

## Strategic Transformation of Y Company Based on SWOT Quantitative Analysis

Shi Wei<sup>1</sup>, Busaya Vongchavalitkul<sup>2</sup>, Wang-Kun Chen<sup>3</sup>,  
Pattarada Rungruand<sup>4</sup> and Rapeepat So-in<sup>5</sup>

<sup>1</sup>Master Student in Business Administration

Southeast Bangkok College, Thailand

Tel. 08-5595-6034 E-mail: 13577839771 @163.com

<sup>2</sup>Assistant Professor in The Faculty of Business Administration, Southeast Bangkok College, Thailand

Tel. 08-3811-1200 E-mail: busaya2001 @gmail.com

<sup>3</sup>Associate Professor in The Faculty of Business Administration, Southeast Bangkok College, Thailand

Tel. 08-3811-1200 E-mail: khun-chenwang@southeast.ac.th

<sup>4</sup>Lecturer in The Faculty of Business Administration,

Southeast Bangkok College, Thailand

Tel. 08-1591-5119 E-mail: Pattarada @southeast.ac.th

<sup>5</sup>Lecturer in The Faculty of Business Administration,

Southeast Bangkok College, Thailand

Tel. 08-1591-5119 E-mail: rapeepat@southeast.ac.th

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### Abstract

The purposes of this study were 1). to determine the internal and external environment of Y company, 2). to analyze the strength, weakness, opportunities and threats of Y company, and get the SWOT matrix, and 3). to draw the strategic quadrilateral through Y company's SWOT quantitative model. Qualitative method was used to analyze the current external environment and internal conditions of Y company. Quantitative method using SWOT analysis was employed to score the key elements and establish a judgment matrix. The strategic quadrilateral was drawn through the questionnaire survey of 10 experts and 10 senior management personnel of Y company to determine the type of strategic transformation of Y company. According to qualitative and quantitative analysis of Y company, the implementation plan of group strategic transformation was formulated and the strategy implementation path and safeguard measures taken were introduced in details. This study could form theoretical exploration for the strategic transformation of Y company, guide the reform

practice, provide inspiration and suggestions for the strategic decision makers of cloud investment group transformation and development, and provide reference for China's state-owned investment and financing platform companies.

**Keywords:** *Strategic Transformation, SWOT Analysis, Quantitative Analysis*

## Introduction

Since 2018, China's economic development has entered the new situation. Economic development has shifted from a stage of rapid growth to a stage of high-quality development (Yuan, 2022). This shows that the Chinese economy has arrived to a new period of improving quality and increasing efficiency, promoting economic transformation, while upgrading has become an important task and historical mission for China (Bei, 2018). The key reasons are as the followings: first, the continuous progress in supply-side structural reform; second, the active implementation of the innovation-driven development strategy, third, a shift in the pattern of economic growth from international to domestic demand (Tan, Zhang, Liu & Xu, 2021); and finally, a shift in the driving force from investment to consumption. The important measures to promote economic quality development among them are: accelerating the strategic adjustment of regional industrial structure, cultivating and developing new drivers of growth, and strengthening the driving force of innovation.

Y company, as the provincial government owned comprehensive investment and financing platform, is facing a big difficulty in development, reform, resource integration, and industrial collaboration, Y company is a strategic tool, investor, financing platform and business entity for the provincial government to promote the economic and social development. Founded in September 1997, the company has 30,000 employees and assets of more than 500 billion Yuan by August 2021, ranking 471st among the top 500 enterprises in the world. However, Y company is currently facing many difficulties. For example, it has set up a large number of subsidiaries in the development process, covering more than 100 types of business. The group is unable to effectively control its subsidiaries, resulting in serious losses.

In the process of completing the infrastructure construction task entrusted by the provincial government, Y company borrowed a lot from banks. At present, the asset-liability ratio has reached 73%, and the financial cost of the group's operation is very high. The marketization degree of its

group operation is very low, leading to an inability of senior executives to adapt to the fierce market competition. Since Y company's enterprise scale and total assets are relatively large, it is necessary to form a theoretical model first, establish the types of Y company's strategic transformation, and then provide path guidance for promoting strategic transformation.

### **Objectives of this research**

1. To determine the internal and external environment of Y company,
2. To analyze the strength, weakness, opportunities and threats of Y company, and get the SWOT matrix.
3. To draw the strategic quadrilateral through Y company's SWOT quantitative model.

### **Research questions**

The research questions were as follows:

1. How were the internal and external environment of Y company analyzed objectively?
2. How was SWOT model used to quantitatively analyze the strength, weakness, opportunities, and threats of Y company?
3. How was the comprehensive method used to quantify the qualitative SWOT model and get specific data?
4. How was the strategic quadrilateral of Y company drawn and the strategic focus of Y company calculated?
5. How was the type of corporate strategic transformation according to Y company's strategic focus determined and specific strategic transformation path and safeguard measures got?

### **Literature Review**

The strategic transformation of enterprises refers to the transformation of enterprises from traditional management and operation mode to modern company system mode that meets the requirements of future development (Holtström, 2022). Strategic transformation is the transformation from strategy A to strategy B. Where A or B can be business, logic, pattern, capability, etc. For example, the change of strategic logic from red sea to blue sea is strategic transformation (Wittman & Reuter, 2008). Shi Yuzhu from the brain platinum business to the journey of online game business

is strategic transformation (Wong, Tang & Van Horen, 2006); Haier's ability transformation from home appliance manufacturer to marketing and trade type also belongs to strategic transformation. Geely Auto's shift from low-end to mid-range auto products belongs to strategic transformation (Greenwald & Kahn, 2005).

From the perspective of practice, the purpose of strategic transformation of enterprises is to achieve growth and value improvement (Alves & Alves, 2015). Responding to this demand, analyzing and testing the value effect of strategic transformation on enterprises must become one of the important scientific issues in the academic circle (Kotler & Armstrong, 2007). If we ignore the concept of strategic transformation and the issues involved, and check the implementation of the strategic transformation in general impact on the performance of the company, then the research purpose and conclusion of strategic transformation seems to only focus on the "enterprise should implement the strategy transformation". In the context of economic transformation, the more important question is not "should implement the strategy transformation", but "how to implement the strategic transformation". Therefore, future research should revolve around the conceptual framework of enterprise strategic transformation. It is suggested to analysis and test all aspects of the combination of different impact on corporate performance difference from the path, the transformation patterns, forms, and many other aspects. On the basis of the enterprise and in the process of the implementation of the strategic transformation to select path, transformation pattern and form, the optimal transformation strategy can be selected during the implementation of strategic transformation. Through the above ideas, the research results can not only clearly analyze the impact path and mechanism of strategic transformation on enterprise value, but also clearly guide enterprises to successfully implement strategic transformation.

Since the term "strategic transformation" was put forward, there has been no relatively unified definition in academic circles. Harrington et al., an American scholar, believe that the transformation of enterprise strategy is an important strategy to change the previous mode, so as to obtain greater competitive advantage in the dynamic external environment. Chinese scholars Tang and Wang (2008) put forward strategic transformation in their research on the ability of enterprise transformation, that is, in the process of enterprise growth, enterprises took the initiative to integrate their own resources and capabilities in order to cope with complex and dynamic environmental changes. Liu (2016) argued that the purpose of strategic transformation was for enterprises to cope

with changes in the external environment, improve their resources and capabilities, and seek new competitive advantages to support enterprise survival and sustainable and stable development.

Xue, Zhou and Chu (2012) argued that it was not comprehensive to classify strategic transformation from a single perspective, and could not systematically reveal the basic attributes and characteristics of strategic transformation. Therefore, from the two dimensions of direction and degree of strategic transformation, they divided it into four basic modes.

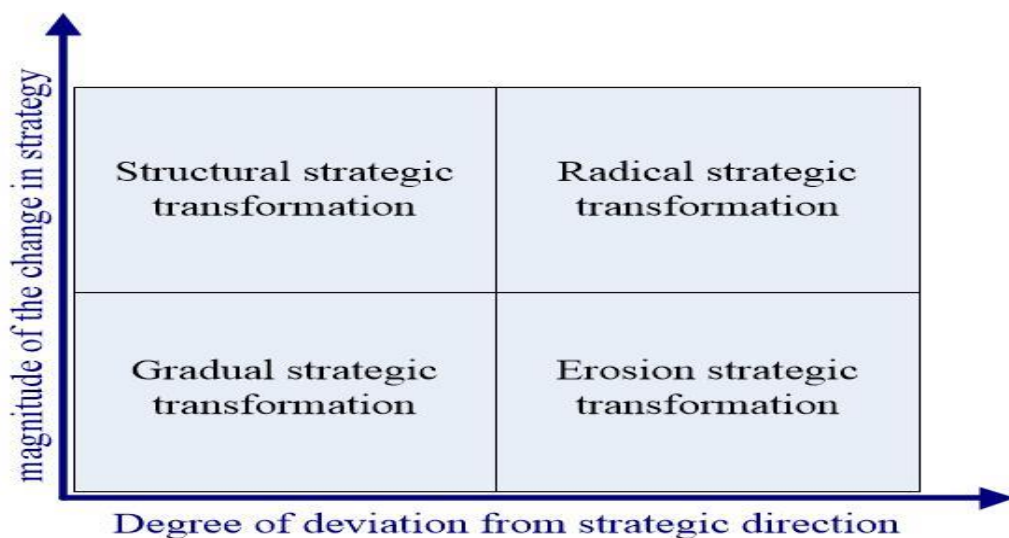


Figure 1. strategic transformation diagram

Source: Xue, Zhou & Chu (2012)

Chinese scholar Ming-jie, Jin-Xing and Liang-Sen (2005) divide enterprise strategic transformation into primary transformation and secondary transformation according to the degree of transformation. The former refers to the transformation of an enterprise according to its existing management habits and its own continuous improvement and growth. It is a process of gradual change, so it is also called "gradual transformation". The latter is also known as "revolutionary transformation". It is generally due to the great changes in the external environment, which make the existing development strategy of the enterprise unable to adapt to the new situation. Therefore, it is necessary to carry out profound and thorough transformation, which is large-scale and systematic.

SWOT analysis (Hill & Westbrook, 1997), based on internal and external competition environment and competition under the condition of situational analysis, is closely related to the object of study of various main internal strengths, weaknesses and external opportunities and threats, and so on. Through the investigation list, and according to the matrix form, we can use the idea of system analysis of factors to match each other. It draws a series of corresponding conclusions, which are usually of some decision-making nature. The situation of the research object can be comprehensively, systematically, and accurately studied using this method. It is able to formulate corresponding development strategies, plans and countermeasures according to the research results. 'S' is a strength, 'W' is a weakness, 'O' is an opportunity, and 'T' is a threat.

Chinese scholars Jiansheng (1995) used the Delphi method, vector, gradient, polar coordinates, and mathematical tools such as four and a half d coordinate system, puts forward the strengths, weaknesses, opportunities, threats, strength, and strategic strength coefficient concept. He constructed a SWOT quantitative model of marketing strategy analysis, make the scientific marketing strategy analysis more precise.

Feng, Wang and Zhang (2009) incorporated principal component analysis into strategic research in the research process, improved, and extended the traditional SWOT analysis framework. They positioned development strategies in the polar coordinate system, provided an operable approach for the objective formulation and effective implementation of strategies.

Li (2001) adopted SWOT in his research, combined with the model, and prospect hypothesis. The quantitative analysis is not complicated but very effective, so that enterprises can systematically analyze the complex factors in the process of strategic decision-making, and finally get an executive and two standby strategic plans.

Liu and Xue (2018) obtained the strategic intensity, attitude, and type by taking a movie studio as a case study. This analysis is a combination of three kinds of analysis tools, SWOT analysis, analytic hierarchy process, and meta-decision software. It built up AHP-SWOT strategic model on the basis of completion. By analyzing the strategic factors and their influence, the strategic quadrilateral was constructed.

**Methods**

This study aimed to study the strategic transformation system of Y company through the combination of theory and practice, qualitative and quantitative analysis. The procedure mainly include:

**(A) Qualitative research:** In order to objectively, truly, and reasonably reflect the actual effect of the current strategic transformation on Y company, in-depth interviews were conducted with 25 groups of seniors management and middle management personnel through field investigation, and basic information of the enterprise was collected. Obtaining a large amount of information about the situation of Y company included business benefits, business structure, organizational situation, human resources and other aspects of the content, and the problems needing attention in the process of formulating the transformation, and development strategy to ensure the reliability, authenticity, and comprehensiveness of the information.

**(B) Quantitative research:** The qualitative analysis of Y company in this study was reflected in the external environment analysis of the group from the national, regional and industrial levels, as well as the internal conditions of the group from its own advantages and existing problems. Quantitative analysis was embodied in the construction of SWOT quantitative model. 10 experts and seniors key factors were scored, judgment matrix was constructed, the relative importance of each key factor was calculated, and finally the total strength of each key factor was also calculated.

**Table 1. SWOT strategic factor judgment matrix of**

		SWOT influencing factors of YIG	
		Strength (S)	Weakness (W)
<p><b>Interior factors</b></p> <p><b>External factors</b></p>		1. Maintain a good cooperative relationship with the government; 2. Excellent location advantages; 3. Improvement of management and control ability; 4. Prominent advantages of the whole industrial chain; 5. Diversified industries; 6. Economies of scale.	1. Low degree of marketization; 2. Insufficient resource integration ability; 3. Weak financing capacity of capital; 4. Imperfect system and mechanism; 5. Insufficient training of talent team; 6. Industrial capacity is weak.
	<p><b>Opportunity (O)</b></p> 1. The new development pattern of China's domestic great cycle; 2. Opportunities brought by China's National Belt and Road Initiative; 3. New development opportunities for Yunnan; 4. China's huge demand for capital markets; 5. New infrastructure construction requires the participation of the Group; 6. Reform and development of China's banking industry.	<p><b>SO Strategy</b></p> make full use of China's national policies, give full play to the advantages of government-enterprise coordination, and continue to promote the diversification of industries and management capabilities driven by both domestic and international markets.	<p><b>WO Strategy</b></p> Further deepen the reform, expand the marketization degree of the group, focus on the capital market, attach importance to and strengthen talent introduction and training, and improve the group's management and control ability in practice.
<p><b>Threaten (T)</b></p> 1. The impact of anti-globalization trend; 2. Trade conflicts and technological competition; 3. Uncertainty of economic development in the context of COVID-19; 4. The upstream and downstream pressure of the industrial chain is greater; 5. Increasingly fierce market competition; 6. The capital market puts forward new requirements on the ability of management and control.	<p><b>ST Strategy</b></p> Based on the domestic market, give full play to the advantages of the whole industry chain of the group and enhance the penetration of the market in Yunnan Province.	<p><b>WT Strategy</b></p> Continuously integrate resources, optimize industrial structure, shrink industries heavily affected by trade impact and scientific and technological competition, so as to enhance team capacity and quality and strengthen competition in competitive areas.	

**Y company's strategic transformation**

The above scales were delivered to 10 experts and 10 senior management personnel of Y company respectively. The 10 experts included 3 teachers of strategic management course of University, 3 teachers of enterprise operation management course of Business School of a University of Finance and Economics and 4 officials of Provincial government. The 10 management personnel include Y company's chairman, general manager, director of strategic planning department, deputy director of operation and management department, deputy director of financial management department, deputy director of human resources department, and 4 chairmen of Y company's subsidiaries.

### Results

Through the evaluation of 10 experts and 10 group executives, a ranking table of evaluation indicators could be obtained through matrix calculation.

**Table 2. Weight and ranking of SWOT factor evaluation indicators of Y company**

Ranking table of YIG evaluation indicators					
Level indicators	Weight in the group	Secondary indicators	Weight in the group	Combination weights	Sorting
S	0.3664	S1	0.3189	0.1168	1
		S2	0.1142	0.0418	11
		S3	0.0984	0.0361	13
		S4	0.1614	0.0591	8
		S5	0.1575	0.0577	9
		S6	0.1496	0.0548	10
W	0.1679	W1	0.3602	0.0605	7
		W2	0.1667	0.0280	16
		W3	0.1695	0.0285	15
		W4	0.1236	0.0208	20
		W5	0.0777	0.0130	24
		W6	0.1024	0.0172	22
O	0.3664	O1	0.1127	0.0413	12
		O2	0.0704	0.0258	19
		O3	0.2535	0.0929	2
		O4	0.2465	0.0903	3
		O5	0.2218	0.0813	4
		O6	0.0951	0.0348	14
T	0.0992	T1	0.8000	0.0794	5
		T2	0.8000	0.0794	5
		T3	0.1745	0.0173	21
		T4	0.1418	0.0141	23
		T5	0.2618	0.0260	17
		T6	0.2618	0.0260	17



By formula:

$$\text{Total strength of strategic factors} = \sum (\text{factor score} * \text{Factor weight})$$

Calculate the total strength of strategic factors in all aspects:

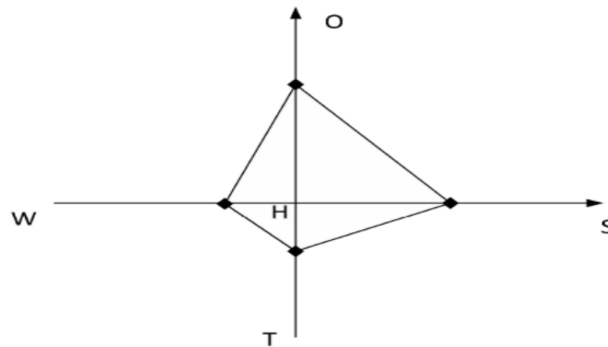
The results were as follows: the total dominant strength  $S=1.0833$

Total inferior strength  $W = -0.5155$

Total opportunity intensity  $O=1.2063$

Total threat intensity  $T = -0.4967$

According to the calculated values of S, W, O and T, the coordinate system was constituted, and corresponding points on the coordinate axis were connected successively to obtain the strategic quadrilateral:



**Figure 2. Strategic Quadrilateral of Y company**

The strategic type of Y company could be determined according to the barycenter coordinates of SWOT strategic quadrilateral. Let the closed area enclosed by the SWOT strategic quadrilateral be denoted as D, where S ( $X_1, 0$ ), W ( $X_2, 0$ ), O ( $0, Y_1$ ), and T ( $0, Y_2$ ). Let the barycentric coordinate of the plane figure D be P ( $X, Y$ ) and the azimuth be  $\theta$ , and the formula were as follows:

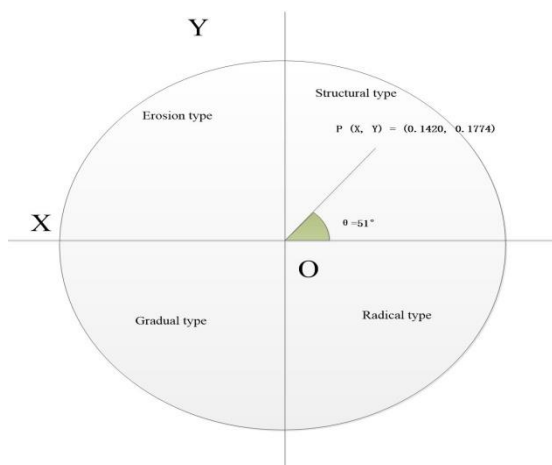
$$P = (X, Y) = \left( \frac{X_1 + X_2}{4}, \frac{Y_1 + Y_2}{4} \right)$$

$$\theta = \arctan \frac{Y}{X} = \arctan \frac{Y_1 + Y_2}{X_1 + X_2} \quad (0 \leq \theta < 2\pi)$$

Plugging the relevant values into the formula,

The strategic center P ( $X, Y$ ) = (0.1420, 0.1774),  $\theta=51^\circ$ .

According to the values of P and  $\theta$ , the position of Y company strategic transformation type was plotted in the coordinate system.



**Figure 3. Schematic diagram of Y company's strategy types**

According to the above schematic diagram of strategic transformation selection, since the barycenter coordinate of Y company's strategic quadrilateral was located at the upper right, it can be concluded that "Y company's strategic transformation type was structural".

By calculating the center of gravity P of the strategic quadrilateral, it can be concluded that the strategic transformation type of Y company was structural.

According to the types of strategic transformation of Y company, the following four principles should be paid attention to in the specific implementation process: market-oriented orientation principle, principle of coordinated development, the principle of incremental profitability, and wholeness principles.

To guarantee measures for strategic transformation of Y company, strengthen strategic management and control capabilities, the followings should be noted:

First, to change from business management and material management to value management and investment management, the functions of production and operation had been gradually delegated to each subsidiary company. The headquarters of the group was mainly responsible for carrying out asset management and capital operation within the framework of strategic planning, and reducing its participation in direct business operation and physical management.

Second, the grouped headquarters gradually expanded the scope of authorization for its subsidiaries, and the management and control of the enterprise shifted from operational control to strategic control and financial control.

Third, to focus on the realization of long-term strategic goals from short-term business results, the grouped headquarters clearly defined the strategic planning, paid attention to the management of strategic guidance and planning and design, and reduced the management and intervention of short-term and specific affairs.

Fourth, the transformation from administrative subordination management to property management further improved the corporate governance system of the group, the grouped headquarters strictly ran in accordance with the amount of capital contribution and equity proportion to exercise the shareholder rights of each subsidiary.

Fifth, it is essential to change from focusing on enterprise management and operation to paying more attention to state-owned capital structure and cultivating competitiveness. The grouped headquarters would pay more attention to the capital structure, asset allocation, business coordination, and other major issues from the strategic level as well as adopt more scientific capital operation and asset management methods to realize the maintenance and increase of state-owned assets.

Sixth, the grouped headquarters would shift its focus from professional management to strategic and business coordination. The management and control of business segments and subsidiaries of the group would weaken the function of professional guidance and management, and strengthen the coordination function.

## Discussion

In recent years, many scholars in China and other countries have used quantitative models to study the strategic transformation of enterprises. This study fully drew on previous research results and used comprehensive methods to establish a SWOT quantitative model to obtain the path and guarantee measures for Y company's strategic transformation.

The similarity between this study and that of Yue (2019) on Y company's strategic transformation lay in the use of mature SWOT quantitative model. The conclusion was that Y company needed to seek the survival and development of the enterprise through strategic transformation because the change of the current economic situation was indeed the motivation for all state-owned enterprises and private enterprises in China to carry out strategic transformation.

The point of dissimilarity between this study and that of Dai (2020) on Y company's strategic transformation lay in that, through SWOT quantitative model analysis, Y company's strategic transformation type was structural. Previous research conclusions on Y company's strategic transformation were mainly gradual, and some conclusions were radical because the questionnaire survey and data acquisition were from Y company's senior executives, government officials, and university teachers who were directly involved in the supervision and consultation of the enterprise. It is obvious that the conclusions drawn in this study were closer to the actual situation of Y company and provided reliable theoretical basis for Y company's strategic transformation.

## Conclusion

The conclusion of this study was as follows:

(1) Since the state-owned enterprise was owned by the province, Y company had many connections with the provincial government, and the policy variability would have a great impact on the strategic transformation of the group. In the research process, the author assumed that the government policy would remain stable for a long time, but this was difficult to achieve in practical operation.

(2) In the quantitative analysis of SWOT model of Y company, the limitation was questionnaire survey and simple weight analysis, transformation ability which was not analyzed and evaluated and should be further studied in the future .

(3) Before carrying out strategic transformation, enterprises should determine whether the current situation was suitable for strategic transformation. It is necessary to know scientifically which aspects of the enterprise's capabilities at present could not meet the future strategic needs. On the other hand, it is necessary to draw the conclusion whether the enterprise needed to carry out strategic transformation at present.

(4) Strategic transformation should put the emphasis on the importance of the change of concept. Under the new economic environment, the most critical point in the transformation of state-owned enterprises was to change the concept of people, the inherent ideology, and mode of thinking. Enterprise transformation should start from the change of senior managers' thinking mode leading to the transformation of enterprise strategy with the change of senior managers' ideas, and gradually implementing the change of ideology to the majority of lower-level employees. Only when

enterprises unified the new concept of transformation, could they advance with the times, strengthen confidence, face up to challenges, and jointly create a new development situation of the company.

(5) The sustainable development of enterprises should turn to the objective law of market development. The external market environment faced by enterprises was constantly changing, so if an enterprise wanted to achieve sustainable development, it had to constantly respond to the changes of the external market. However, the ever-changing market was inseparable from the objective law of market development. Actually, anyone had to pay for products that created value for customers. Enterprises should seriously understand the changes and rules of the market, and then constantly turned to the origin of the market rules so as to realize the sustainable development of enterprises.

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