. Literature study guides us to divide the work process into five sections: financial status, operational status, human resources status, marketing and sales status, and research and development status. By changes to work processes, including refinement and improvement of existing work methods, modification of existing work methods and work types, we hope to bring down internal transaction costs within the business, reduce the complexity of strategic transition, and strengthen control over the flow of funds and information and logistics. Empirical research in this study makes it plain that good work process has a significant beneficial effect on the transformation of enterprises. That being the case, enterprises should continuously improve and optimize their work processes to achieve the success of strategic transformation.

3)Management decision-making affect the relationship between work processes and corporate strategic transformation. The degree of influence by the improvement of work processes on the strategic transformation of enterprises will be determined by the problem-solving and decision-making ability of the leadership, management structures, and the characteristics of managers. This study measures management decision-makings from two aspects—the characteristics of corporate managers and management structures—at four dimensions: management structure, leadership styles, decision-making styles and the features of family-run business. A step further, a combination of theoretical analysis, case analysis and empirical research illustrates that flat management structure and action-oriented decision-making style can reinforce the impact of work process on corporate strategic transformation, but familial management will weaken the influence. To be more specific, in the case of a flat management structure, favorable work process plays a stronger role in corporate strategic transformation since information transmission is smoother in the company, the problems at the grassroots level can be spotted by the management team more quickly and accurately, and their

instructions can also be communicated to the lower layers and even executed more quickly and accurately. If a business is led by the action-oriented management, work process can be more effective in driving the strategic transformation of enterprises. Managers of this sort focus on action and speed in the decision-making process, embrace and dare to take risks, and are particularly sensitive to new opportunities. Their management can help enterprises make critical decisions for changes based on environmental conditions and improve the probability of successful transformation. In family-run enterprises, leaders may be appointed due to their relationship with the founder rather than their ability. The kinship and nepotism between the management and employees can easily give rise to contradictions and conflicts within the enterprise. Even privileged family founders oppose the introduction and implementation of institutionalized management guidelines. All these are not conducive to the realization of corporate strategic transformation through scientific production and management methods.

## 6.2. Research highlights

Firstly, the two cultural elements with Chinese characteristics—managers' decision-making styles and the familization degree of enterprises—are incorporated into the model. On the basis of comparing literature on the business management of family-owned enterprises and private enterprises at home and abroad, this study extends the moderating variable of management decision-makings with two dimensions with Chinese characteristics—the decision-making styles of managers and the familization degree of enterprises. In respect of managerial decision-making styles, Chinese entrepreneurs tend to be risk-averse and analytical, while Western counterparts prefer to take risks during reform and transformation. Regarding the familization degree of enterprises, most of China's private companies were born after the reform and opening up, and they are relatively new and managed by the first or second-generation founders, if compared with Western companies. Familial management in mainland China is a common and grave phenomenon. For that reason, this study also examines the

moderating effect of managers' decision-making styles and the degree of management familization.

The second is to creatively use the perceived variable—confidence in and consensus on corporate transformation—as an evaluation indicator to measure corporate strategic transformation. This study does not directly evaluate the final results of business transformation, but adopts the variable of employee consensus as an estimation and evaluation index for the potential of transformation. The sample data in this study mainly come from a company feasible for investigation (Q Group) and they are at a singular level. Financial statement data are not available for horizontal comparison. Under the circumstances, the perceptual variable—confidence in and consensus on corporate strategic transformation—is adopted as the outcome variable. Not only does the strategy address the measurement of the dependent variable, but also it matches the data with independent variables and moderator variables for easy handling.

The third lies in a comprehensive and in-depth discussion on the driving factors of corporate strategic transformation by combining theoretical analysis, empirical research and case study. Existing research on strategic transformation mainly covers case study and analysis of large sample data as to research methods. Besides, sample data are collected from different enterprises for analysis. The combination of the two research methods is rarely seen in existing research on a specific enterprise. On the grounds of constructing a driving model for corporate strategic transformation with existing theories, this research exploits the survey data from the management and employees of Q group to verify the model and then completes a case analysis of this company to re-test and supplement the driving model of corporate strategic transformation by interviewing with the leadership. These three research methods validate and complement each other, thus forming a framework for analyzing the factors that stimulate the strategic transformation of Chinese food companies.

## 6.3. Management implications

Based on the conclusions above, this research makes some proposals for enterprises experiencing strategic transformation and their managers as follows:

First of all, all employees should strengthen their awareness of corporate value defects before a company embarks on the journey of strategic transformation. The driving force of strategic transformation comes from the perception of corporate value defects. The more serious the existing corporate defects perceived by the management and employees and the greater loss of value in business if not making changes, the more motivated employees will be to transform their company. Therefore, a business should make full use of speeches, interviews, etc., to help the entire company to obtain a deep understanding of the existing problems before carrying out strategic transformation, develop a consensus that strategic transformation is imperative, and reduce resistance in the course of transformation.

Secondly, the optimization of work processes will facilitate the success of corporate strategic transformation. Improving and optimizing work processes is a must for corporate strategic transformation. Only when a business establishes good work process can the transformation strategies be well implemented. In the process of strategic transformation, the deficiencies and problems existing in every corner of the company should be checked and filled one by one, corresponding organizational mechanism invented and refined, and well-connected work process and smooth cooperation achieved. For financial management, enterprises should enforce lean management and cost management strategies, employ modern financial management systems to conduct faster and more accurate analysis of financial conditions. In terms of operations management, attention should be paid to stable and efficient collaboration in all links of supply chain, and rapid response to customer needs. When it comes to human resources, the enterprise should enthusiastically promote "employee-centered" corporate culture, build up communication with employees, and care for their needs. For marketing and

sales, the "consumer-oriented" concept should be advocated, which encourages more market research and a deeper understanding of customer needs. As to product research and development, more consideration should be given to product innovation and improvement of research and development efficiency. To this end, enterprises must upgrade various processes and shape up a good work process that can contribute to the success of corporate strategic transformation.

Thirdly, revamping management personnel can help improve the effect of corporate transformation. The implementation of strategic transformation is inseparable from the role of people. In terms of talent recruitment, employees who handle decision-makings with an action-oriented mindset should be hired more as risk taking is inevitable during the process of enterprise transformation. People of this sort are more adventurous and can quickly respond to transformation. In addition, for talent selection, the action and analysis-oriented decision-making style should be preferred, rather than authoritarian leadership and democratic leadership. The former strategy can better screen out talents who can undertake the responsibility of strategic transformation than the latter. Concerning personnel composition, the kinship between employees and their superiors should be reduced since familial management is not conducive to strategic transformation. For new headcounts, the principle of relative avoidance should be adopted; for current employees, the nepotism relationship between employees can be cut down through post rotation and other options. With respect to management structure, a flat organizational structure should be created. An organizational structure with too many layers may hinder the improvement of production efficiency and the implementation of corporate strategic transformation. In words, reforming corporate management structure is a vital step to the smooth implementation of enterprise strategies.

## 6.4. Research limitations and prospects

There are two main limitations of this study:

One is the single source of research data. Since this study mainly serves to build an explanatory framework for the strategic transformation of the food industry in the case example of Q Group, relevant data in this study are limited to this company only. Such doing reduces the external validity of research conclusions to a certain extent.

The other is the need to polish variable measurement methods. Questionnaire survey is our method to acquire data. On the one hand, the constructs of existing scales may not be able to completely replace the variables that this study aims to measure. On the other hand, such self-reported questionnaire survey may lead to differences between the actual feeling of the respondents and the actual situation of the enterprise.

For further research, we should incorporate data from a larger number of food industry companies into the model summary constructed in this study for a more comprehensive and in-depth analysis, so as to fully eliminate the selection bias of research samples and exogenous interference variables as well as strengthen the generalizability of relevant research conclusions. Moreover, future research in the target field needs to identify and develop more accurate constructs for the measurement of model variables plus more scientific data collection methods in order to enhance the validity of conclusions and the accuracy of measurement indicators.

# Appendix

## Appendix 1:

**Questionnaire survey on strategic transformation of food companies**

Dear Sir / Madam:

Hello! This is an academic research questionnaire in order to complete a research project on enterprise transformation. The data you provide is very valuable to us and we hope you can help us complete the questionnaire. The questionnaire does not involve personal privacy, the data obtained is only for academic research, please feel free to fill in!

Please answer the questions according to your actual situation, and press "√" on the corresponding option, or fill in the blanks. Sincerely thank you for your support! If you have any questions, please feel free to contact us. Contact person: Xu Qingliu; Telephone: 86 13599914650.

1. The following is about the current situation of your company's work process, please select the most suitable option:

| Financial status | | | | | |
|---|---|---|---|---|---|
| The current department assessment has cost management objectives, that is, strive to create the greatest benefits with the least cost | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The current employee assessment has cost management objectives, that is, strive to create the greatest benefits with the least cost | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The company’s current cost management has clear plans and specific goals | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The company will do its best to purchase materials at the cheapest price | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The company will do its best to improve production efficiency to reduce costs | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The company will reduce unnecessary expenses | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The company will stop producing unprofitable products | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The company has problems with overproduction | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The company has problems with over-processing | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The company has problems with rework | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| Operation Status | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| The company has a good supply chain management system and efficient operation | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The company continues to reorganize the supply chain, simplify the supply chain, and develop a collaborative information system | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The company can quickly produce new products according to customer needs | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The company can maintain long-term and stable relationships with suppliers, manufacturers, distributors, etc. | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| Company Culture | | | | | |
| The company culture is employee-centered | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The company will actively communicate with employees through various ways | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The company actively pays attention to and attaches importance to the needs and development of employees | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| Employees' superiors will listen to and value their ideas and suggestions | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The company will help employees solve their work difficulties through training and other methods | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The company will tell its employees about the problems and obstacles that affect the company's survival | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The company will help employees grow through various methods such as job rotation | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| Marketing and Sales | | | | | |
| The needs of consumers play an important role in promoting the development of the company | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The company's products are consumer-oriented | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The company continues to launch new products and services to satisfy customers | Totally disagree | Disagree | Not sure | Agree | Totally agree |

| | | | | | |
|---|---|---|---|---|---|
| The company attaches great importance to market research to discover those unmet market needs | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The current company's customer satisfaction is very high | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The current company's customer loyalty is very high | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| R&D Status | | | | | |
| The company's R&D process has been standardized | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The company attaches great importance to research and development to improve production quality | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The company attaches importance to process improvement and efficiency | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The company attaches great importance to the training of R&D personnel | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The company is willing to spend money to update R&D equipment | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The company values innovation | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The company attaches importance to launching new products faster than other companies | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| Management decision-making | | | | | |
| Leaders attach importance to the growth and development of employees and care about the future development of each employee | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The superior will spend time with all the employees under his management one-on-one communication | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| Part of the company's resources and powers will be delegated to the entry-level employees, that is, employees have certain decision-making powers | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| Communication within the company is open and transparent | Totally disagree | Disagree | Not sure | Agree | Totally agree |

| | | | | | |
|---|---|---|---|---|---|
| Convenient and quick information exchange within the company | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The superiors are willing to spend more time to guide the employees' work, so as to train the employees | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The superior will consider the employees' ideas and suggestions | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The company values the common growth and development of employees | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The company will negotiate the company's future development direction and plan with employees | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The company gives employees a lot of autonomy and working space | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| In the company, in terms of working methods, employees can take a free approach | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| In daily work, it is the leaders who make decisions | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| Supervisors are decisive in their work | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| Superiors have the courage to take risks in their work | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The superior has a keen insight at work | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The superior has keen judgment in the work | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| Parent-child relationships are common among company employees, especially between superiors and subordinates | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| Spouse relations are common among company employees, especially between superiors and subordinates | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| Sibling relationships are common among company employees, especially between superiors and subordinates | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| In-law relationships are common among company employees, especially between superiors and subordinates | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The company's job arrangement is more about relationships rather than ability | Totally disagree | Disagree | Not sure | Agree | Totally agree |

| Value Deficiencies | | | | | |
|---|---|---|---|---|---|
| The current operating status of the company have not achieved the expected growth | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| There are still problems in the company's operations such as product quality, safe production, and occupational health. | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The company's current benefits are not as good as in previous years | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The current problems in the company's operations will bring huge economic losses to the company | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| Without transformation, the company may encounter a crisis in the future, such as market performance decline and cash flow interruption. | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The transformation of peers makes the company realize that transformation is necessary | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The company hopes to create high returns through transformation | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| The following is about the impact of your company's transformation on the company, please select the option that is most likely to fit the situation of the company after the transformation: | | | | | |
| I am eager to company tranformation | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| I am willing to make personal efforts for the smooth transformation of the company | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| I am willing to devote more time and energy to the smooth transformation of the company | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| My work can fully reflect personal value | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| I think my current job suits me well | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| I am full of enthusiasm for work most of the time | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| Leaders and colleagues approve of my work | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| I work very efficiently most of the time | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| I continue to summarize and improve in my work | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| After the company's transformation, I think the company's efficiency will improve | Totally disagree | Disagree | Not sure | Agree | Totally agree |

| | | | | | |
|---|---|---|---|---|---|
| After the company's transformation, I think the previous problems will be basically solved or reduced | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| After the company's transformation, I think the company's operations will be more scientific and standardized | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| After the company's transformation, I think the company's efficiency will be greatly improved | Totally disagree | Disagree | Not sure | Agree | Totally agree |
| After the company's transformation, I think the company will get longer-term development | Totally disagree | Disagree | Not sure | Agree | Totally agree |

The following are questions about the basic information of the person who filled out the questionnaire and the general situation of your company. Please answer according to the actual situation:

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Quality Management Department | Project Management Department | Purchasing Department | HR Department | Risk Management Department | Marketing I | Marketing II | |
| Marketing III | Seasoning Department | Rice Wine Department | Sake Department | Qinqin Overseas Department | Xiaogan Food Industrial Park | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Your current position: | Production workers | Workshop manager | General manager | Senior manager | Professional manager | |
| You are: | Senior level managers | Mid-level managers | Entry-level manager | Entry-level employee | | |
| In this company, you have worked for: | Less than 1 year | 1-3 years | 3-5 years | 5-10 years | 10 years and above | |
| Your gender: | Male | Female | | | | |
| Your age: | Under 18 | 18~24 | 25~34 | 35~44 | 45~54 | Above 55 |
| Your highest education: | Below college | College | Bachelor | Master and above | | |

## Appendix 2:

In-depth interview questionnaire

Overall question:

1. What do you think is the background of your company's strategic transformation? In what areas and links do you think the company had problems before its transformation, what kinds of problems existed, and what difficulties did it face in the process of production and operation?

2. Does the company have a consistent operation and management mechanism in important areas such as management decision-making, product planning, technology research and development, market promotion, marketing planning, and channel management before the company's transformation? If not, what do you think is the cause? If so, what do you think of the current management effect?

3. What specific process did your company go through during the transition period? In these processes, what transformation measures has the company taken? Does it have a more obvious positive effect? If so, what successful experience do you think your company has in its transformation experience can be used for reference? If not, what lessons do you think your company should learn during the transformation process?

4. What do you think are the three most urgent things that need to be improved to achieve the company's mission and goals in the transformation process? What are your expectations for this company's strategic transformation? Any suggestions?

President's Office (Strategic Department):

1. From a strategic point of view, what issues do you think your company needs to address? What are the main internal and external reasons that restrict the strategic transformation and development of the group?

2. In your opinion, what are the advantages and disadvantages of your company in the process of transformation? After the strategic transformation, what do you think is the development strategy of the group? What will be its core competitiveness?

3. Please give an overall assessment of the current corporate culture of the group. In which areas do you think the company's corporate culture should be concentrated?

Financial department:

1. What was the financial situation of the group before the strategic transformation? What do you think are the internal and external reasons leading to this phenomenon?

2. Has the company's financial status changed during the group's strategic transformation? What kind of change? What transformational measures do you think promoted this change?

HR Department:

1. In your opinion, from the perspective of management level and management effect, what is the difference between the group's human resource management before and during the transformation? Does it match the company's long-term development goals?

2. Does the group have any talent training mechanisms such as expatriate learning, job exchanges, employee training, etc. before and during the strategic transformation? Does training in this area need to be increased or has it been increased? In what ways? Does your company have an evaluation and feedback system for talent training?

3. Do you think your company's promotion system before the transformation enables employees to have sufficient space for their ability and development? Are there any employees who think they are dissatisfied or unfair in their promotion? If so, has this phenomenon changed during the group's transformation? What kind of change was caused by what measures?

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