The Strategic Choice of Traditional Offline English Training Institutions

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Abstract

The growing popularity of online English market contrasts with the decline of traditional offline English market. In the Internet era, facing the challenges of emerging technologies and emerging markets, many traditional brands have gradually begun digital transformation, but what should they do? This paper mainly analyzes the difference between disruptive innovation and continuous innovation, the resource dependence of traditional enterprises in the face of disruptive innovation, the problem of resource process values and ability framework brought by resource dependence, and the strategic choice of traditional enterprises in the face of disruptive innovation.

Keywords

Strategic Choice; Disruptive Innovation; Resource Dependence; Value Network.

1. Introduction

In 2000, Online education in China went through the initial stage of survival. 51Talk and other platforms opened up a precedent for online English education. After 2003, online education began to see a boom of investment in education. After several years of rapid growth, the market pattern has been initially formed. In 2017, online education began to transition from growth to maturity [1]. The popularization of mobile Internet technology has driven the rapid development of online education industry. In addition, the opening of the universal two-child policy has brought a new round of demographic dividend, related policies in education and changes in educational concepts, which have brought opportunities for online education and exerted a certain influence on the market pattern of education and training. Driven by a variety of factors, the market size of online education industry continues to expand, and the online English training industry has ushered in a golden period of development.

In 2019, Web English closed all of its Beijing stores due to heavy losses. In addition to Beijing, Shanghai, Hangzhou, Chengdu and other cities have a number of Web English stores closed. Established more than 20 years ago, this English training institution is deeply impacted by the online oral education market. In fact, Web English is not alone. In recent years, traditional offline English training institutions are facing great threats. Statistics show that in the second half of last year, more than 270,000 training institutions were found to have problems in the survey, and about 68 percent of them faced rectification or operation crisis [2]. According to the financial report of METEN, after intensive use of staging products, operating cash flow decreased significantly. In the first quarter of 2019, operating cash flow reached negative 41 million yuan, and ending cash and equivalents only reached 128 million yuan, the lowest level since 2016 [3]. To some extent, the rapid growth of online English training market poses a great threat to traditional offline institutions. Take VIPKID for example, its operating revenue exceeded 1 billion yuan in the three years since its establishment, surpassing That of Rise English, which has been established for more than ten years. In terms of the number of students, the website of VIPKID claims that it has more than 500,000 paying students [4].

2. Theory and Literature

2.1. Disruptive Innovation and Continuous Innovation

According to Christensen's book The Innovator's Dilemma, innovation can be divided into continuous innovation and disruptive innovation [5].

2.1.1. Continuous Innovation

Continuous innovation refers to the improvement of existing products and technology by manufacturers to meet the needs of existing customers. Continuous innovation will continue the industry to improve the model of product performance, and the degree of performance improvement can be divided into a range from gradual to breakthrough difficulty. Continuous innovation is a gradual process. Generally speaking, mature enterprises in the industry, as the main force of technological innovation, lead almost every continuous innovation in the development history of the industry.

2.1.2. Disruptive Innovation

However, disruptive innovation means that innovators will turn products upside down and then market new products to consumers in order to disrupt existing markets. Disruptive innovation will not continue the industry's model of improving product performance, but will disrupt and redefine a new model. In addition, this innovation does not involve particularly complex technological changes, and its product structure is usually simpler than previous products. Disruptive innovations generally find their own customers only in emerging markets far from the mainstream. And emerging companies are leading the way in developing and applying disruptive technologies.

2.2. Resource Dependence Theory

Resource dependence theory is an important school of organizational theory that emerged in the 1940s, and has been widely used in the study of organizational relations since the 1970s [6].

Resource dependency theory refers to the most important survival goal of an organization, that is, to find a way to reduce the dependence on external key resource supply organizations, and to find a way to influence these supply organizations, so that the key resources can be stably grasped. The theory of resource dependence puts forward four important assumptions: the most important concern of an organization is survival; In order to survive, the organization needs resources, and the organization itself cannot produce these resources normally; The organization must interact with the environmental factors on which it depends; Organizations exist based on their ability to control their relationships with other organizations. The core assumption of resource dependence theory is that organizations need to survive by acquiring resources in the environment. There is no organization that can be completely self-sufficient and all organizations need to exchange with the external environment.

2.3. Value Network Theory

Value network is a kind of environment in which enterprises determine customer needs, take corresponding measures to solve corresponding problems and strive for maximum profits [7].

A value network defines in detail what an enterprise within the network can and cannot do and its scope. It is not because of the complexity of new technologies that mature companies are unable to cope with disruptive technological innovation. Also not because of their own organization structure is not conducive to the development of new technology of effective, just because they will be more resources to strive for and maintain the current within the mainstream product value network can realize the profit of the business.

2.4. RPV Capability Framework

Organizational capacity is influenced by resources, processes and values. Processes and values will largely determine the process by which an organization's capabilities are translated into value-added products and services, where managers ensure that resources are adequately deployed [8].

2.4.1. Resources

All effective elements owned by the enterprise are resources. It includes tangible resources that are easy to identify and evaluate, such as equipment, technology. It also includes intangible resources that are difficult to identify and evaluate, such as innovation ability, relationships with suppliers and customers.

2.4.2. Processes

A process is a set of coordination, communication, and decision-making processes that transform resources into value-added products and services. Processes include not only manufacturing processes, but also product development, market research and development, employee development and compensation, and resource allocation.

2.4.3. Values

Values are the standards to which priority decisions are made. Value of the company will reflect its cost structure and business model, and these factors determine what principles employees must follow to help the company achieve profitability. That is, the values of the enterprise determine the working principles of employees -- which customers should be paid more attention to and which orders are more important.

3. Results and Discussion

3.1. Disruptive Innovation

In The Innovator's Dilemma, Christensen puts forward the concepts of disruptive innovation and continuous innovation, and uses value network to analyze the strategic basis of enterprises facing continuous innovation and disruptive innovation. From the perspective of Christensen's theory, the problems faced by traditional education enterprises are essentially challenges brought by disruptive innovation.

For the English training industry, online English training is a disruptive technology, which is completely different from the target group and value proposition of traditional offline training. The challenge that offline traditional institutions face is the challenge of disruptive technology versus continuous technology. Online education is fundamentally different from offline education in terms of performance attributes. Therefore, as a disruptive innovation, online education challenges the systematic, practical and structured technology of offline education. However, in the Internet era, English learning users have the demand of entertaining, real-time and continuous fragmented English learning. Online education faces different groups from offline education, and they need different product attributes.

3.2. Value Network

In the value network of offline service products and online service products, the attribute requirements of specific products are completely different. For example, in offline English service products, offline students have high requirements on teaching environment, management standards, hardware facilities, learning atmosphere and other aspects. Such a systematic curriculum system will be constantly updated, but its development speed is relatively slow. In contrast, for online service products, online students require the platform to be friendly, interactive, free, innovative and able to realize personalized learning. Therefore, content production on the platform is completely different from offline course system

development. Content production on the platform should be entertaining, real-time and sustainable. The production mechanism of the platform content is completely different from that of the original curriculum system design, but the technical equipment and tool products at the bottom of the value network require stability, process and intelligence.

In addition, according to value network theory, as an enterprise gradually accumulates experience in a specific network, it will form unique capabilities, organizational structure and value culture in line with this value network. For traditional offline business, the value of offline training network is very stable, they also to consolidate the value network formed their own ability, organizational structure and cultural values, and the value of online training network are not mature and stable, in the company there is no specific resources to support the value under the condition of network building, Whether this network of values can be sustained is debatable.

3.3. RPV Capability Framework

RPV capability framework tells us that enterprises often organize their own resources to develop corresponding processes to complete resource allocation, and enterprises will continue to make efforts to lead the market in continuous innovation according to this process. Finally, the leading enterprises in these industries will continue to evaluate their processes based on resource potential and user needs, and their decisions will be more and more oriented towards the continuity of technology, rather than the opportunity to discover and lead the disruptive technology. Disruptive technologies tend to provide niche, low-performance and convenient technology units at the beginning. Technologies that seem lower than mainstream sustainable technologies, however, can surpass or beat traditional technology development and disrupt the entire market after long-term development.

Resources are often the accumulated experience and results of enterprises' past operation. When evaluating enterprises' ability to cope with disruptive innovation, managers need to confirm the resource matching situation of enterprises at the first time. We hope to start with existing resources and try to convert them into productivity of enterprises. But if the same resources are given to different enterprises, different capabilities will result. This is because each business has different processes and values. Process refers to the mode of taking action, coordinating, communicating and making decisions accumulated in the process of transforming resources into products and capabilities. This includes not only the production and delivery of core products and services, but also the implementation of r&d, market research, budgeting, planning, staff development, and resource allocation. The values of the enterprise represent the decision-making priority standards followed by the enterprise, which determine the criteria on which employees make decisions. How do they judge which customers are more important than others? How to judge which market is attractive? How to see if the new product is competitive?

4. Conclusion

According to the coping principle of disruptive innovation, what enterprises need to do is to break the original resource dependence precipitated by continuous innovation, find new resources, summarize new processes and shape new values for destructive innovation molding, so as to get rid of the solidification in continuous innovation and avoid the dilemma. RPV framework also tells us that only processes and values designed based on matched resources can adapt to the changes brought by disruptive innovation to market product performance requirements. Therefore, traditional offline organizations need to get rid of existing resources, rebuild processes, reshape values, and build capability frameworks that meet digital demands. The strategy that traditional offline organizations need to break the situation is to set up

institutions independently, acquire new resources and shape new processes to form values that meet the development needs of the digital era.

Faced with the challenge of online English education, when the speed of continuous technological progress of traditional offline institutions has exceeded users' demand for product performance, enterprises provide consumers with excessive product performance. At the same time, however, the rise of online education has created new performance demands for another segment of consumers. Therefore, as a traditional offline education and training institution, the first thing that needs to be sorted out is how will the market change? How do user need and user behavior change? Based on these changes, how to sort out their own key resources and advantages to build a value network in line with market development.

The most direct strategic choice is to acquire a company whose process and values match the online education market. At present, online education has gradually returned to calm after the boom, and the iteration of the whole business model has become stable. Under this opportunity, Traditional offline enterprises can acquire an online education enterprise to complete their shortcomings in online education. Secondly, a new team can be incubated internally to get rid of existing resource dependence and give up the way of reuse of personnel, and Internet professional managers can be hired to reshape the RPV capability framework in line with digital, to truly realize digital transformation.

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