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**How China's Large Real Estate Companies Adjust Their  
Management Strategies To Meet The National Policy Guidance And  
Market Demand In The Context Of The Era Of Housing Stock.**

Rongbo Li

Master in Applied Management

Supervisors: PhD Alexandra O'Neill, Professora Convidada ISCTE  
Executive Education, Professora Auxiliar ISG Business & Economics  
School

June 2023



BUSINESS  
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Department of Strategy, Operations and General Management

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## **Abstract**

In recent years, China's real estate market has reached a saturation point, leading to increasing polarization among real estate enterprises, even affecting the largest players in the industry. Navigating this challenging landscape requires a shift in internal strategies and an enhancement of operational and management capabilities. Traditionally, Chinese real estate firms relied heavily on asset-heavy operations, characterized by land acquisition, property development, and sales, making them susceptible to economic fluctuations and policy changes. To address these challenges, real estate companies have turned to high-turnover operations, focusing on efficient fund utilization and rapid growth. However, the industry's evolving dynamics necessitate further adaptation. This research, focusing on Evergrande Real Estate Company, examines the macro-policy background, internal challenges, and opportunities for strategic transformation and asset-light operations. To succeed in this saturated market, Evergrande must prioritize strategic transformation, diversification, and technological innovation. As the real estate industry shifts towards providing services and property operations, embracing innovation becomes critical for stability. Furthermore, local governments must play a role in resolving market issues to prevent economic instability. In conclusion, this study underscores the need for real estate enterprises, exemplified by Evergrande, to adapt to changing industry dynamics. By implementing diversified strategies and embracing innovation, these companies can thrive in an evolving market while navigating policy challenges

### **Key words:**

Real estate, Market demand, Policy adjustment, Management strategy, Competitive advantage

### **JEL Classification:**

Firm Objectives, Organization, and Behavior (L2); Firm Organization and Market Structure: Markets vs. Hierarchies; Vertical Integration; Conglomerates (L22)

## **Resumo**

A indústria imobiliária na China passou por mais de 30 anos de rápido desenvolvimento. Na era pós-pandemia, a taxa de crescimento das empresas imobiliárias chinesas globalmente desacelerou. A indústria imobiliária entrou gradualmente na era da "habitação em inventário" e retornou ao desenvolvimento normal, o que mostra que a oferta está em equilíbrio com a procura do mercado. Sob o pano de fundo da competição e das repetidas políticas mais rigorosas, como a indústria imobiliária se pode ajustar de um modo de operação caracterizado por alta rotatividade e alto endividamento para um novo cenário mais adequado às políticas e procura do mercado atual? Este ajuste necessário pela indústria imobiliária tornou-se uma grande preocupação e discussão entre os profissionais do setor. A presente pesquisa considerará a operação do Grupo Evergrande Real Estate como um estudo de caso para analisar e compreender a estratégia, o mercado, os desafios e as soluções da indústria e discutir como as empresas imobiliárias chinesas podem ajustar as suas estratégias de gestão para obter vantagens competitivas na nova era. As conclusões da análise sobre as estratégias de gestão da Evergrande Real Estate são as seguintes: A empresa demonstrou adaptabilidade às mudanças do mercado e às exigências dos clientes, estabelecendo relacionamentos sólidos com governos locais e partes interessadas. Também construiu uma sólida reputação por meio de projetos de alta qualidade. No entanto, foram identificadas fraquezas, como a necessidade de melhorar as capacidades de gestão, diversificar as ofertas de produtos, abordar os níveis de financiamento e a capacidade de inovação. As oportunidades incluem a expansão para cidades de segunda e terceira categoria, explorar o mercado de aluguer de imóveis e desenvolver edifícios ecologicamente corretos. Objetivos estratégicos e planos táticos foram propostos para aproveitar as vantagens, aproveitar as oportunidades de mercado, melhorar a satisfação do cliente e reduzir a dependência da indústria imobiliária. Recomenda-se melhorar a estrutura organizacional, a supervisão e atrair talentos profissionais. Em geral, ao implementar estas estratégias, a Evergrande pode melhorar a sua competitividade e alcançar sucesso a longo prazo na indústria imobiliária.

### **Palavras-chave:**

Imobiliária, Procura de mercado, Ajuste de políticas, Estratégia de gestão, Vantagem competitiva

### **Classificação JEL:**

Objetivos, organização e comportamento da empresa (L2); Organização da empresa e estrutura de mercado: Mercados versus Hierarquias; Integração vertical; Conglomerados (L22)

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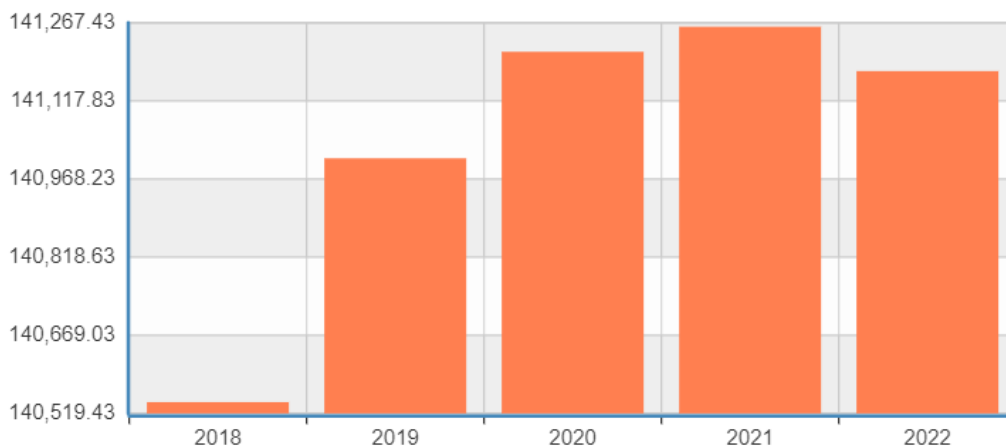


## 1. Introduction

The objective of the present research is to analyze the challenges of how large real estate companies, after decades of rapid development of China's real estate market, adapt to the needs of the new era, adjust, and optimize their management strategies, and improve their competitiveness under the external environment such as negative population growth.

At the end of 2022, the national population of China was 1,411.75 million, a decrease of 850,000 from the end of the previous year 2021 (National Bureau of Statistics of China, 2022), non-speculation of real estate and fierce competition.

Figure 1 Total Population of China (year-end).



Source: (National Bureau of Statistics of China, 2022)

Since 1978, after 44 years of rapid development, China's real estate sales have reached 13.583 billion square meters by the end of 2022, with a total population of 1.41175 billion (National Bureau of Statistics of China, 2022). According to the data from the announcement of the Chinese National Bureau of Statistics of China's Seventh National Population Census in 2020, the per capita housing construction area of urban residents in China is 39.7 square meters, and the per capita housing construction area of rural residents is 50.6 square meters. However, in 2018, the average per capita living area in the world was about 30-50 square meters. Over the past two years, the per capita living area of Chinese households has become closer to the upper band of the world average.

In 2022, the sales area of commercial housing is 135.837 million square meters, 24.3% down from 2021. The sales of commercial housing reached 13,330.8 billion yuan, 26.7% down

from 2021. At the same time, the national population of 2022 has decreased by 850,000 compared with that in 2021, which is the first decrease in the past more than 60 years.

At the end of 2016, the China Central Economic Work Conference firstly proposed that "houses are used for living, not for speculation". Since then, the departments related to real estate have issued consecutive corresponding policies on real estate enterprise financing and homebuyer credit. At the same time, many real estate enterprises in China experienced management phenomena like disorderly expansion, blind diversification, high turnover, and high leverage operation.

Under the continuous government regulations of the real estate market, several of the Chinese real estate enterprises broke their capital chain and went bankrupt, including well-known real estate enterprises Wuzhou International Group, Xinguang Group, Yinyi Group, China Fortune Land Development Group, etc. Ranked second in the comprehensive strength of China's real estate development enterprises in 2021, Evergrande Real Estate was also in the state of liquidity bankruptcy in 2022.

Literature indicates that in the future, the trend of centralization of China's real estate industry will continue. Real estate is linked to both national development and people's livelihood. It is a pillar industry of the national economy with strong spillover effects and systematic importance to China's finance (Zhang, 2023). Increasing challenges will be brought due to the changes in the industry. Under this trend, literature indicates that more real estate enterprises will leave the market, and the real estate industry will enter a stage of "survival of the fittest." Thus, we may propose that the real estate industry is being "reconstructed." The competition of real estate enterprises is no longer simply on high turnover rate and high leverage operation. The age of "easy money" for property developers is over.

The aim of the present research is to propose potential solutions for these challenges, to explore the management strategies and procedures of real estate enterprises, and to improve the comprehensive competitiveness of real estate enterprises.

Therefore, the scientific literature supporting this study includes topics such as macroeconomics, enterprise management, marketing, fiscal management, and the impact of Chinese government policies on real estate enterprises. The author will address the research question from an academic level and practical perspectives, to obtain meaningful and effective proposals. The indicated approach aims to enable the presentation of proposed solutions of adjustment for the management strategy of China's real estate enterprises.

To reach the indicated objectives, the present document is structured in the following parts: "Introduction", to establish "contextualization and definition of the research question and clarification of its importance and relevance, statement of the research questions and objectives as well as the dissertation structure", followed by "Literature Review" to establish a scientific base, "Methodology" to explain the chosen approach, "Obtained results, findings and

discussion”, indicating the research findings and implications for practice, “Conclusions and Recommendations”, that includes limitation disclosures and suggestions for future research, and "References" to provide a complete list of sources used.

## **2. Literature Review**

Real estate market factors, real estate demand, real estate system, real estate decline, Real estate strategy, management strategy and theories related to strategic transformation were the chosen developing topics in the following literature review.

### **2.1 Real Estate Marketization Factors**

The house, which provides us with a safe place to live, has developed from a piece of land to buildings, and then to a market supply chain. Coupled with the expansion of population and capital scale, the degree of marketization is getting deeper. China's real estate marketization process is mentioned in the following articles, as gradually developing.

According to Karr (2015), "Land" went from being a basic part of family farming to becoming a general commodity that could be bought and sold freely. It is the result of a combination of economic restructuring, changing tastes among the urban middle class and technological innovation, especially urban transportation.

Oyinlade and Haden (2004), perceived the influence of business power on Local Government in Lincoln, Nebraska, and took the data of the number of employees, the size of the payroll, the tenure of the mayor, and the development of the financial and real estate industries. Using Multiple Regression Modelling, they found two significant predictors: the number of employees and the development of the financial and real estate industries. Their conclusion is these two variables can exert a positive influence on the municipal government as commercial power in different fields, especially the contents of urbanization construction and urban budget formulation.

According to Ramos (2019), the accumulation of capital and the development of speculative cities have a profound effect on urban growth. As more capital flows into urban construction, urban development will flourish in central areas or areas with a wider gap in potential rents.

### **2.2 Real Estate Demand**

After the real estate marketization, the public's demand for real estate followed. China's real estate demand also changed, as explained by the following references.

Duarte and Lineros (2013), discussed using choice-based experiments in finding the relevance of each property in real estate demand. However, this approach is not clear-cut

enough. Commonly, this approach is used in the design of short-lived consumer services and products and is rarely used in conjunction with long-lived goods such as real estate. This method has advantages over typical independent attribute evaluation surveys. Especially for the real estate industry, we should pay more attention to the underlying causes of preference and anticipate the future needs of potential buyers in advance.

Dahan (2018), argued that the elasticity of demand for real estate is close to 1. As is known to us, when the elasticity of demand is equal to 1, it means that the conventional wisdom is not to buy a lot of property because of falling house prices. This is also consistent with reality. The author also says that there is a relationship between housing demand and population income. As incomes rise, demand for high-end property will rise.

Ma et al. (2003), conducted a field sampling survey on the vacancy of houses built in the last three years in urban Guangzhou. The result of the sample vacancy rate in Guangzhou was 20.94%. The author also pointed out that this kind of housing vacancy rate is not constructive to the sustainable development of the real estate industry, thus we should consider the housing vacancy rate.

## **2.3 Real Estate System**

Since the founding of the People's Republic of China in 1949, China's real estate has closely following the reform of the economic systems, land systems and housing systems. After the reform and "opening up" in 1978, there have been two key nodes that related to the real estate industry: the marketization of housing in 1998 and the recovery of government-subsidized housing in 2007. These two nodes divide the development of China's real estate industry into three stages. They are the embryonic stage of housing marketization from 1978 to 1997; the rapid development period from 1998 to 2006; the comprehensive development period from 2007 to 2016.

According to Dong (2017), future innovations in land system, housing system and macro-control will promote the development of China's real estate industry. Indeed, in 2017, the report of the 19th Congress of the Communist Party of China affirmed the policy of "no speculation in housing", which also marked the Chinese real estate industry entered a new stage of development.

Guo et al. (2017), indicate the price bubble dependence among Chinese real estate industry chains. The author's studied price bubbles in China's real estate industry value chain by using the BSADF Vine Copula model, and concluded that the worst price bubble occurred in 2006 and 2007. This happens to be the second critical juncture in China. That is also an indication of China's attempt to use the "affordable housing system" to deflate real estate market bubbles.

Huan and Boateng (2013), argued that real estate companies with relatively high share of state ownership are correlated with underperformance. Meanwhile, the positive effects in boom years are also non-linear. Prominent levels of state ownership can still lead to inefficiency and relatively inferior performance.

## **2.4 Real Estate Decline**

From the year 2008 to 2010, the global financial crisis (GFC) broke out. The crisis began with a financial bubble in the housing market caused by a surplus of mortgage-backed securities that pushed risky loans. An unprecedented number of loan defaults due to reckless lending by financial institutions, implied in losses that led to the collapse of financial institutions, and to the consequent need for government financial assistance.

According to Cheong et al. (2011), real estate risk is the factor that often drives the volatility of the financial sector. During 2008 GFC, the real estate risk factor was identified as the most direct and indirect factor influencing the financial market volatility.

Soueid et al. (2011), researched a case of a rough landing in the Gulf-based real estate industry, a case study of a huge real estate company, Al Qatif Holding, was declined as a property sector company in the Bay Area. The case study shows that if an enterprise does not control the rate of expansion, it will fail to fulfill the compromises with consumers. This, combined with poor construction quality and significant delays in project delivery, caused numerous customer complaints and reputational damage. The article describes the external and internal dynamic changes of Al Qatif Holding Company from the success at the beginning to the decline at the late stage, which provides reference experience for other real estate enterprises.

Gupta (2017), presented a case study on Eastern Housing, analyzing the marketing strategies of Real Estate Company in Bangladesh. The author analyzed the key competitive advantages, business strategies, opportunities, and challenges, as well as the fierce competition in the market. The author proposes to restore EHL to its market leadership position, it must start with the marketing strategy like branding and promotion activities.

## **2.5 Real Estate Strategy**

In the real estate industry, there is credit risk exposure, and the overall profitability has declined starting the year 2023 (Wang, 2023). China's policy, industry competition pattern and enterprise development trend are also changing. The Real estate industry is a pillar industry as we proposed previously, and housing is a core need of the population. We propose that the

role of the real estate industry in the national economy will change over time, but the status of the real estate industry as a pillar industry will remain in 2023.

According to Yang et al. (2015), after the merger of state-owned enterprises and private enterprises, private acquirers tend to have a better performance. If market conditions are favorable, the private sector in China's transition economy will be largely more efficient than the state sector.

Jiang (1998), analyzed the effect of foreign investment on the Real Estate Industry in China, under the situation of Chinese government tightened the monetary policy and the rest of China contracted the real estate industry, the author has pointed out that the reason of Shanghai's property sector held up well over the same period is because of the Foreign direct investment (FDI). The author also proposes that FDI in real estate in Shanghai is different from traditional foreign direct investment. It has more characteristics of security investment. Which also reflects the imperfection of China's capital market.

Choi and Park (2012), studied the impact of the Euro on foreign direct investment in real estate between Germany and its European partners. According to their data analysis, they concluded that the euro has contributed to the growth of bilateral FDI. The authors propose that the rational use of FDI is conducive to the healthy development of the real estate industry.

## **2.6 Management Strategy and Strategic Transformation**

Regarding enterprise strategy and decision-making, Andrews (1971), believed that enterprise strategy can be said to be a decision-making model. The strategy of an enterprise determines its purpose and objectives. For such a goal, the enterprise can set and propose a policy to achieve the goal. Then the enterprise can set the business scope, organization type and so on needed to achieve the strategic goal. Hitt and Tyler (1991), propose strategic decision models that integrate different perspectives, including rational, political, and incremental decision-making approaches. Barney (2018), emphasizes the need for resource-based theory to incorporate a stakeholder perspective in its model of profit appropriation. He argues that considering stakeholder interests is crucial for long-term sustainability and success. Ahlstrom et al. (2020), discuss the management of technological, sociopolitical, and institutional change in the "New Normal" era. They highlight the importance of adaptability and agility in responding to these changes and propose strategies for managing them effectively. Hitt et al. (2020), examine how institutions, industries, and entrepreneurial versus advantage-based strategies influence strategic decision-making. They discuss the complex interplay between institutional, industry, and strategic factors and their impact on firm behavior.

Regarding strategic transformation and dynamic capabilities, Porter (1997), has summarized the importance of strategic transformation and sketched out the essence of

strategic transformation of enterprises. It points out that strategy is essentially choice and transformation of the enterprise. In the process of enterprise development, transformation is the choice of enterprises to adapt to the external environment and the dynamic changes of the industry under the competitive situation. It is the action strategy of enterprises to make full use of the opportunities faced and avoid the threats, making choices based on their own situation. Eisenhardt and Martin (2000) define dynamic capabilities and discuss their importance in enabling firms to adapt and thrive in dynamic environments. They highlight the role of sensing, seizing, and reconfiguring as key components of dynamic capabilities. Adner and Helfat (2003) examine the impact of corporate effects and dynamic managerial capabilities on firm performance. They argue that firms with strong dynamic capabilities are better equipped to adapt to changing environments and leverage their resources effectively. Porter (2006), also agreed that enterprises need to constantly adjust their strategies and business models to adapt to market changes and competitive pressures, eventually achieving sustainable development. Porter also said strategy emphasizes the choice should be based on a much longer period and consider a much higher level of the goal that the enterprises set up. We can also believe that only strategic transformation can maintain the competitive advantage and sustainable development of an enterprise.

Regarding knowledge management and customer relationship, Choi and Lee (2002) investigate the connection between knowledge management strategies and the knowledge creation process within organizations. Their study highlights how knowledge management strategies can improve corporate performance and align with managerial decision-making. Osarenkhoe and Bennani (2007) explore the implementation of customer relationship management (CRM) strategies. Their findings suggest that CRM strategies should be viewed as a strategic approach rather than a tactical weapon, emphasizing the importance of building relationships with customers. Olukpe (2012) focuses on the adoption of a knowledge management strategy in the Central Bank of Nigeria. The study applies a knowledge management strategy to the bank's payments system function, showcasing the practical implementation of such strategies in a real-world setting. In the process of economic development in many western countries, enterprises have different degrees of freedom in the operation of the market economy due to the difference in the positioning of government roles. Shannak et al. (2012), provide a literature review on knowledge management strategy building. The authors discuss various aspects of building an effective knowledge management strategy, including the methods used and approaches to pursuing such a strategy.

Enterprise strategy is a decision-making model that encompasses the determination of objectives, policies, and the alignment of resources to achieve goals. Strategic transformation and dynamic capabilities are crucial for enterprises to adapt to changing environments and leverage opportunities. Knowledge management and customer relationship strategies play a



significant role in improving performance and building relationships. The focus on strategic management is prominent in western countries with a relatively freer market-oriented economy. The research on strategy-related topics has witnessed a surge in the last century.

## **2.7 China's Housing Stock Market**

The remarkable growth of China's real estate industry over the past three decades has been a focal point of global economic discussions. Beginning with China's economic reforms in the late 20th century, the nation experienced an unprecedented urbanization and housing construction boom (Logan & Lu, 2017). This boom resulted in soaring property prices, often referred to as China's "property fever," and attracted both domestic and international investments (Gao, Deng, & Zhang, 2015).

China's real estate industry expanded rapidly, evolving into one of the primary contributors to the country's economic growth (Glaeser et al., 2019). The construction of residential and commercial properties became a key driver of GDP growth, with real estate investment accounting for a significant portion of China's fixed-asset investments (Su et al., 2019). However, in recent years, China's real estate industry has been undergoing a fundamental transition. As the country matures economically, the housing market has shifted from a focus on new construction to the era of "housing stock". This transition signifies a change from primarily building new properties to managing and trading existing housing stock. The housing stock market era signals a move towards greater market stability, where the supply of housing more closely aligns with market demand (He & Wu, 2020).

### **2.7.1 Dynamics of China's Housing Stock Market**

China's housing stock market is shaped by a myriad of factors that collectively influence its dynamics. This section examines three critical factors: government policies and regulations, market demand and demographics, and economic factors.

In terms of government regulations and policies, the evolution of China's real estate industry has been intricately shaped by a complex interplay of government policies and regulations, showcasing the government's pivotal role in steering the sector's trajectory. Historically, the Chinese government exercised tight control over various aspects of the real estate landscape, from land utilization and property development to housing transactions. This historical perspective underscores the extent to which the government has historically been the driving force behind real estate policies (Hui & Wong, 2019).

A distinctive feature of China's real estate policies was the system of land use rights. In contrast to the concept of private property ownership prevalent in many Western countries,

land use rights in China were typically leased rather than owned by individuals or entities. This system, often managed by local governments, granted property developers the rights to use designated parcels of land for a specified period. The intricacies of land use rights and their allocation played a central role in shaping the real estate market dynamics, impacting the timing and location of property developments (Wang & Wu, 2021). Additionally, historical real estate policies in China often favored state-owned enterprises (SOEs), emphasizing their significant role in property development. These enterprises were frequently granted preferential access to prime development land and financial resources, which contributed to the dominance of SOEs in the real estate sector for a considerable period (Hui & Wong, 2019).

In recent years, China's real estate landscape has undergone a remarkable transformation through a series of government policy changes, reflecting the government's proactive approach to address key concerns within the property market. Rising property prices and escalating financial risks posed challenges that necessitated regulatory intervention. These policy adjustments aimed to strike a balance between addressing these concerns and maintaining a stable property market (Wang & Wu, 2021). One prominent policy approach has been the imposition of purchase restrictions in many cities, designed to curb speculative buying and mitigate the risk of property bubbles. These restrictions often include measures such as limits on the number of properties a household can purchase and higher down payment requirements for non-first-time buyers. The intent is to create a more controlled and sustainable housing market (Wang & Wu, 2021).

Furthermore, the government has actively promoted the housing rental market as an alternative to homeownership. Encouraging the growth of the rental sector serves multiple purposes, including offering more affordable housing options and reducing the speculative nature of the market. Incentives such as tax benefits and the allocation of land for rental housing development have been introduced to foster the expansion of this sector (Hui & Wong, 2019). These recent policy shifts have had a profound and far-reaching impact on the housing stock market in China. The implementation of purchase restrictions and increased down payment requirements has influenced demand dynamics, altering the behavior of both homebuyers and property developers. The promotion of the housing rental market has the potential to reshape the housing landscape, offering alternative housing solutions and contributing to a more balanced and sustainable property market.

The story of China's real estate industry is one of continual transformation under the guidance of government policies and regulations. From the historical emphasis on land use rights and state-owned enterprises to the recent policy changes aimed at addressing property market concerns, the government's influence on the sector has been profound. The policies introduced in recent years represent a proactive response to challenges within the property market, with the government seeking to strike a delicate balance between maintaining market

stability and ensuring long-term sustainability. Understanding the government's role and the evolving regulatory landscape is essential for comprehending the complexities of China's housing stock market.

With regard to Market Demand and Demographics, the dynamics of China's housing market are intricately intertwined with the evolving landscape of market demand and demographic shifts. A striking feature of the country's demographic landscape is the massive wave of urbanization that has swept across its vast territories. Millions of rural residents have embarked on a transformative journey, leaving their hometowns and agricultural occupations behind in pursuit of better economic prospects in urban centers .

This monumental trend of rural-to-urban migration has fueled an unprecedented demand for housing in cities. As villages and towns have transformed into bustling metropolises, the need for residential spaces to accommodate the influx of urban dwellers has surged. This surge in urbanization has had profound repercussions on housing preferences and lifestyles. As urban life beckons, citizens seek residences that offer proximity to employment opportunities, educational institutions, healthcare facilities, and modern amenities . As a result, there has been a notable shift in the types of properties that are in high demand. Compact and convenient living spaces, such as apartments and condominiums, have become increasingly popular choices among urban residents. These property types cater to the need for functional, well-connected living spaces that enable a seamless urban lifestyle. Moreover, the desire for smaller, more affordable homes has gained prominence, particularly among younger generations who are drawn to urban areas for career prospects (Zhou & Zhou, 2019).

Beyond size and location, changing demographics have also ushered in a paradigm shift in consumer behavior within the housing market. One discernible trend is the growing demand for sustainable and environmentally responsible properties. As concerns about climate change and ecological preservation intensify, consumers in China are displaying a heightened awareness of the environmental impact of their housing choices (Hao et al., 2021). In response to this, eco-friendly and energy-efficient properties are gaining substantial traction in the market. Consumers increasingly value features such as solar panels, energy-efficient appliances, and sustainable building materials. This reflects a broader societal shift towards sustainability, where eco-consciousness is not only a personal choice but also a consideration when making significant investments like purchasing a home (Hui & Wong, 2019).

The interplay of market demand and demographics in China's housing market is a dynamic and evolving phenomenon. The monumental urbanization wave, coupled with changing consumer preferences, has led to shifts in housing preferences and the emergence of new market trends. Understanding these multifaceted dynamics is pivotal for policymakers, developers, and investors seeking to navigate the intricacies of the Chinese housing market. As urbanization continues and sustainability gains momentum, the housing market's

landscape will likely continue to evolve, presenting both challenges and opportunities for stakeholders in the sector.

When it comes to concommittal factors, the intricate relationship between China's housing market and economic cycles is a defining feature of the real estate landscape. The housing sector is closely linked to the nation's economic fortunes, creating a dynamic environment where economic shifts have a profound impact on housing demand and property values. During periods of economic growth, the Chinese housing market experiences a surge in demand. Robust economic expansion stimulates urbanization, leads to rising income levels, and fosters a sense of financial security among citizens (He & Wu, 2020). In this context, housing becomes not only a place to live but also an attractive investment opportunity. People aspire to homeownership, viewing it as a means of wealth accumulation and a symbol of social status (Hui & Wong, 2019). As a result, a booming economy drives up housing demand, fueling construction activity and property price appreciation.

This phenomenon is especially evident in the nation's leading urban centers, where rapid economic growth attracts a continuous influx of residents seeking employment and better living standards. These cities become hotbeds of real estate activity, characterized by soaring property prices and a thriving housing market. Conversely, during economic downturns, housing demand often wanes, posing challenges for property developers. In times of financial crises or economic contractions, prospective buyers tend to adopt a more cautious approach. They may delay property purchases, reduce real estate investments, or downsize their housing aspirations. This shift in consumer behavior stems from concerns about job security, financial stability, and economic uncertainties (Wang & Wu, 2021).

For real estate developers, economic downturns can translate into a multitude of challenges. Unsold inventory accumulates, placing pressure on cash flows and profitability. Property values may stagnate or decline, further eroding developers' margins. To mitigate these challenges, developers may adopt flexible pricing strategies, offer incentives to attract buyers, or diversify their portfolios to include rental properties, which can be more resilient in times of economic turmoil. China's GDP growth, a key barometer of the nation's economic health, exhibits a close and historical correlation with housing demand (Liu et al., 2020). Rapid economic expansion has consistently driven urbanization, raised income levels, and fueled the aspirations of homeownership among Chinese citizens. As GDP growth accelerates, more people move to urban areas in pursuit of better economic opportunities, driving housing demand in cities. This correlation between GDP growth and housing demand underscores the importance of understanding the economic context when analyzing housing market trends.

In summary, government policies, market demand, and economic factors collectively shape China's housing stock market. The interplay of historical policies, recent regulatory

changes, shifting demographics, evolving consumer preferences, and economic cycles all contribute to the intricate landscape of the housing market.

## **2.8 Strategic Management**

Strategic management in the context of the real estate and housing marketization sector is a multifaceted and evolving field that encompasses a wide range of activities and considerations. It plays a pivotal role in guiding organizations operating in this sector toward their objectives within a dynamic and competitive market environment. This review provides an overview of key themes, challenges, and strategic approaches that are central to the practice of strategic management within the real estate and housing industry. In the realm of strategic management, real estate firms engage in the formulation and execution of strategic plans and decisions. These strategic plans serve as roadmaps for achieving organizational goals, which can include property development, portfolio optimization, risk management, market positioning, and sustainable growth strategies (Li & Rowley, 2017). Strategic planning and decision-making are fundamental components of this process. Firms conduct rigorous assessments of market conditions, competitive forces, and their internal capabilities to define clear objectives and design actionable strategies (Brounen et al., 2018).

One of the major challenges in strategic management within the real estate and housing sector is the inherent volatility of these markets. Economic cycles, including periods of rapid growth and downturns, significantly impact the industry (Pagourtzi et al., 2016). Real estate firms must adapt their strategies to navigate these economic fluctuations effectively. This entails incorporating risk mitigation measures to withstand market downturns and capitalize on upswings (Liu & Li, 2019). Government policies and regulations exert a substantial influence on the real estate sector (Chen & Li, 2020). Historically, these policies have encompassed a wide range of aspects, including land use rights, zoning regulations, rent controls, and taxation. Such policies have the potential to impact property values, demand dynamics, and overall profitability. Therefore, strategic management within the sector requires firms to engage in forward-looking practices to anticipate policy shifts and develop proactive responses that align with evolving regulatory frameworks (Xiao & Wu, 2017).

Technological advancements and digitalization have emerged as transformative forces within the real estate and housing industry, revolutionizing the landscape (Hwang & Lee, 2018). The integration of cutting-edge technology, encompassing property management systems, data analytics, and virtual reality, has fundamentally reshaped strategic management practices within the sector.

Incorporating technology into strategic management processes has led to enhanced decision-making capabilities for real estate firms. Advanced data analytics tools allow

organizations to gather, process, and interpret vast datasets, providing critical insights into market trends, consumer preferences, and investment opportunities (Dikopoulou & Mihiotis, 2019). This data-driven approach enables firms to make informed decisions, optimize resource allocation, and align their strategies with evolving market dynamics.

Operational efficiency has also seen significant improvements through technological integration. Property management systems, for instance, streamline various operational aspects, from lease administration to facility maintenance (Eichholtz et al., 2020). Automation and digitization reduce manual workloads, minimize errors, and enhance overall operational effectiveness. Consequently, real estate organizations can allocate resources more efficiently, reducing costs and improving profitability.

Furthermore, technology has opened doors to innovative solutions that cater to the competitive nature of the real estate market. Virtual reality (VR) and augmented reality (AR) technologies, for example, have revolutionized property marketing and customer engagement (Dikopoulou & Mihiotis, 2019). Prospective buyers or tenants can virtually tour properties, gaining a realistic sense of the space without physical visits. This not only expedites decision-making but also enhances the overall customer experience.

In recent years, strategic management in the real estate sector has undergone a paradigm shift toward embracing sustainability and environmental responsibility (Hao et al., 2021). Heightened global concerns about sustainability have prompted firms to adopt initiatives that reflect a commitment to eco-friendly and energy-efficient practices. Notably, green building certifications, such as LEED and BREEAM, have gained prominence (Ling & Naranjo, 2017). These certifications signify environmentally responsible construction and design practices, aligning with both market demands and regulatory requirements.

Sustainable development projects have also become a core component of strategic management within the real estate industry (Hoesli et al., 2020). Firms are increasingly focused on designing and constructing properties that minimize environmental impact while meeting the needs of occupants. Sustainable features, such as energy-efficient lighting, water-saving fixtures, and renewable energy sources, are integrated into development plans, enhancing properties' long-term viability and marketability.

Additionally, diversification strategies and portfolio optimization play pivotal roles in strategic decision-making within the real estate sector (Ling & Naranjo, 2017). Diversification allows firms to spread risk across different property types, locations, and market segments. By diversifying their property portfolio, organizations can mitigate the impact of market fluctuations and economic downturns while potentially enhancing returns (Hoesli, 2020).

Portfolio optimization techniques, such as asset allocation and risk management, complement diversification efforts. These strategies help firms maintain a balanced property portfolio that aligns with their risk tolerance and investment objectives (Hoesli, 2020). A well-

optimized portfolio enhances financial performance, reduces exposure to market volatility, and ensures that resources are allocated strategically to achieve organizational goals.

In conclusion, technological advancements, sustainability initiatives, diversification, and portfolio optimization have become integral components of strategic management within the real estate and housing marketization sector. Embracing these practices empowers organizations to make data-driven decisions, enhance operational efficiency, offer innovative solutions, and navigate the evolving landscape of the real estate industry effectively.

In conclusion, strategic management within the real estate and housing marketization sector is a dynamic and multifaceted field that addresses numerous challenges and opportunities. Firms operating in this sector must continuously adapt their strategic approaches to thrive in a changing environment shaped by economic shifts, regulatory changes, and technological advancements. Future research in this area should explore emerging trends, including the impact of proptech innovations, sustainability initiatives, and the role of big data and artificial intelligence in strategic decision-making. Understanding the complexities of strategic management within the real estate and housing industry is crucial for industry professionals, policymakers, and researchers navigating this influential sector.

### 3. Methodology

In the present research, based on factors such as changes in China's economic development, population structure, and policy, the real estate industry in China is undergoing a transformation, we will introduce specific proposals on how Evergrande Group real estate company should change its strategy to meet the current situation. Therefore, the background and significance of why we are studying the transformational development of Evergrande Group real estate company is presented. Based on interpretivism, we used qualitative research for this study. The following methods are included: archival research, case study, contextual analysis, systemized using PEST analysis, and the evaluation of the 'strengths', 'weaknesses', 'opportunities' and 'threats' in the perspective of the Evergrande Group real estate company, are systemized by the SWOT analysis.

The present study uses archival research to search and extract information and evidence from original archives. We used historical non-current archives, documents, records and sources relating to Real Estate in China. We will study the operation and strategy of the real estate industry "at home and abroad", such as financing, marketing, and risk prevention. According to the needs of this study, some essays, journals, and public policy were reviewed as well. The archival research provided us with a general picture on the policy change and development trend of China's real estate industry. In the meantime, we searched the history, key progress, and achievements of Evergrande Group real estate company through the Evergrande Group's annual reports and public data from the National Bureau of Statistics of China.

A case study approach was considered involving qualitative methods. The Evergrande Group, was chosen to describe, evaluate, and understand the research problem of how China's large real estate companies should adjust their management strategies to meet the national policy guidance and market demand in the context of the era of housing stock.

To understand the market behavior and, comprehend Evergrande Group real estate company's position, potential and direction, political, economic, social, and technological factors were analyzed to evaluate the contextual environment that Evergrande Group real estate company faces. Contextual environment analysis, systematized by the PEST analysis, enabled us to understand the current state of the macro environment and its trends. It is beneficial as it enables Evergrande Group real estate company's development through the identification of opportunities and avoidance of threats that may exist from the external environment.

Following the external environment assessment and evaluation, an internal analysis, considering the Strengths, Weaknesses, Opportunities, and Threats, related to Evergrande



Group real estate company's perspective is presented, the use of the SWOT analysis approach enabled a structured evaluation, constructing a framework for leveraging the understanding of Evergrande Group real estate company's strategy.

We will study the Evergrande Group real estate company's actions, and risk under the current high turnover operation mode. Considering the existing challenges and risks of current funding channels, focused and actionable advice and recommendations will be presented to expand their funding channels and prevent risk. In-depth discussion of the operation mode and strategic situation, the solution on how to prevent the operational risk of Evergrande Group real estate company will be presented.

Finally, we will summarize the observations and propose how the Evergrande Group real estate company could adjust its management strategies to meet the national policy guidance and market demand in the context of the era of housing stock.

## **4. Obtained Results, Findings and Discussion**

The present chapter of this research includes an introduction to Evergrande Group, a Real Estate company in China, explaining the undergoing transformation that the real estate industry in China is experiencing, aiming to comprehend the background and significance of the transformational development of Evergrande Group real estate company.

The Evergrande Group case study is presented, followed by the contextual research, systemized using PEST analysis, and the evaluation of the 'strengths', 'weaknesses', 'opportunities' and 'threats' in the perspective of the Evergrande Group real estate company, proposed by the SWOT analysis.

In the findings and discussion subchapter we will introduce specific proposals on how Evergrande Group real estate company should change its strategy to meet the external and internal factors identified, based on the best practices described by the literature review.

### **4.1 Evergrande Group a Real Estate company in China - The Case Study**

Founded in 1996, Evergrande began operating in the real estate sector in 1997 and listed on the Hong Kong Stock Exchange in 2009. At the beginning, it only developed real estate in Guangzhou, one of the province capitals of southern China, occupied the advantage of real estate with low cost, and gradually won the trust of consumers and the market. After that, Evergrande real estate company quickly formed a standardized development and management process with capital and won the consumer market again with high quality.

Despite its relatively succinct history, Evergrande has only been established for more than 10 years, but in the past decade, Evergrande real estate has developed rapidly. From a regional company that only developed one project in one city, it has grown into a business involving more than 1,300 projects in 280 cities across China. At present, Evergrande Group has formed a good industrial pattern "real estate + service industry", among which urban real estate is the foundation of Evergrande Group. Nowadays, Evergrande Group is a large, diversified company integrating real estate, cultural tourism, fast-moving consumer goods and sports industries.

The cultural tourism industry is a leading industry, while its health and finance industries are also growing at the same time. Evergrande Group has total assets of 2.3 trillion-yuan, annual sales of more than 700-billion-yuan, cumulative tax of more than 300 billion yuan, 200,000 employees, ranking 122nd in the Fortune Global 500.

At the beginning of Evergrande Group, it focused mainly on the real estate business. And it achieved an innovative diversification development with time. The enterprise mission

commits to “building the brand with quality and establishing the enterprise with integrity,” which accordingly cultivates the enterprise spirits of “hard work, unselfish contribution, diligent fighting, and aggressive exploration,” as well as the enterprise styles of “meticulous planning, strict execution, efficient working.”

In more than 20 years of development, Evergrande has formulated and implemented nine times the “three-year plans”. Through scientific and forward-looking strategic planning, as well as efficient execution around the strategy, Evergrande ensured that the company creates a “unique and brilliant achievement” in the Chinese business circles. Evergrande has a Finance area. It integrates banking, insurance, Internet finance and other businesses, and is the largest shareholder of Shengjing Bank. Evergrande Life Insurance also ranks among the top twenty in the industry. Its transaction value in the financial services industry is also significant.

Evergrande's health industry has been listed in Hong Kong. It not only has comprehensive health care and old-age care services, but also the International Hospitals, which offers world-class cancer treatment services. After expanding the consumer market, Evergrande settled in Guangzhou Football Team again and named Evergrande Football Team, which is a key factor for the rapid development of Evergrande. Through the development of the sports world, Evergrande expanded the cultural awareness of the brand. The achievements and experiences of cross-border sports, provide a good foundation for future cross-border cooperation of Evergrande in various fields.

Evergrande will continue to engage in education, drinking water, pension, tourism, and other industries. In drinking water, its "Evergrande Spring" has gradually received consumer recognition and favor. By expanding its brand influence through cross-border cooperation, Evergrande will further build a diversified operation and promote the connection and development of multiple industrial elements.

To improve and enrich the "real estate plus" plan, Evergrande has developed to the extreme as early as 2014, its capital began to expand into agriculture, and set up three groups: animal husbandry, emulsion, grain, and oil. This is another remarkable crossover after drinking water and football. Evergrande real estate transformation is a typical development pattern, which is from specialization to diversification.

Since the present research studies the strategic transformation and development of Evergrande Real Estate Company, it is particularly important to understand why Evergrande should adjust its management strategy.

Market circumstances are constantly changing, enterprises need to adjust management strategies according to market demand and competition situation, to maintain competitive advantages. China's real estate market has undergone some changes in the past few years, including policy of regulatory control, house prices drop, active second-hand housing market, Leasing market development and oversupply of houses.

The Chinese government has taken a series of policies to control the real estate market, including limiting the number of people who can buy houses, raising down payments and strengthening property taxes. Additionally, house prices in China's real estate market have begun to fall because of policy controls and an economic slowdown. Prices in some cities have fallen by more than 30%. The second-hand home market has become more active because of falling house prices. Some buyers are turning to second-hand houses to get better prices. On the other hand, China's rental market has begun to develop with falling housing prices and policy support. Increased numbers of people are choosing to rent rather than buy. And finally, China's real estate market is oversupplied due to the boom of the past few years. The number of vacant homes in some cities is remarkably high.

Adjusting management strategies can help enterprises optimize processes and improve efficiency, thus improving production efficiency and economic benefits. As the world's largest real estate market, the efficiency of China's real estate enterprises has been a concern. In the past decades, China's real estate market has experienced rapid development and changes, and real estate enterprises are constantly adjusting and improving their own business model and management mode to improve efficiency and competitiveness.

On the one hand, China's real estate enterprises have reached the world's leading level in scale, with huge capital, human and technical resources. China's real estate enterprises can respond to market demand and launch products and services that meet its necessities. On the other hand, Chinese real estate enterprises are constantly optimizing their own management and operation mode and improving their efficiency and competitiveness by introducing advanced management concepts and technical means.

To be specific, China's real estate enterprises have made remarkable progress in aspects like project management, marketing tactics and technological innovation. Chinese real estate enterprises attach significant importance to details and processes in project management. By introducing advanced project management tools and methods, they can effectively control project progress and cost and improve project quality and efficiency. Also, Chinese real estate enterprises are very flexible and innovative in terms of marketing strategies. They can launch products and services in line with market demands and consumer preferences, and at the same time carry out publicity and promotion through various channels and platforms to improve brand awareness and market share. Plus, China's real estate enterprises are continually active in technological innovation, through the introduction of advanced building technology and materials, improving the quality and efficiency of construction, but also in the intelligent and digital aspects of exploration and attempting to improve the management and operation efficiency of enterprises.

The needs and abilities of employees will also change over time. Enterprises need to adjust management strategies according to the changes of employees, to improve their work

motivation and productivity. As one of the world's largest real estate markets, China's real estate sector has been a “hot spot” to attract a “talented workforce”. In recent years, with the rapid development of China's real estate market and the adjustment of policies, the demand and structure of real estate talents have also changed. With the regulation of the real estate market and the implementation of the destocking policy, the demand for sales and marketing talents of real estate enterprises is gradually decreasing, while the demand for R&D, design, technology, and operation talents is gradually increasing. This has also led to a change in the structure of real estate talent, from mainly sales and marketing talent to technology and operations talent.

With the transformation and upgrading of China's economy, real estate enterprises have an increasingly high demand for cross-major talents. Real estate enterprises need to recruit talents with knowledge and experience of finance, law, marketing, and other majors to cope with market changes and challenges.

With the continuous science and technology advancements, enterprises need to constantly update technology and equipment, and adjust management strategies to adapt to the application of innovative technology. With the continuous development of Internet technology, increasingly real estate enterprises begin to use Internet technology to promote their products and services, such as displaying housing information through real estate websites, mobile phone apps and other platforms, and providing online booking, online payment, and other services.

Big data technology is increasingly widely used in the real estate industry, which can help real estate enterprises understand market demand and customer demand better, improve sales efficiency and customer satisfaction. The application of artificial intelligence technology in the real estate industry mainly includes intelligent customer service, intelligent recommendation, intelligent search, etc., which can help real estate enterprises improve customer service quality and sales efficiency. VR technology is increasingly widely used in the real estate industry, which can help customers understand housing information more intuitively and improve customer experience and sales efficiency. The application of blockchain technology in the real estate industry mainly includes property registration, transaction settlement and other aspects, which can improve the transparency and security of transactions and reduce transaction costs and risks (Yichen Lu, 2020).

Changes in policies and regulations will also affect the operation of enterprises. Enterprises need to adjust management strategies according to changes in laws and regulations to avoid violations of laws and regulations (Yi Jiang, 2021). Starting in 2016, the Chinese government has implemented a series of policies to control the real estate market. These policies include purchase restrictions, loan restrictions, sales restrictions, and adjustments to real estate tax rates. The overall objective of these policies is to curb the rise

of housing prices and prevent the formation of real estate bubbles. The government's actions reflect a growing concern about the potential risks associated with the real estate market in China. By implementing these policies, the government is seeking to promote stability and sustainability in the industry, while also protecting consumers from excessive speculation and volatility.

The purchase restrictions, loan restrictions, and sales restrictions are designed to limit the ability of individuals and firms to engage in speculative behavior, while the adjustments to real estate tax rates are intended to discourage investment in the real estate market. These policies are also aimed at promoting the development of a more diverse economy, with a greater focus on innovation and entrepreneurship. Overall, the Chinese government's policies are aimed at promoting a more stable and sustainable real estate market in China. While these policies may present challenges for some real estate developers and investors in the short term, they are ultimately beneficial for the industry, helping to ensure long-term growth and stability.

In an effort to regulate the order of the real estate market in China, the Chinese government has taken steps to strengthen the entry threshold for real estate development enterprises. This has resulted in new requirements for enterprises seeking development qualifications, including the need to meet certain conditions such as registered capital, development experience, and reputation. These new regulations are aimed at promoting a healthier and more sustainable real estate market in China. By requiring real estate development enterprises to meet higher standards and demonstrate a proven track record of success, the government is seeking to prevent speculative behavior and reduce the risk of market volatility. Additionally, these regulations are intended to promote fair competition among real estate development enterprises, ensuring that only those with the necessary qualifications and experience are able to operate in the market.

While these new regulations may present challenges for some real estate development enterprises, they are ultimately beneficial for the industry as a whole. By promoting greater transparency, accountability, and professionalism, the regulations will help to improve the overall quality of the real estate market in China, creating a more stable and sustainable environment for all stakeholders. The Chinese government has taken significant steps to protect the rights and interests of homebuyers by issuing a series of laws and regulations. These regulations include the Property Law, the Contract Law, and the Protection of the Rights and Interests of Consumers, which regulate all aspects of real estate transactions and protect the legitimate rights and interests of homebuyers.

The Property Law, for example, sets out the legal framework for property ownership, management, and transactions, which helps to ensure that real estate transactions are conducted in a fair and transparent manner. The Contract Law, on the other hand, establishes the legal requirements for contracts and governs the rights and obligations of parties involved

in real estate transactions. Additionally, the Protection of the Rights and Interests of Consumers ensures that consumers' interests are protected throughout the real estate transaction process. These laws and regulations have greatly improved the protection of homebuyers' rights and interests in China's real estate market. They have also helped to promote the healthy development of the market by establishing a stable legal framework and promoting transparency in transactions.

Overall, the Chinese government's commitment to protecting home buyers' rights and interests is crucial to the sustainable development of the real estate market. By continuing to strengthen the legal framework and regulations, the government can ensure that real estate transactions are conducted in a fair and transparent manner, which will ultimately benefit both homebuyers and the industry as a whole.

To address the growing demand for housing among consumers in China, the Chinese government has taken steps to strengthen the regulation and management of the housing rental market. This has resulted in the issuance of a series of policies, including the Urban Real Estate Administration Law and the Housing Rental Contract Model, which have helped to promote the development of the housing rental market. These policies reflect a growing recognition of the importance of the housing rental market in meeting the needs of consumers, particularly those who are unable to afford to purchase their own homes. By promoting the development of the housing rental market, the government is seeking to ensure that all citizens have access to safe, affordable, and high-quality housing.

The Urban Real Estate Administration Law outlines the rights and obligations of both landlords and tenants, while the Housing Rental Contract Model provides a standardized rental contract that is designed to protect the interests of both parties. These policies have helped to promote greater transparency and fairness in the housing rental market, while also providing a more stable and predictable environment for landlords and tenants alike. Overall, the government's policies have helped to promote the development of a more diverse and inclusive housing market in China. By strengthening the regulation and management of the housing rental market, the government is helping to ensure that all citizens have access to safe, affordable, and high-quality housing, regardless of their income or social status.

To promote sustainable development, the Chinese government has implemented policies that prioritize green buildings and energy conservation and environmental protection. These policies aim to encourage real estate enterprises to adopt energy-efficient and environmentally friendly building materials and technologies, which can significantly reduce energy consumption and pollution. The Chinese government has issued a series of regulations and standards to support this effort, such as the Regulations on Building Energy Conservation and the Evaluation Standards for Green Buildings. These regulations set out the legal requirements

and technical standards for energy conservation and environmental protection in building construction projects.

The Evaluation Standards for Green Buildings, for example, establish the criteria for evaluating the environmental performance of buildings, including factors such as energy efficiency, water conservation, and indoor environmental quality. This standard encourages real estate enterprises to adopt sustainable building practices and technologies, which can reduce the environmental impact of construction projects and improve the quality of life for residents. The Chinese government's commitment to promoting green buildings and energy conservation and environmental protection is essential to achieving sustainable development in the real estate industry. By setting standards and regulations that prioritize sustainability, the government is encouraging real estate enterprises to adopt sustainable practices and technologies, which will ultimately benefit both the environment and society as a whole.

To better understand the Chinese real estate market behavior and comprehend Evergrande Group real estate company's position, potential and direction, political, economic, social, and technological factors are analyzed in the following subchapter to evaluate the contextual environment that Evergrande Group real estate company faces.

#### **4.2 Political, Economic, Socio-Cultural, And Technological Assessment Of The External Context**

As indicated in the previous subchapter, the regulation and control policies of the Chinese government on the real estate market have a significant impact on the development of the industry. The changes in the policies may lead to market fluctuations. The Chinese government's control over land supply also affects supply and demand in the property market.

To better understand these changes, the author prepared a summary of key policies of China's real estate industry, retrieved from data available in the National Development and Reform Commission of China.

Table 1 Summary of key policies of China's real estate industry.

<b>Year</b>	<b>Name of the Policy</b>	<b>Main Content</b>
<b>1998</b>	Notice of The State Council on Further Deepening the Reform of the Urban Housing System and Restoring Housing Construction	Physical housing distribution ceased in the second half of 1998. The gradual implementation of housing distribution monetization marks the full marketization of the real estate industry.



<b>2002</b>	Provisions on Tendering, Auctioning, Listing and Transferring the Right to Use State-owned Land	China stopped the land transfer by contract, which has been in use for many years, and requires all types of commercial land, such as commercial land, tourism land, entertainment land and commercial housing land, to be publicly traded through bidding, auction, or listing. From then on, the transactions of the land market began to become more transparent.
<b>2003</b>	Notice on Promoting the Sustainable and Healthy Development of the Real Estate Market	The real estate industry is positioned as one of the four pillar industries, which can drive China's economic development. It is clearly proposed to maintain the sustainable and healthy development of the real estate industry.
<b>2005</b>	Opinions on Doing a decent job in stabilizing Housing Prices	All regions and departments of the whole country are required to solve the problem of excessive real estate investment and rapid price rise as an important task of current macro-control.
<b>2005</b>	Notice of The General Office of the State Council on Effectively Stabilizing Housing Prices	Eight policies were put forward to stabilize housing prices to restrain housing prices from rising too fast and promote the healthy development of the real estate market.
<b>2006</b>	Opinions on Adjusting the Structure of Housing Supply and Stabilizing Housing Prices	Six suggestions are put forward to further strengthen market guidance and regulation. The government would adjust the housing supply structure and control excessively high housing prices. and that is part of the target responsibility system for economic and social development, to improve the healthy development of the real estate industry.
<b>2009</b>	Notice on Adjusting the Capital Ratio of State-owned Assets Investment Projects	The minimum capital ratio for low-income housing and commodity housing projects is 20 percent, and 30 percent for other real estate development projects. Real estate credit policy began to become generous for real estate companies.

<p><b>2010</b></p>	<p>Notice on Promoting the Steady and Healthy Development of the Real Estate Market</p>	<p>Eleven measures were put forward, including increasing the supply of low-income housing and curbing speculative property purchases, which officially set the keynote of the real estate policy in 2010, indicating the government's determination and tough attitude to curb the excessive growth of housing prices.</p>
<p><b>2011</b></p>	<p>Notice of The General Office of the State Council on Further Regulating and Controlling the Real Estate Market</p>	<p>It called for the strengthening of differentiated housing credit policies. for households buying second homes with loans, the down payments is no less than 60 percent and loan interest rates is no less than 1.1 times the benchmark interest rate, which was aimed at curbing speculative property purchases</p>
<p><b>2013</b></p>	<p>Five political measures to strengthen regulation of the real estate market</p>	<p>All regions and departments of the whole country are required to set and publish annual price control targets for new commercial housing, in accordance with the principle of keeping housing prices basically stable, which was aimed at establishing an assessment and accountability system for stabilizing housing prices.</p>
<p><b>2014</b></p>	<p>Notice on Further Strengthening the Reconstruction of rundown Areas</p>	<p>The Chinese government, for the transformation of urban dilapidated old housing, improved the poor family housing conditions and launched a popular project. The transformation of shantytowns at the same time drives the overall urban environment improvement, promotes employment, pension, and other social problems to solve. that would have a comprehensive effect conducive to the construction of a harmonious society.</p>
<p><b>2019</b></p>	<p>Strengthening Risk Prevention and Control in the Real Estate Trust Sector</p>	<p>Strictly implement the real estate market control policies and the current real estate trust supervision requirements; Improve the level of risk management and control and ensure that the scale and complexity of business matches its capital strength, asset management level, risk prevention and control ability.</p>

2021	The central bank, China Banking and Insurance Regulatory Commission and other institutions have put forward three red line policies for real estate enterprises	The three red lines are that the asset-liability ratio shall not exceed 70%, the net liability ratio shall not exceed 100%, and the cash-short debt ratio shall be greater than 100%. According to regulatory safety requirements, by the end of June 2023, 12 pilot housing enterprises must meet the "three red lines" indicators, by the end of 2023 all housing enterprises to achieve standards
2022	The 14th Five-Year Plan for Implementing New Urbanization	The Chinese government has relaxed restrictions on household registration except in some certain megacities and trial the Household registration system based on one's regular residence. Restrictions on urban Household registration system for permanent urban residents below three million will be lifted, and the criteria for urban Household registration system will be the same for rural migrants and local residents.

Source: author retrieved from National Development and Reform Commission of China

From Table 1, we can see that to have a healthier real estate market, China has issued many house purchase policies. Since 2006, China's real estate regulation policies have been adjusted in a structural change, with local governments taking greater responsibilities and conducting partial tentative fine-tuning. First and second tier cities focus on Rigid demand protection and improving demand, and third and fourth tier cities treat mainly shabby houses relocation differently.

The Policies for Reconstruction of rundown Areas started in 2014, and are provided by the Ministry of Housing and Urban-Rural Development of the People's Republic of China. They indicate that during the period of the 14th Five-Year Plan (2021-2025), Beijing, Shanghai, Guangzhou, and Shenzhen planned to add respectively 400,000, 470,000, 600,000 and 400,000 units of government-subsidized rental housing. That would account for about 45% of the total new housing supply. And the other 40 key cities would also add the government-subsidized rental housing to the quantities that occupied the 26% of the total new housing supply.

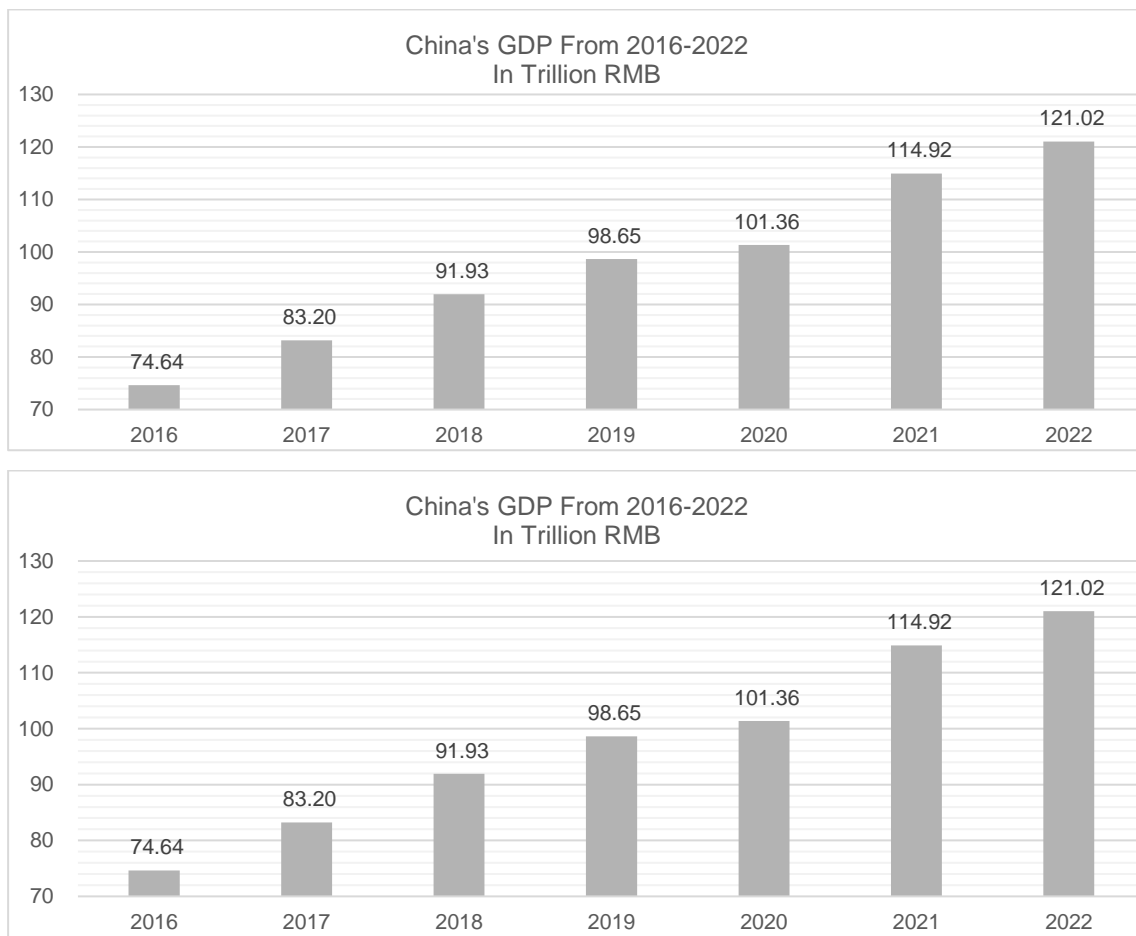
In the year 2022, The National Development and Reform Commission of China has issued a notice on the issuance of the 14th Five-Year Plan for the Implementation of New-Type Urbanization. A new talent policy has been introduced with a lower entry for the household registration system. That could open the current household registration system in Chinese

small town and country areas. This policy could also increase the demand for new-add real estate.

China's economy has been developing rapidly in recent years, and all social classes are rising rapidly as well. As a pillar industry, the price of real estate has begun to become the object of discussion. After reforming and opening in 1979, the housing system of our country canceled the equal distribution of this unit housing gradually. As a result, China's real estate has entered a stage of development.

The first stage is the preliminary development of real estate from 1982 to 1992. At this time, the mechanism and system of the real estate industry began to establish. China achieved the transformation from a planned economy to a market economy, carried out a series of institutional reforms, and the real estate industry gradually stabilized. The second stage was the steady growth of real estate from 1993 to 2002. The real estate market in circulation has matured. With the large demand for houses, real estate has been showing a steady upward trend. The third stage was the rapid development of real estate from 2003 to 2017. The complete abolition of the employee housing system, which promoted the rapid development of the real estate industry.

Figure 2 China's GDP From 2016-2022 In Trillion RMB.



Source: author retrieved from China National Bureau of Statistics

Chinese GDP (Figure 2) has shown a rapid development trend in recent 7 years. From the macroeconomic perspective, as China's overall economic aggregate demand is growing, the future prospects of the real estate industry are expected to be favorable for Economic Growth.

Figure 3 China's Commercial housing sales area In Million square meters from 2017-2022.



Source: author retrieved from China National Bureau of Statistics

Figure 3 shows that from 2017 to 2021, China's commercial housing sales experienced a period of steady growth, but gradually leveled off. This trend can be attributed to the issuance of policies and government regulation aimed at controlling the real estate market. In 2022, China's commercial housing sales declined, indicating that the incremental market size had peaked after years of rapid growth. Consequently, real estate enterprises are urgently in need of a change from the "high leverage, high turnover" model, as the industry shifts from incremental development to stock operation.

While the real estate market has been a significant contributor to the Chinese economy, there is also the risk of a real estate bubble or property bubble. The growth and stability of the economy are crucial for the development of the real estate market. Changes in economic indicators such as interest rates, inflation, and exchange rates can significantly impact the development of the real estate market.

It is important for real estate enterprises to adapt to the changing market conditions and implement sustainable business models. This can be achieved by diversifying their business operations, investing in other industries, and exploring new areas of growth. It is also essential for the government to continue to regulate and monitor the real estate market to prevent any potential risks and maintain the stability of the market.

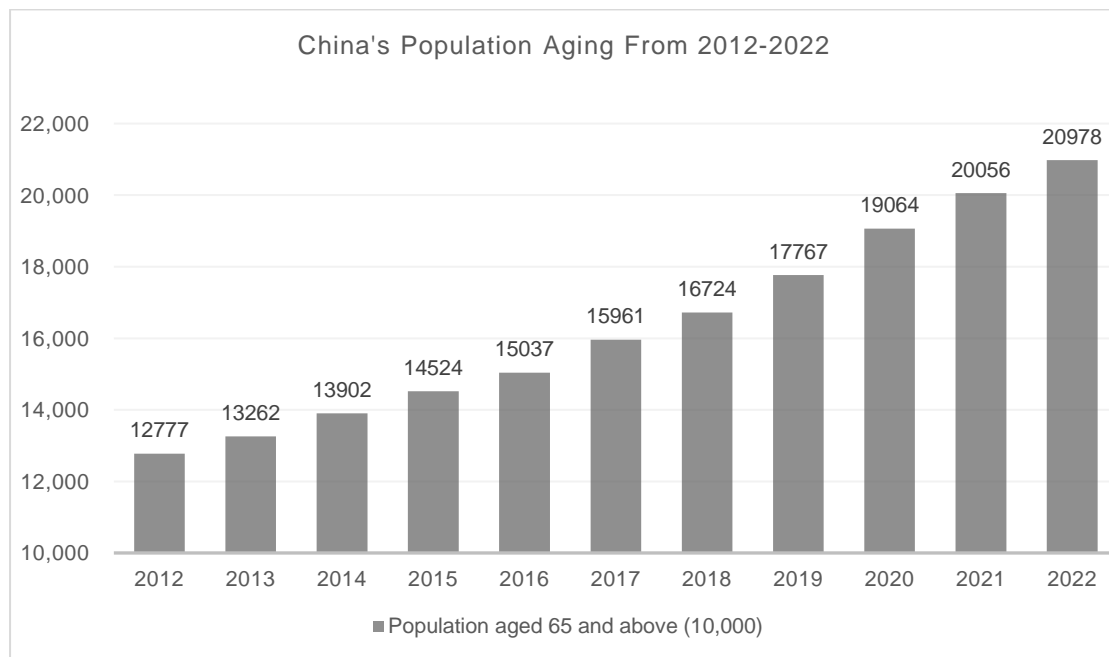
Thus, the real estate market in China has experienced significant growth and is an important contributor to the country's economy. However, there are also risks associated with the market, such as the potential for a property bubble. Real estate enterprises and the government must work together to ensure sustainable development and maintain the stability of the market.

Consumer demand for real estate in China is influenced by social values and culture. As China has more people and less land, the conflict between people and land is very sharp, which greatly restricts the supply of urban land. Land is a scarce resource, so there is always a limit to the amount of land a country can supply its cities with.

Historically, how much land a country could provide for urban use depended on the level of economic development, the level of real estate development and the rate of reconstruction. The higher the level of economic development of a country, especially the higher its agricultural productivity, the more food it could provide the cities. Thus, the more productive agricultural labor was, "the more food it could produce with less land, and the more land it could make available for urban use".

Demographic structure changes, such as population aging and urbanization, have an important impact on the real estate market demand.

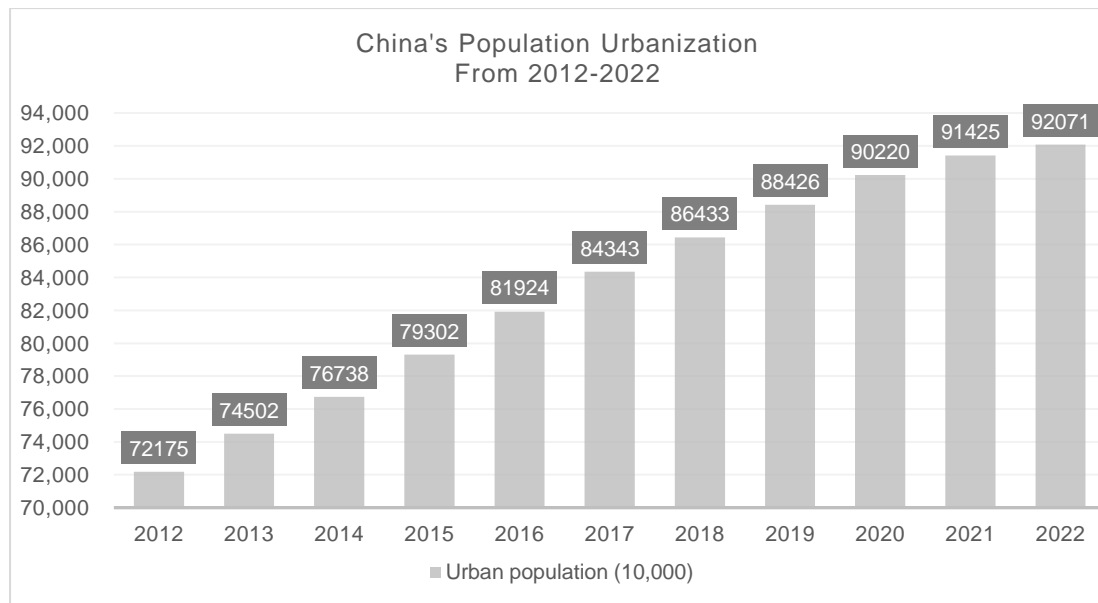
Figure 4 China's Population Aging from 2012-2022.



Source: author retrieved from China National Bureau of Statistics

As shown in the figure 4, China's aging population is increasing. Considering this increase of elderly's demand for housing, we need to reflect on the fact that this demand is more inclined to buy or rent houses suitable for this segmentation, such as nursing homes and apartments that are "elderly friendly". This demand shift will also bring market opportunities because the market demand for "apartments for the elderly", nursing homes and other real estate has surged. "Over 65 population" often have more savings and retirement savings, which means they may have more purchasing power to buy or rent a house. Real estate developers need to consider how to meet the needs of the new population characteristics while maintaining market competitiveness.

Figure 5 China's Population Urbanization from 2012-2022.



Source: author retrieved from China National Bureau of Statistics

China's population urbanization, as shown in figure 5, has accelerated. The urban population is increasing, and so, the demand for the real estate market will also increase.

Urban residents usually need to buy or rent housing to meet their housing needs. With the acceleration of population urbanization, real estate demand will increase in urban center areas, which are usually more convenient, with more efficient transportation and better living facilities like schools, hospitals, and supermarkets. However, the demand on the outskirts of cities is likely to wane. Real estate companies could seize the opportunity to develop high-end residential and commercial real estate to meet the needs of middle and high-end consumers for living and investment.

Technological progress and innovation have an important impact on the development of the real estate industry, such as intelligent houses, green building, etc. With the rapid development of the economy, the level of real estate development is also constantly changing, and the architectural design and technology are also constantly developing. Many large real estate companies have launched smart residential areas, and smart housing. Consumers' requirements for residential and residential environments are increasing, aiming to make skillful use of the power of artificial intelligence in household life. At the same time, consumers' requirements for residential and residential environments are also increasing. Many real estate developers have locked their eyes on smart homes. Simple fine decoration is no longer enough to meet the needs of many consumers. Then, improving the level of architectural design and technology, and developing energy-saving housing, green housing and smart homes will help to enhance the added value and brand of real estate companies.



The development of the Internet and digital technology is also changing the way real estate is traded and marketed. The coming of the Internet era and the help of big data platforms, bring new opportunities for the data analysis of the real estate industry. For instance, the real estate industry can rely on the support of big data, according to the historical development experience analysis of the real estate industry, on the current development rules, make a better forecast and analysis of the future development prospects. It can also provide data reference for coordinated development in terms of accurate decision-making management, marketing cost, cost saving and business expansion. The real estate companies can use the Internet to build a unified big data platform, get through the data between various business systems, and form a series and parallel system of online and offline pre-sales and after-sales links. Using big data services, real estate companies can collect and manage massive data in a unified manner and facilitate further mining and development.

To evaluate the political, economic, social, and technological factors that will have an impact on the development of China's real estate market, the following table is presented. Real estate enterprises need to pay close attention to the changes of these factors in order to formulate corresponding strategies and countermeasures.

Table 2 Summary of key points of the PEST analysis on China's real estate industry.

<b>Factors</b>	<b>Key Points</b>
<b>Political environment</b>	<ol style="list-style-type: none"> <li>1. Policies for rigid demand protection and improving demand.</li> <li>2. Policies on shanty relocation.</li> <li>3. Policies for new talent.</li> <li>4. Policies on the current household registration system</li> </ol>
<b>Economic environment</b>	<ol style="list-style-type: none"> <li>1. Chinese GDP has shown a rapid development trend.</li> <li>2. Change of commercial housing sales area.</li> <li>3. The risk of bubbles in the Chinese real estate industry.</li> <li>4. Changes in some economic indicators</li> </ol>
<b>Social environment</b>	<ol style="list-style-type: none"> <li>1. Greatly restricts the supply of urban land.</li> <li>2. Demographic structure changes.</li> <li>3. China's aging population is increasing.</li> <li>4. Population Urbanization is increasing.</li> </ol>
<b>Technological environment</b>	<ol style="list-style-type: none"> <li>1. Intelligent housing and green building.</li> <li>2. Smart residential areas.</li> <li>3. Demand for high-end decoration.</li> <li>4. Demand for high-end architectural design.</li> <li>5. The Internet and digital technology</li> </ol>

Source: author

Having assessed and evaluated the external environment an internal analysis, considering the Strengths, Weaknesses, Opportunities, and Threats, related to Evergrande Group real estate company's perspective is essential, the use of the following analysis enables a structured evaluation, constructing a framework for leveraging the understanding of Evergrande Group real estate company's strategy.

#### **4.3 Evaluation Of The 'strengths', 'weaknesses', 'opportunities' And 'threats' In The Perspective Of The Evergrande Group Real Estate Company**

To evaluate the internal conditions of the Evergrande Group real estate company, providing a perspective from within the organization, the various internal strengths, weaknesses, and external opportunities and threats were analyzed. A comprehensive analysis of the possible development of Evergrande Group real estate company is provided, allowing the organization to select the direction of its development strategy.

In the present subchapter, an analysis was conducted combining and matching the influencing factors to analyze the environment faced by Evergrande Group real estate company. However, it is important to note that the presented analysis method is not without its limitations. One of the limitations is its simplistic nature, which can lead to subjective assumptions. Furthermore, to aid with the understanding of the external environment it should be complemented with the previous subchapter on contextual comprehension of the sector and market. Despite these limitations, the present subchapter aims to correspond to a tool to assess the internal strengths and weaknesses, and evaluate external opportunities and threats, allowing them to make informed decisions about their future development strategies of Evergrande Group real estate company, contemplating information, and data from many of channels and summarizing in the SWOT analysis matrix.

As a large enterprise, Evergrande Real Estate Company enjoys significant advantages from economies of scale, which makes it easier for the company to adapt to external environmental shocks. Its family management model also contributes to a more centralized and focused management style, simplifying adjustments during government policy renewals. These advantages enable the company to implement strategic transformations with greater ease and efficiency.

Evergrande's management style is characterized by a clear focus on its interests and a centralized decision-making process, which allows for swift adjustments to be made when

necessary. This enables the company to stay ahead of the curve and adapt to changes in the real estate market, ensuring its continued success.

Furthermore, the company's focus on strategic transformation has helped it to maintain a competitive edge in the market. By leveraging its economies of scale and centralized management style, Evergrande is able to quickly adapt to changes in the industry and implement innovative solutions that meet the evolving needs of its customers.

Overall, Evergrande's unique combination of economies of scale, family management model, and focus on strategic transformation has helped it to maintain a leading position in the highly competitive real estate market. These advantages enable the company to stay ahead of the curve and continue to deliver exceptional value to its customers.

As a historical Chinese real estate company, Evergrande has been developing in China for many years and has accumulated extensive experience in local real estate market development. The company's business scope has rapidly expanded from its initial focus on a single city to several cities across the country. Furthermore, Evergrande has been actively expanding its social circle and network in development projects, allowing the company to establish a broad range of contacts both domestically and overseas.

Evergrande's success in the real estate industry can also be attributed to its ability to win the favor of many consumers, which has laid a deep customer base. The company has developed a strong reputation for delivering high-quality, innovative real estate projects that meet the needs of a diverse range of customers. As a result, Evergrande has established a loyal customer base that trusts the company and values its products and services.

Evergrande has leveraged its extensive experience, broad network of contacts, and strong customer base to become a leading player in the Chinese real estate market. The company's success is a testament to its ability to adapt to changing market conditions, innovate and deliver quality products and services that meet the evolving needs of its customers. Evergrande Real Estate Company is recognized for its diverse portfolio of real estate series that cater to the needs of different consumer segments. The company has a strong reputation for delivering high-quality housing solutions that are recognized by consumers for their exceptional design and functionality.

One of the company's key focuses is on high-end improvement housing, which is complemented by its "butler property services". This unique offering has helped Evergrande stand out in the market and attract high-end consumers who are looking for a luxurious and comfortable living experience. Evergrande's success in delivering successful residential cases has enabled the company to optimize its project design, construction, sales, and property services. By leveraging its experience and expertise, the company can enhance the advantage series of projects and maintain its competitive edge in the real estate market.

Evergrande's commitment to delivering high-quality housing solutions and exceptional service has earned it a strong reputation among consumers. By continuing to innovate and optimize its projects, the company can stay ahead of the curve and maintain its position as a leading player in the real estate industry.

Nevertheless, as a family-managed company, Evergrande's shareholders are mostly family members, and its management is predominantly chosen through family leadership. This means that the selection of judgment may be slightly psychologically biased. Furthermore, due to their age and cultural cognitions, the top management leaders may not give enough importance to the management level, which can have a significant impact on the management mode and direction of the entire enterprise.

Thus, it is essential for Evergrande to prioritize the improvement of its management level to enhance its overall operational efficiency. A lack of emphasis on management could lead to poor decision-making, which could negatively impact the company's growth and development. Therefore, it is crucial for Evergrande's management to shift its focus towards improving management and leadership capabilities, such as developing better systems and processes, improving communication and collaboration, and investing in training and development programs for employees.

By investing in these areas, Evergrande can establish a more efficient and effective management system that can drive sustainable growth and success. Additionally, the company can also consider bringing in external talent to diversify its management team and bring in fresh perspectives and ideas. By doing so, Evergrande can improve its management practices, overcome psychological biases, and achieve long-term success in the highly competitive real estate industry.

In recent years, the national macro-control policy of "no speculation in housing" has resulted in recent years, the stabilization of housing prices and the normalization of the property speculation stage. As a result, the sales prices have gradually stabilized, and salaries in the real estate industry have also started stabilizing. However, real estate companies like Evergrande still face challenges in terms of attracting and retaining employees due to their low threshold for hiring employees and high turnover rates.

Traditionally, the salaries of employees in the real estate industry were largely dependent on high sales commission rates, which were directly linked to real estate sales. As a result, the turnover rate of employees in the real estate industry was also high, particularly during downturn periods. Against this backdrop, it is becoming increasingly difficult for Evergrande to attract top talent to the company.

The lack of human resources also creates challenges for Evergrande in terms of maintaining a positive company culture and implementing non-standard management

practices. This can limit the positive development of the enterprise, hindering its ability to maximize its potential and remain competitive in the market.

Therefore, it is fundamental for Evergrande to adopt more effective human resource management strategies to attract and retain top talent in the industry. This could include offering competitive salaries and benefits packages, providing opportunities for career advancement, and fostering a positive company culture that values employee satisfaction and engagement. By addressing these challenges, Evergrande can enhance its human resource capabilities, improve company culture and management practices, and ultimately achieve sustainable growth and success in the long run.

Evergrande Real Estate primarily develops large-unit improvement housing projects, but the current real estate market is relatively depressed. While housing prices remain high, many consumers are unable to afford these large apartments, luxury, and high-end real estate, which are primarily aimed at the middle-aged and above individuals with a higher level of consumption. These properties are more suitable for those who have higher requirements for living standards or are looking to upgrade their living environment.

However, as China's urbanization process continues to accelerate, the demand for housing among new urban residents is expected to increase significantly. The government has introduced more policies to attract young talent to cities, which will further drive the demand for housing. Nonetheless, most new tenants prefer compact housing that meets their rigid demands, which is currently lacking in Evergrande Real Estate's open projects. This may put the company at a disadvantage in meeting the changing needs of the market and limit its potential for growth.

Therefore, it is decisive for Evergrande Real Estate to adopt a more diversified strategy that includes developing more compact housing projects to meet the evolving needs of the market. In addition, the company can explore new opportunities in the emerging real estate sectors, such as co-living and co-working spaces, which are gaining popularity among young people. By repositioning itself and adapting to the changing market conditions, Evergrande Real Estate can maintain its competitive edge and continue to thrive in the long run.

Because of its capital-intensive industry characteristics, real estate needs a large amount of capital in land purchase, tax funds, project development, personnel costs, advertising investment and other aspects. But the real estate capital return cycle is long, the speed is slow, the capital investment risk is huge. As financing channels are relatively simple, most of them rely on bank loans, and some real estate enterprises will obtain financing funds by selling shares. Like Evergrande, after its listing in Hong Kong, got its financial support for operations by means of stock financing. Due to the narrow choice of financing, once the capital chain breaks, it is bound to bring major setbacks to the operation of enterprises. At present, under the background of many unsold houses and the development of many new projects,

Evergrande Real Estate Company occupies a large amount of capital, so it must constantly obtain new capital injection to maintain its normal operation. Evergrande decided on sales promotions to speed up the return of funds, which made the profits reduced. The reduction of real estate profits will reduce the ability to repay bank loans, which will easily affect the financing efficiency of the company.

Despite its strengths, Evergrande Real Estate Company still has room for improvement when it comes to innovative ability in project development. To stay competitive in the ever-changing real estate market, the company needs to align with current macro policies and future development trends. It should also keep up with the urbanization trend of the new era, and develop a "modern" industrial layout to meet the demands of the new era.

One way to achieve this is by actively exploring new areas of real estate development, such as logistics real estate. Evergrande Real Estate Company should consider investing in warehouse and distribution centers, as well as long-term rental apartments. This will help the company diversify its portfolio and tap into new sources of revenue.

Furthermore, Evergrande Real Estate Company should also explore new concepts in real estate development, such as education, pension, and medical care. By adapting to the multi-consumer needs of consumers, the company can expand its customer base and create innovative projects that cater to the changing demands of the market.

Hence, for Evergrande Real Estate Company to continue to thrive in the highly competitive real estate market, it must be willing to embrace innovation and explore new areas of development. By doing so, the company can stay ahead of the curve and achieve greater profits while meeting the needs of its diverse customer base.

However, as we mentioned above, China's urbanization process is accelerating, the urban population is increasing, and the demand of the real estate market continues to grow. The rural population is gathering in cities, and the cities around provincial capitals are gathering in provincial capitals. With the promotion of shantytown reconstruction projects, the increase of urban population is bound to increase the growth of housing demand. Evergrande can consider adding related urban construction projects. Or with the cooperation of the Chinese government, Evergrande could expand into the market of affordable housing.

As the housing price in first tier cities is too high, the real estate market in second and third tier cities has gradually emerged and become a new investment hotspot. Compared with the past, Evergrande real estate has accumulated certain development experience. National policies are more open, and pay more attention to the function of market regulation, which further stimulated self-development momentum of the real estate market. The government has put forward the real estate policy of rent and purchase simultaneously, and the housing rental market has gradually emerged as a new investment opportunity. With the increase of

environmental awareness, green building has become a new development direction and provides new market opportunities.

Nevertheless, the growing downward pressure on China's economy may affect the development of the real estate market. The real estate market is no longer in the golden stage of the past. The housing price growth rate is too high, and the housing market is gradually stabilizing. The oversupply of the market has led many consumers to remain on the sidelines. Having just been hit by the coronavirus pandemic, the global economy is in a downturn, which has dealt a blow to economic and social stability. People's awareness of the crisis has been further enhanced during the epidemic, with a stronger sense of saving and a sharp decline in consumption willingness and behavior in different industries. To some extent, people are more hesitant and conservative about making big-ticket purchases like real estate. The impact of the coronavirus epidemic on the whole real estate market is long-term. Although China actively introduced measures to promote the recovery of the consumer market, the future development is not clear, and the whole investment market tends to be flat.

The government may adjust its real estate policy, which will have an impact on the market. National economic development has entered a new status, so has the overall development of the real estate industry. Affected by policies, the real estate market is highly uncontrollable and repetitive, and the real estate industry itself is greatly affected by macro policies as it is the pillar industry in China. Purchase restriction policies, financing restrictions, housing price regulation, may have a profound impact on Evergrande real estate companies.

There are financial risks in the real estate market, such as a real estate bubble, which may have an impact on the market. Real estate companies have a large operation scale, large capital demand, and a long return cycle. It is possible that the transformation will face the risk of failure. At the same time, the real estate industry is affected by uncertainty. Once there are no smooth results and changes for the better, it is bound to cause losses to the company.

Real estate market competition intensifies, competition among developers may affect the stability of the market. With the development of China, Vanke, R&F, Sunac Group, and other large real estate enterprises grow gradually. Large real estate enterprises rely on their own good visibility and strong financial strength. At the beginning of entering the market, their projects were sold to great fanfare, housing prices soared, and many preferential policies were introduced by those companies to seize the market. Many small enterprises unable to sustain, forced to delist. Undoubtedly, the development of Evergrande Real Estate has also been hindered.

To evaluate and better visualize the information above, a SWOT analysis for the transformation of the Evergrande real estate company is organized in the following systematization.

Evergrande Real Estate Company possesses several key strengths that contribute to its competitive position in the market. Firstly, the company demonstrates a remarkable adaptability to changing market conditions, allowing it to respond effectively to evolving industry trends and customer preferences. Secondly, Evergrande has cultivated strong regional relationships, granting it access to valuable local resources and support for its various projects. Lastly, the company has built a distinguished portfolio of development projects, showcasing its expertise and proven track record in delivering high-quality real estate ventures.

Despite its strengths, Evergrande also faces certain weaknesses that warrant consideration. Notably, there are concerns about the company's management ability, which could potentially hinder decision-making and execution processes. Additionally, a relatively low level of human resources may limit the company's capacity to simultaneously handle multiple projects, potentially impacting project timelines and quality. Evergrande's limited range of compact housing options may cause it to miss out on certain market segments. Furthermore, weak financing levels pose restrictions on the company's ability to invest in new projects, and its innovation capabilities may not be keeping pace with the rapidly evolving market.

Turning to opportunities, Evergrande can leverage several factors to further expand and diversify its business. The ongoing acceleration of urbanization in China presents significant growth opportunities for the company, enabling it to expand its real estate projects in burgeoning cities. The development of second-tier and third-tier cities offers untapped markets where Evergrande can establish a presence and cater to emerging demand. The housing rental market represents a potential avenue for diversifying revenue streams and aligning with shifting consumer preferences. Furthermore, the trend toward green building and sustainability provides an opportunity for Evergrande to differentiate its projects and align with environmentally conscious consumers.

However, Evergrande also faces certain threats that require careful management. Economic pressures stemming from the coronavirus pandemic may affect the real estate market and consumer purchasing power, potentially impacting the demand for properties. National policy adjustments, such as changes in regulations or taxes, can have significant implications for Evergrande's operations and profitability. Financial risks, including liquidity issues or changes in interest rates, may pose challenges to the company's financial stability. Lastly, the intensifying competition from other real estate companies could erode Evergrande's market share and profitability, necessitating strategic responses.

In light of these considerations, Evergrande can formulate various strategic approaches:

**SO Strategy:** Leveraging its adaptability and regional relationships to seize market opportunities, conducting in-depth market research to cater to consumer housing demands, improving service quality to enhance customer satisfaction, and diversifying real estate development and business operations to reduce risk and increase market share.



WO Strategy: Enhancing the organizational structure and system for improved efficiency, strengthening the supervision and management system for better governance and risk management, attracting professional talents to bolster human resources and capabilities, and addressing the demand for compact housing to target a broader customer base.

ST Strategy: Avoiding excessive liabilities to mitigate financial risks and maintain a healthy balance sheet, exploring alternative payment methods to alleviate cash flow pressure, maintaining an appropriate cash reserve for uncertainties, and implementing comprehensive budget management for enhanced cost control and financial discipline.

WT Strategy: Adapting to policy changes, improving internal management levels for increased competitiveness, enhancing marketing abilities to stand out in a competitive market, and fostering a culture of innovation to adapt and differentiate in the industry (Li & Rowley, 2017; Liu & Li, 2019; Pagourtzi et al., 2016; Chen & Li, 2020; Hwang & Lee, 2018; Hao, Li, & Liu, 2021; Ling & Naranjo, 2017; Hoesli, Oikarinen, & Serrano, 2020).

Accordingly, we have formulated a proposed strategic path based on the analysis of the presented SWOT analysis. For the SO strategy, we recommend that Evergrande Real Estate Company leverage its inherent strengths and capitalize on market opportunities. With decades of experience and a strong reputation in the real estate industry, Evergrande should utilize national and local policies to tap into consumer housing demands and enhance overall service quality. By maintaining high-quality development and actively engaging in public relations, the company can secure more land and cater to niche market needs. Additionally, adopting diversified financing models will facilitate the company's transformation.

For the WO strategy, we propose that Evergrande addresses its weaknesses by capitalizing on external opportunities. While the company has its strengths, its management mode is relatively rigid, and weaknesses such as low human resources, limited financing methods, and weak innovation capability need to be addressed. Improving the organizational structure and system, enhancing supervision and management processes, and recruiting professional talents will help overcome these shortcomings. Furthermore, actively addressing market defects will contribute to expanding market share.

In terms of the ST strategy, Evergrande should leverage its strengths to mitigate risks and ensure steady development. Given the current low profitability and high financial leverage in the real estate industry, increasing debt poses risks to the company's capital chain. Therefore, Evergrande should focus on improving its return on equity by accelerating asset turnover. Reducing cash payments, minimizing involvement in non-controlling and non-autonomous projects, and maintaining an appropriate cash pool through budget management are crucial risk management measures.

For the WT strategy, the company should address its weaknesses to mitigate risks and enhance overall competitiveness. To survive in the competitive real estate industry,

Evergrande needs to continually progress and align with national policies. Improving internal management, leveraging internet platforms and big data, enhancing marketing innovation, and reducing the risk of being overshadowed by other large real estate companies will contribute to sustained growth.

Based on the comprehensive analysis, it is evident that Evergrande should prioritize the SO strategy to leverage its advantages and current market opportunities. However, the WO, ST, and WT strategies should also be considered to address weaknesses, reduce threats, and enhance risk resilience. By seizing current opportunities and capitalizing on inherent strengths, Evergrande can achieve sustainable development.

In the subsequent chapters of this research, feasible recommendations will be provided for adjusting Evergrande's management strategies based on the aforementioned analysis and strategies.

## **5. Findings and Discussion**

### **5.1 Findings**

In this chapter, we will discuss the key findings from the analysis of Evergrande Real Estate's management strategies and provide a detailed discussion on the implications of these findings. Based on the analysis of Evergrande Real Estate's management strategies, several key findings have emerged:

Firstly, Evergrande has shown strong adaptability to changes in the market and customer demand, which is crucial in the era of inventory housing. This adaptability allows the company to adjust its strategies and remain competitive. Additionally, Evergrande has developed strong relationships with local governments and stakeholders in various regions. These relationships have helped the company secure favorable land resources and gain support for its projects. Furthermore, Evergrande has established a strong reputation in the real estate industry through its excellent development series of high-quality projects.

However, there are also weaknesses that need to be addressed. The company's management capabilities need improvement to ensure efficient operations and decision-making processes. Evergrande should invest in attracting and retaining top talent to enhance its workforce and drive innovation. Additionally, there is a lack of compact types of houses for rigid demand. To cater to the growing demand for affordable housing options, Evergrande needs to diversify its product offerings. Weak financing levels and poor innovation ability are also areas that require attention. Exploring diversified financing models and fostering a culture of innovation through research and development will be essential for the company's success.

Several opportunities have been identified for Evergrande to capitalize on. The ongoing urbanization trend presents an opportunity for the company to expand its presence in second and third-tier cities where there is a growing demand for housing. The housing rental market, especially among young professionals and urban dwellers, is another potential avenue for growth. Moreover, Evergrande should seize the opportunity to develop environmentally friendly and sustainable buildings, aligning with the increasing demand for green initiatives in the industry.

To address these findings, strategic objectives (SO) and tactical plans (WO) have been proposed. Leveraging its own advantages and seizing market opportunities will be crucial for Evergrande's success. Conducting thorough market research to understand consumer housing demand and tailoring products accordingly will enhance customer satisfaction. Improving overall service will help build a strong brand reputation and foster customer loyalty.

Diversifying the business portfolio and exploring innovative financing models will reduce dependency on the real estate industry and improve financial stability.

To achieve these objectives, Evergrande should focus on improving the organizational structure and system, strengthening the supervision and management system, and attracting professional talents with expertise in various fields. Additionally, the company needs to address the demand for compact and affordable housing options to tap into an underserved market segment.

## **5.2 Discussion**

The findings suggest that Evergrande Real Estate has strengths to capitalize on, weaknesses to address, and opportunities to explore. By implementing the proposed strategies, the company can enhance its competitiveness, improve customer satisfaction, and achieve long-term success in the real estate industry. The findings highlight both the strengths and weaknesses of Evergrande Real Estate, providing valuable insights into the areas where the company can improve and the opportunities it can leverage. The strong adaptability and regional relationships of Evergrande have been crucial in maintaining its competitive position, but there is room for improvement in terms of management capabilities, human resources, and innovation.

The opportunities presented by urbanization, the housing rental market, and green building development offer Evergrande a chance to expand its market share and diversify its business. However, the company needs to develop a strategic approach to capitalize on these opportunities effectively.

The SO and WO strategies provide a roadmap for Evergrande to address its weaknesses, leverage its strengths, and take advantage of the identified opportunities. By implementing these strategies, the company can enhance its brand reputation, improve customer satisfaction, and strengthen its financial stability.

As for the significance of corporate strategic transformation and development, the author summarizes the following four points.

1. Improve market competitiveness.
2. Promoting green and low-carbon development.
3. Enhance social responsibility.
4. Improve industry development.

It is evident that Evergrande Real Estate Company must continuously optimize its products and services to improve its market competitiveness and achieve sustainable development through strategic transformation. Additionally, the company must also prioritize strengthening

its environmental awareness and promoting the concept of green and low-carbon development to promote sustainable development.

In order to strengthen its sense of social responsibility, it is recommended that the company actively fulfill its social responsibilities and promote the harmonious development of society. This can be achieved through the continuous innovation of all aspects of technology in all aspects, which can promote the development of the industry and play a crucial role in economic development.

Furthermore, Evergrande Real Estate Company must prioritize promoting sustainable development and reducing its environmental impact. This can be achieved through the implementation of green and low-carbon development practices, such as the use of renewable energy, energy-efficient designs, and sustainable construction materials.

In addition to environmental sustainability, the company must also prioritize social sustainability by promoting social harmony and stability. This can be achieved by actively participating in social issues, such as poverty alleviation, education, healthcare, and contributing to the wider community.

Evergrande Real Estate Company must prioritize sustainable development and social responsibility to maintain its position as a leading player in the real estate market. Through the continuous innovation of technology and the implementation of green and low-carbon development practices, the company can play a crucial role in promoting the sustainable development of industry and society as a whole.

As an enterprise, it is important for Evergrande Real Estate Company to strengthen brand building. Brand building enables brand awareness and enhances the corporate image, and credibility, to improve consumers' trust. The competitiveness of products will also be increased by brand building, which can aid enterprises to differentiate themselves. Further, it can attract more consumers, increase sales and establish brand loyalty. To achieve brand building, Evergrande Real Estate Company should define its core value and positioning of the brand. The core value of a brand refers to the core ideas and values that the brand represents. Positioning refers to the brand's positioning and competitive advantage in the market. These elements are the foundation of brand building and need to be identified at the beginning of brand building and then grow slowly.

Evergrande Real Estate Company, also needs to establish brand image. Brand image refers to the image and impression of a brand in the minds of consumers, including brand name, logo, slogan, image, etc. Establishing a unique and distinct brand image can help Evergrande's brand stand out in the market.

Evergrande Real Estate Company should also strengthen brand promotion. Brand promotion is an important part of brand building, which can improve brand awareness and reputation through advertising, promotion, public relations, and other ways. In the process of

promotion, attention should be paid to the consistency of brand image and the transmission of brand value. Brand culture refers to the values and cultural connotations represented by the brand, which can be conveyed through brand stories, brand activities and other ways. Evergrande can attract more consumers and talents by building a positive and meaningful brand culture. In a word, brand building needs to start from multiple aspects, including brand value, image, products and services, promotion, and culture, etc., which requires long-term persistence and continuous innovation.

Evergrande Real Estate Company should also provide quality products and services. The final goal of brand building is to provide quality products and services to meet the needs and expectations of consumers. Only by providing quality products and services can Evergrande win the trust and loyalty of consumers. The needs and expectations of customers can be met with high-quality products, which could improve customer satisfaction, increase customer loyalty, and improve reputation. In the market performance, it is also easier to make products show themselves, attract more customers, and improve the market share of enterprises.

At the same time, high-quality products can reduce product defects and return rate, reduce after-sales service costs and repair costs. Higher quality products also mean fewer errors and rework in the production process, which improves productivity and stability of the production line. The image and reputation of the enterprise will also be enhanced by high quality products, thus increasing the trust and recognition of customers, which could bring more business opportunities and partners for enterprises. Considering the arguments presented it is proposed that Evergrande takes the following actions:

Product design is the basis of product quality. Therefore, Evergrande needs to invest enough time and resources to design excellent products. According to the needs and preferences of target customer groups, Evergrande can determine the positioning and characteristics of real estate products, which also means different real estate projects. For example, if it is positioned as a high-end luxury product, it is necessary to pay attention to the quality of the product and supporting facilities. Because for high-end luxury products, their consumers tend to be in higher income groups. They are also relatively non-price sensitive consumers. They are more willing to spend money on a house with better service and a more pleasant environment.

As for the houses positioned for young people, Evergrande should pay attention to the price and design style of the products. Because young people often just enter society, there is still a lack of capital accumulation. But because of the influence of the information society, they are more inclined to personalized design style. In terms of design, the design of real estate products needs to focus on practicality and aesthetics. The design should meet the needs and lifestyle of customers, but also consider the actual use effect and comfort. For example, the design of reasonable space layout, bright lighting, sufficient storage space, etc., are superior

product design needs to consider aspects. Use high quality materials. Choosing high quality materials can ensure the quality and reliability of products. If we do not consider speculative nature as a commodity of high value, people will not easily replace the house or even sell the pure need of housing. This means that consumers have higher requirements for the quality of the house. Evergrande can choose suppliers with a good reputation and stable supply ability. Through the inspection of materials, the relevant standards and quality requirements may be ensured. There are ways for Evergrande to have control of construction materials, such as testing before purchasing, testing during production, and testing before leaving the factory.

A strict quality control system should be established, and this does not only refer to materials. This includes strict quality checks in every link from material procurement to production. Evergrande can improve the quality control process to make sure the quality of materials throughout the entire process from procurement, production to product delivery. Such as the procedures of material testing, material warehousing quality control, production process quality control and other processes. Housing development as a project is usually equipped with a well-developed project team. Evergrande should consider the importance of qualification and professional ability when appointing the project team to carry out housing construction.

Evergrande should strengthen the training of employees, so that they can understand the importance of product quality and master the key links in the production process. It is important to make a training plan and determine the training objectives, contents, methods, and durations. Evergrande should develop personalized training plans according to distinct positions, job content and ability levels of employees. Evergrande can establish an integrated training system, including inexperienced staff training, professional skills training, management ability training, leadership training and other aspects, to provide comprehensive training for employees.

There are various kinds of training methods, such as on-site training, online training, seminars, hands-on training and so on. Employees can choose their own training methods according to their own needs and actual conditions. According to the evaluation results and employee feedback, the training team should timely adjust the training plan and methods to continuously improve the training effect and employee satisfaction.

Gathering customer feedback is essential for Evergrande. Because it can help Evergrande understand customer needs and opinions, and to continuously improve products and services. For the owners who have already bought a house from Evergrande, the property management staff of Evergrande can carry out a regular satisfaction survey on the owners to know the owners' evaluations and opinions on the quality of the house, after-sales service, property management and other aspects. With this information, Evergrande can improve and enhance its service quality. In addition, Evergrande should regularly organize customer opinion

collection activities, by inviting customers to participate, listening to customers' suggestions on real estate products and services, and constantly Evergrande can improve and optimize products and services.

Evergrande should select appropriate suppliers and partners to ensure the quality of materials and services. By establishing long-term cooperative relationships with suppliers, Evergrande can work together with the suppliers to improve the quality and stability of raw materials. This can be done through regular communication, joint research, and co-development, etc. Evergrande should cultivate a professional public relations team to deal with the general public. This is not just about responding to consumer dissent in the marketplace, but also about dealing with Chinese government agencies and other organizations. In this way, Evergrande can get the support of the government, to create a good business environment and escort the development and growth of the enterprise and its production and operation. More importantly, Evergrande can rely on its good public relations ability to gain advantageous resources, such as various policy support from the government, including land, tax, policy project funds and so on.

As an enterprise, strengthening customer service can improve customer satisfaction. Good customer service can increase customer loyalty by making customers feel valued and respected. With the increase in customer satisfaction, reputation will also increase, which is of major help to the enterprise's brand image and market competitiveness. Good customer service can boost sales by encouraging customers to buy again and refer others to buy. By providing high-quality customer service, Evergrande can reduce the customer turnover rate and reduce the marketing costs of enterprises. Enhancing customer service requires more collaboration and communication among various departments within the enterprise, which will promote the improvement of internal management. In this sense we propose that Evergrande should strengthen the training of the professional customer service team, so that the customer service team can better understand the products and services, so as to provide high-quality customer service. It should be noted that the training content should be closely combined with the actual work in the real estate industry and incorporate its practicability. This allows the customer service team to learn knowledge and skills that can be immediately applied to the job. Finally, it is necessary to provide regular training, evaluation, and feedback to the customer service team. The customer service team should have a wealth of real estate industry knowledge and understand the relevant policies and laws and regulations of the real estate industry in order to better serve customers.

Evergrande can provide a variety of contact information to provide customers with convenient and quick online feedback channels. Such as official website message, social media, mobile APP, telephone, email, social media, etc., to ensure that customers can give feedback and suggestions to the company anytime and anywhere. The customer service team



should respond to customer questions and feedback in a timely manner to ensure that customers feel valued. Evergrande should have a sound complaint handling mechanism, timely respond to customer complaints, carefully listen to customer opinions, solve customer problems, and prevent complaints from turning into disputes. Which will do harm to the reputation of the enterprise. A professional customer service team should be able to provide comprehensive pre-sale and post-sale service and property management. By responding positively to customer needs, the customer service team can improve customer satisfaction.

Evergrande can build long-term relationships with customers and win their trust and loyalty by providing excellent customer service. Customer service in the real estate industry can provide customers with more after-sales services, including repairing the house, maintenance of the property, leasing, and other services, so as to help customers better maintain their assets. The customer service team should treat customers sincerely. When there is a problem with the product or the customer raises questions about the product, first, the customer service team should apologize to the customer for the inconvenience brought to the customer, and then they should specifically understand the customer's questions. While helping customers solve their questions, the customer service team can also improve their satisfaction with the enterprise. For long-term and cooperative friends, it is necessary to establish long-term friendship relationships on a professional basis. When customers have needs other than work, the customer service team should also try their best to help or meet customer's demand. Customer service team and the owners can be like old friends before with a strong relationship, not only the relationship between interests and profit.

The customer service team should understand the needs and preferences of the customer and provide personalized service to meet the needs of the customer. It is necessary to maintain an attitude of active communication. Through active communication with customers, the customer service team can understand customer feedback and suggestions better, in order to solve customer problems in a timely manner. Customer service personnel should provide personalized solutions according to the special needs and requirements of customers to meet the needs of customers. Customer service staff should make timely reviews about their job in the past, analyze and improve customer feedback by collecting customer feedback and suggestions, and constantly improve service quality. Meanwhile, Evergrande can improve customer satisfaction by analyzing and improving the customer service process.

Evergrande can increase customers' sense of value by providing additional services and support, such as making customers "feel at home", providing more technical information, training property using tips, etc. In addition, professional consulting services can also be provided to help customers better understand the trends of the real estate market, policies and regulations and other information, to help customers make more informed investment decisions. According to the needs and budgets of customers, the customer service team of

the real estate industry can provide customized house recommendations for customers and help them quickly find the house that meets their needs. Home appraisal services are also available to help clients understand the value of the property they own and its potential to grow in the future, thus helping them better plan their asset allocation.

Launching differentiated products can help enterprises appear unique in the competitive market and improve market share and profitability. Differentiated products can meet the needs of different consumers, provide better user experience, and enhance brand image and loyalty. In addition, differentiated products can also help enterprises reduce costs, improve efficiency, and increase innovation and competitiveness. Evergrande needs to conduct market research. This allows Evergrande to fully understand the needs and preferences of target customers, as well as the product characteristics and market share of competitors. Market research through questionnaire surveys, key points, group discussion, competitor analysis and other means can help Evergrande discover market trends and grasp market opportunities in advance. In addition, the research team of Evergrande also needs to pay attention to the main publicity methods of competitors, lock the coverage areas of competitors according to the publicity, and then complete the analysis of market overview and marketing strategy. Through promotional pages or network activities, the bottom line of the rival's sales price can be obtained, and the comparison with the average market price can be completed, to obtain the rival's price positioning.

Based on market research results, Evergrande can identify target customer groups and understand their needs and preferences. This helps to identify product differentiators to meet the needs of target customers. For middle and high-end customers, Evergrande can make their products competitive in the market by providing unique service experiences, such as luxury clubs, recovery and sports centers, private butler services, artificial intelligent home systems, etc. Based on the needs and preferences of target customers, innovative design is carried out to develop differentiated products. This can include innovations in product functionality, appearance design, material selection, etc. For example, through unique architectural design and style, the product can be distinguished from other real estate products in the market. Using green energy technology, such as solar energy, ground source heat pump, to provide customers with a more healthy and environmentally friendly living environment, which will increase the added value of products. By choosing a unique location, such as city center, seaside, mountain foot area, etc., the product will be more attractive in the market.

After launching differentiated products, Evergrande needs to carry out brand marketing to attract the attention and purchase of target customers. This can include advertising campaigns, promotions, word-of-mouth marketing, etc. Social activities, such as team building activities and community activities, can also be held to enhance customer awareness and loyalty to the product. By incorporating local cultural characteristics, such as historical relics and local

cuisine, Evergrande houses are more attractive in the market. Evergrande needs continuous improvement and optimization to maintain the competitive advantage of its products. This can be done through customer feedback, market research, etc.

In the era of inventory housing, there is no doubt that large real estate companies need to adjust their management strategies to adapt to the changes in the market and customer demand. Evergrande Real Estate can do more in terms of brand building, product quality, customer service and differentiated products. To realize strategic transformation, Evergrande could further implement the overall development strategy of the company, grasp the development opportunities of the digital economy, and deepen the upgrading and transformation.

Evergrande could focus on key industries and key business scenarios for smart city construction and innovation. Based on smart city databases, data elements marketization, medical AI training facilities and other directions, Evergrande should carry out technology exploration and development, product transformation and promotion, and project landing facilities. And make sure that the horizontal business coordination was strengthened, and vertical strategic transformation and upgrading was deepened.

The entire process is slightly focused, considering the overall situation with accurate focus. In this way, Evergrande should continue to enhance its technological strength in the wave of digital transformation, to enhance its business competitiveness and consolidate its position in the industry. At the same time, the company should continue to strengthen its management capabilities, comprehensive quality, and efficiency, which requires long-term persistence and continuous innovation.

Meeting the market demand is a central dimension of strategies employed by real estate companies. Su et al. (2019) examined if China's real estate sector boom presented benefits to rural dwellers by focusing on the role played by market dynamics as well as the demographic constitution of the affected consumers. They found that large real estate enterprises should customize their products and market approaches to take care of the diverse and dynamic needs of different consumer markets present in the market like age and sex. Similarly, Kim and Choi (2015) suggest that the inherent market shifts and dynamics can affect the functioning of corporate operational strategies. This reality affects large real estate companies operating in the China market.

Overall, the findings and discussions highlight the importance of continuous improvement, innovation, and adaptation in the real estate industry. Evergrande Real Estate must strive for excellence in management, human resources, and product offerings to maintain its position as a leading player in the market.

## **6. Conclusions and Recommendations**

### **6.1 Conclusions**

In recent years, the Chinese real estate market has become saturated, leading to increased polarization among real estate enterprises. Even the largest companies in the industry are facing significant competitive pressure. To navigate this challenging landscape, real estate enterprises must adapt their internal strategies and enhance their operational and management capabilities.

Traditionally, real estate enterprises in China heavily relied on asset-heavy operations, which involve acquiring land, developing properties, and selling them. This approach requires substantial capital investment and makes the cash flow of enterprises susceptible to industry fluctuations due to the influence of macroeconomic policies and the overall economic environment.

To address the challenges posed by long operating cycles, large capital investments, and high debt ratios, real estate enterprises have embraced high turnover operations. By focusing on high turnover, companies can efficiently utilize funds, reduce development cycles, achieve higher return on equity, and experience rapid growth. However, high turnover alone cannot solve all the challenges faced by the sector; enterprises also require favorable internal and external conditions.

The Chinese real estate market is characterized by significant uncertainty, and the industry has reached a bottleneck in terms of growth. To ensure sustainable development, real estate enterprises must seek effective management strategies while emphasizing high turnover operations.

The development of China's real estate industry has undergone various stages, from initial development to maturity. Throughout this process, the industry has been subject to continuous regulation, and enterprises have become more mature. Most companies have proactively assessed the situation and aligned their strategies with national industrial development trends.

Taking a strategic management perspective, this study focuses on Evergrande Real Estate Company as the research subject. The study analyzes the macro-policy background and industry environment, followed by the collection of relevant data on Evergrande Real Estate Company and other supporting materials.

The objective of this project is to comprehensively evaluate Evergrande Real Estate Company, analyze its strengths, weaknesses, opportunities, and challenges, and assess the impact of concepts such as strategic transformation and asset-light operation. Based on these

findings, targeted optimization strategies and suggestions will be proposed to guide the company's future strategic transformation.

The strategic management environment of Evergrande Real Estate Company is challenging. On one hand, the external real estate market is gradually reaching saturation, with many first-tier and second-tier cities implementing purchase restrictions and experiencing reduced market activity due to macro-policy regulations. On the other hand, Evergrande Real Estate Company, like other real estate companies in China, operates under a "high turnover" model. This model places higher demands on strategic management, making strategic transformation crucial.

Evergrande Real Estate Company faces several strategic management issues, primarily related to the lack of independence of its internal strategic management department. Additionally, the company's strategic objectives, content, and formulation have not been promptly adjusted following strategic adjustments, resulting in various challenges in its current strategic management practices. The strategic management environment of Evergrande Real Estate Company calls for immediate improvements. The external real estate market is becoming increasingly saturated, with macro-policy regulations leading to purchase restrictions in many first-tier and second-tier cities, resulting in decreased market activity. Internally, Evergrande Real Estate Company follows a "high turnover" model, similar to other real estate companies in China. This model places higher demands on strategic management, making strategic transformation even more critical.

Evergrande Real Estate Company faces several strategic management challenges. Particularly, its internal strategic management department lacks independence, impeding effective decision-making. Moreover, the company's strategic objectives, content, and formulation have not been promptly adjusted following strategic adjustments, leading to various issues in its current strategic management practices.

To overcome these challenges and ensure long-term success, Evergrande Real Estate Company must prioritize strategic transformation. This entails reevaluating its management strategies, embracing innovative approaches, and adapting to the changing industry landscape. By doing so, the company can better navigate the saturated market, overcome external uncertainties, and achieve sustainable growth.

In conclusion, the real estate market in China has become saturated, posing significant challenges to real estate enterprises, including Evergrande Real Estate Company. To thrive in this competitive landscape, enterprises must adjust their internal strategies and enhance their operational and management capabilities. The high turnover operation has been crucial, but additional improvements, such as effective strategic management and innovation, are necessary for long-term success. By embracing strategic transformation and addressing

existing challenges, Evergrande Real Estate Company can position itself for sustained growth and navigate the dynamic real estate industry more effectively.

## **6.2 Recommendations**

To stabilize its original development, Evergrande should pursue a diversified strategic transformation and explore cross-industry cooperation to achieve multi-channel and divergent development. A key focus should be on "real estate plus" initiatives, such as real estate combined with medical treatment, elder care, tourism, and more. These opportunities can be actively explored by Evergrande.

During the implementation of a diversification strategy, it is crucial to consider the long input-output cycle, which may result in capital flow pressures for the company. Evergrande should prioritize maintaining a healthy cash flow and minimizing financing costs to address this challenge.

In the transformation process, there may be financial risks such as declining asset turnover, decreasing profitability, and rising asset-liability ratios. These risks should be proactively prevented. Evergrande should thoroughly assess potential challenges to financial indicators and take timely measures to minimize risks.

Furthermore, Evergrande should align with the low-carbon economy development trend and enhance its property services by leveraging technology and artificial intelligence. The development of "smart property" can help meet multiple needs and should be prioritized. As a leading real estate enterprise in China, Evergrande possesses a mature management team, strong financial strength, and excellent brand advantages.

Additionally, while pursuing diversification, Evergrande should focus on its primary business and aim to build a complete industrial chain. Seeking new profit growth points through complementary advantages among various industries is recommended. Guided by national policies and promoting coordinated development across industries, Evergrande can unlock significant development opportunities.

To support the company's transformation, it is suggested to implement more detailed adjustment measures in human resource management and internal control systems. This includes optimizing the organizational framework, clarifying rights and responsibilities, specifying operational management content, enhancing the longevity of performance appraisal incentives, and strengthening the construction of a professional talent system for strategic management.

Improving strategic transformation is a long-term endeavor crucial for the real estate industry's sustainable development. Leading real estate enterprises in China are striving to enhance their strategic management level to improve capital turnover efficiency. However,

strategic management is not solely about speed; it also encompasses quality and quantity. Achieving alignment among "speed," "quality," and "quantity" is essential to establish an excellent strategic management system.

Considering Chinese government policies, it is recommended that the government follows market rules and formulates corresponding policies to guide enterprise transformation and upgrading. This approach will maintain economic vitality and mitigate the impact of industry cycles.

Urbanization involves not only the migration of residents from rural areas to cities but also the provision of public services and the enhancement of residents' overall quality of life. For real estate enterprises, their role has extended beyond housing provision for urban residents. As housing needs are met, there is an increasing demand for services and other forms of consumption. Real estate companies are transitioning from building houses to providing services and property operations, which reduces costs and operational risks. However, traditional approaches may not adequately meet these evolving needs. Encouraging innovation to fulfill these requirements will help mitigate the impact of industry life cycles on economic stability.

In the context of urbanization, local governments have been eager to sell land, attract investments, and develop new city areas. Real estate enterprises find these opportunities attractive as they can operate in new districts and sustain their development. However, once real estate enterprises enter new towns, local governments often find themselves in a passive position. While market economy mistakes and enterprise bankruptcies are normal, the simultaneous bankruptcy of many development enterprises can lead to social problems and economic turmoil. Therefore, local governments must intervene in market issues that require resolution.

Future research could focus on examining the impact of digitalization and technology on China's real estate industry and how companies like Evergrande can leverage these advancements to improve operations and strategic management. The study could identify the most effective digital tools and technologies for enhancing efficiency and performance in the real estate sector. Additionally, a comparative study could analyze the strategic management practices of different real estate companies in China, identify best practices that can be adopted by others, and assess their effectiveness in improving business performance.

Moreover, it would be valuable to investigate the influence of government regulations and policies on the real estate industry in China, as well as how real estate companies can navigate these regulations to maintain a competitive advantage. Exploring how companies can adapt to changing policies and regulations and the potential impact of policy changes on the industry and individual companies would also be beneficial. A longitudinal study tracking the progress

of Evergrande's strategic transformation and evaluating the effectiveness of suggested strategies in improving business performance over time could provide valuable insights.

It is important to note that this research is limited by the availability of data, as some information regarding Evergrande's strategic management may not be publicly accessible. Additionally, the research is based on a single case study of Evergrande, which may limit the generalizability of findings to other real estate companies in China.

While qualitative analysis offers in-depth insights, it may restrict the ability to make quantitative comparisons and draw statistical conclusions. Lastly, the research is based on the current state of the real estate industry and policies in China, which are subject to change and may affect the validity of the study's findings over time.



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