Research on the Development of Organizational Capability in Internet Technology Enterprises — A Case Study of Waterdrop Inc.

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Abstract: This study employs Professor Yang Guoan's "Yang Triangle of Organizational Capability" theory, using Waterdrop Inc. as a case study, to explore the development of organizational capabilities in internet technology companies, providing a reference for other internet companies to better achieve organizational improvement.

Keywords: organizational capability, internet technology enterprises, waterdrop inc., strategy, talent development, management innovation

1. Introduction

1.1 Research background

In the swiftly evolving domain of internet technology, companies within this sector have emerged as key drivers of socio-economic progress. Yet, they are often impeded by inadequate management and the struggle to achieve profitability, with many succumbing during economic downturns. Professor Yang Guoan's research underscores the necessity for companies to have both a sound strategy and robust organizational capabilities for sustained success. Recognizing the importance of these complementary elements, Peng SHEN, the founder of Waterdrop Inc., conducted an extensive study on his company's organizational capabilities between 2018 and 2019. This research integrated field studies with theoretical literature and practical case analysis, aiming to equip CEOs and executive teams of industrial internet technology companies with the knowledge to devise effective growth strategies.

This thesis is constructed around the Yang Triangle theory model of organizational capabilities and includes an organizational capability diagnostic test. It takes Waterdrop Inc. and 133 other internet technology companies as subjects of analysis, examining dimensions such as strategy, organizational capabilities, employee capabilities, employee thinking, and employee governance. The goal is to chart a course for enhancing Waterdrop Inc.'s organizational capabilities. The findings indicate that while Waterdrop Inc. has developed organizational capabilities in certain areas, there is significant room for further strengthening these attributes.

By employing the SWOT analysis model, the management at Waterdrop Inc. can objectively assess the current organizational capabilities, identify prevalent issues, and authentically hear the voices of their employees, thus providing a channel for feedback. This insight is instrumental in enabling the company to develop targeted plans for improvement and to bolster its organizational capabilities in support of strategic execution.

1.2 Literature Review

Corporate growth is a hot topic in the field of entrepreneurial research. The growth of new businesses differs from that of established companies, and their growth processes and strategies have always been a focus of academic attention. Literature on corporate growth is mainly divided into two types: linear growth and non-linear growth. The linear growth perspective divides corporate growth into different stages, while the non-linear growth perspective believes that there is no universal order to corporate growth, with different companies having different development paths due to individual differences and environmental factors.

Zhang Jie and Wang Xiao's research focuses on the financial growth cycles and financing structure changes of small and medium-sized enterprises (SMEs), providing policy recommendations for the financing difficulties faced by SMEs. Guo Hai and others' research explores the impact of organizational legitimacy on corporate growth, finding that political legitimacy and market legitimacy have different impacts on corporate growth. Zhou Jian and Wang Qingjin's research, based on the resource-based theory and entrepreneurial opportunity theory, discusses the role of entrepreneurial dynamic capabilities in entrepreneurial growth. Zhang Junqiang's research uses event path analysis to explore the growth path of Chinese internet companies. Zhang Zhenggang and others' research discusses the impact of the implementation of management innovation

on the growth of SMEs.

Professor Yang Guoan, in his book "The Yang Triangle of Organizational Capability," proposes the formula for enterprise success: Successful Enterprise = Strategy × Organizational Capability, emphasizing the multiplicative relationship between high-quality strategy and strong organizational capabilities. Organizational capabilities are the overall combat effectiveness of a team, characterized by sustainability, value creation for customers, and surpassing competitors. Organizational capabilities need to be focused and clearly defined so that teams can concentrate their energy and resources on developing them.

2. Development Stage Analysis of Waterdrop Inc.

2.1 Company Profile as of the End of 2018

In 2016, Peng SHEN, then head of Meituan's food delivery, identified an opportunity to address China's aging population and the inefficiency of personal fundraising for medical costs through internet technology. Leaving Meituan, he established Waterdrop Inc., which quickly gained support from investors like Tencent and Meituan. The company developed three main businesses: Waterdrop Medical Crowdfunding, Waterdrop Mutual, and Waterdrop Insurance Marketplace, achieving rapid growth in China's lower-tier cities and becoming a leader in online health insurance.

Waterdrop Medical Crowdfunding has raised significant funds for those in need, joined the charity sector, and initiated self-regulation to enhance standards. Waterdrop Charity extends the company's social impact. Waterdrop Mutual provides low-cost protection against major illnesses and accidents, while Waterdrop Insurance Marketplace, the company's primary revenue stream, partners with top insurers to offer tailored insurance products, leveraging big data to improve user experience and operational efficiency.

Positioned within a competitive landscape, Waterdrop Inc. operates a 'three-stage rocket' model, converting donors into mutual aid members and insurance customers, establishing a symbiotic ecosystem of pre- and post-incident protection. This strategy has effectively increased user engagement, setting Waterdrop apart in the insurance market. Shen's vision for Waterdrop is to become a self-sustaining company, symbolized by its name that reflects accumulation and transparency.

In 2018, the Chinese internet industry began to enter the "second half" development period with slower growth, but Waterdrop Inc. still grew against the trend. As of March 2017, in addition to Tencent Group, Meituan Group, DST Global, Gaorong Capital, ZhenFund, Innovation Works, IDG Capital, Cheetah Mobile CEO Sheng FU, former Tencent e-commerce CEO Xiaoguang WU, RedAvenue Chairman Ning ZHANG, and many senior executives of Meituan and Dianping have become shareholders of Waterdrop Inc. Expanding its social impact, Waterdrop Inc. launched Waterdrop Charity in July 2018, focusing on education, disaster relief, and illness support. In April 2019, Waterdrop Inc. and One Foundation entered into a strategic partnership to support parents of children with intellectual disabilities, in a ceremony attended by notable figures like Jet LI and Pony MA.

Therefore, Waterdrop Inc. and Peng SHEN have also received several honors in recent years:

2018: Social Enterprise of the Year Award

2018 Hurun 30 Under 30 China Entrepreneur Leaders List

2018 Fortune China 40 Under 40 Business Elites

2017 Forbes Asia 30 Under 30 List

2017: Entrepreneurship Black Horse TOP100 Most Promising Startup Ventures

36Kr WISE2017 New Commerce 100 Annual Ranking - Outstanding Series A Company of the Year

2017: Featured on Deloitte China's Rising Stars list

2017 "China Entrepreneur" Future Luminaries

2.2 Growth Phase Analysis of Waterdrop Inc.

Since its establishment in 2016, Waterdrop Inc. has undergone rapid growth, with the number of employees approaching 1,000. The company is currently in a growth phase, and despite the swift development of its business, there is still room for improvement in user retention. Faced with fierce market competition, CEO Peng SHEN recognises the importance of enhancing user experience and organisational construction to avoid the pitfalls that have led to the decline of some internet technology companies during their growth phase due to a focus on speed. As the company is relatively young, most employees joined during the second and third years of its founding, and many are still in the 'honeymoon phase' with the organisation. Over the past three years, the company has expanded rapidly, propelled by market dividends, yet the health of the organisation could be improved. Currently, Waterdrop Inc. has not yet established a comprehensive system of job ranks, assessment mechanisms, and budget management systems, which are fundamental to good management practices. Peng SHEN, drawing on his extensive experience managing Meituan's food delivery service at Meituan, places great emphasis on

cultural construction and talent development. He understands that a firm commitment to investing resources in the research of organisational capability growth is essential to enhance the organisation's capabilities and drive the company forward.

3. Assessment of Waterdrop Inc.'s Current Organizational Capabilities

3.1 Survey Design and Sampling

The principal shareholder of Waterdrop Inc. is Tencent Group. When Waterdrop Inc.'s HR Director presented the concept of enhancing the company's organizational capabilities to the senior management of Tencent's Investment and Mergers Department, they suggested joining Tencent's organizational capability assessment. To assist its portfolio companies in developing specific improvement action plans tailored to their organizational capability status, and to ensure that organizational capabilities effectively support strategic execution, Tencent's President's Office, along with the relevant staff from the Human Resources Department, collaborated with Professor Yang Guo'an to design an organizational capability diagnostic survey based on the key elements of the "Yang Triangle Model" of organizational capability. As of November 1, 2018, 134 internet technology companies had completed Tencent Group's organizational capability diagnostic survey for the entire year.

The diagnostic questionnaire addresses five main dimensions: Strategy, Organizational Capability, Employee Capability, Employee Mindset, and Employee Governance. Within the framework,

(1) The strategic dimension encompasses:

Strategic Fit: Examining whether the field in question possesses characteristics of high profitability and growth.

Strategic Acceptance: Assessing whether employees understand and agree with the company's strategic direction.

(2) The organisational capability dimension includes:

Customer Orientation: Assessing whether the company can identify and meet customer preferences and needs.

Innovation: Evaluating whether the company encourages and praises team innovation.

Agility: Determining whether the company can quickly adapt to changes in the external environment.

Cost: Investigating whether the company can provide products or services at a lower cost.

Quality: Assessing whether the company can offer higher quality products or services.

Execution: Evaluating whether the company can efficiently implement strategic plans.

(3) The employee capability dimension comprises:

Employee Capability Health: Assessing whether the leadership team and key employees possess sufficient strength.

Talent Acquisition: Evaluating whether the company can attract outstanding talent.

Training and Development: Determining whether the company can cultivate talent and promote rapid growth.

Retention: Investigating whether the company can retain excellent talent.

Elimination: Assessing whether the company can remove unsuitable personnel.

(4) The employee mindset dimension includes:

Employee Mindset Health: Evaluating whether supervisors and employees have a high level of engagement and appropriate behavioural values.

Cultural Values: Assessing whether supervisors and employees identify with the company's cultural values.

Performance Incentives: Determining whether the promotion and rewards of supervisors and employees are linked to their performance contributions.

(5) The employee governance dimension comprises:

Employee Governance Health: This pertains to the assessment of the availability of critical managerial resources that facilitate task completion by employees.

Organizational Operations: This involves evaluating the clarity and efficiency of the company's division of labor and collaborative efforts.

Communication: This aspect investigates the fluidity of internal communication within the company.

Process IT Support: This dimension assesses the capacity of the company's information systems to support business and managerial requirements.

Between October 11 and November 1, 2018, Waterdrop Inc. engaged its entire workforce, totaling 724 employees, in an anonymous online survey facilitated by Tencent Group, known as the Organizational Capability Diagnostic Survey. The Human Resources Department at Tencent Group played a crucial role in the collection of data, ensuring both the security and accuracy of the information and the survey's completion. The survey yielded 675 valid responses, indicating a robust participation rate of 93.23%.

The survey captured the basic information of participants, including their position, department, tenure with the company,

educational background, gender, and age. The survey was conducted over a period from October 11 to October 31, 2018. The departments represented include Waterdrop Mutual, Waterdrop Crowdfunding, Waterdrop Insurance Marketplace, R&D and Design, Business - User Content, Business Analysis - Monetization Investigation, Administration, Marketing, Human Resources, and Finance - Legal Affairs.

The diagnostic results for Waterdrop Inc.'s Organizational Capability revealed several insights:

The company excelled in sub-dimensions such as Cultural Values, Retention, Organizational Operations, Cost, and Employee Capability Health. For instance, respondents agreed that the company has a clear set of core values and a code of conduct, can retain top talent, has mechanisms for quick customer response, can effectively reduce costs, and that senior management can define and execute business development strategies.

However, in areas such as IT Support for Processes, Strategy Suitability, and Strategy Acceptance, Waterdrop Inc.'s scores were comparatively lower. Employees felt that the internal management information systems and business information systems could be more efficient in supporting their work. They also reported a less clear understanding of how their work connected to the company's strategy and a somewhat vague comprehension of the company's business development direction.

Despite these areas for improvement, Waterdrop Inc.'s employee confidence score was an impressive 89%, placing it in the 91st percentile among the 134 internet technology companies that participated in the survey in 2018.

The highest-ranking indicators for Waterdrop Inc. included:

Cultural Values: Employees strongly agreed that the company has a clear set of core values and a code of conduct (P95).

Retention: Employees believed the company could retain outstanding talent (P94).

Organizational Operations: Employees felt the company had sufficient mechanisms for rapid customer response (P94).

Cost: Employees believed the company could effectively reduce costs and eliminate waste (P94).

Employee Capability Health: Employees believed senior management could set and drive business development strategies (P94).

The lowest-ranking indicators included:

Process IT Support: Employees felt that internal management information systems could better support their work (P37).

Strategic Fit: Employees believed the company had established competitive barriers that were difficult to imitate (P38).

Process IT Support (again): Employees felt that business information systems could support their work more efficiently (P49).

Strategic Acceptance: Employees reported awareness of the connection between their work and the company's strategy (P59).

Strategic Acceptance: Employees reported a clear understanding of the company's business development direction (P60).

The subsequent analysis will delve deeper into Waterdrop Inc.'s performance across the five primary dimensions of Strategy, Organizational Capability, Employee Capability, Employee Mindset, and Employee Governance.

3.2 Strategy

The Organizational Capability diagnostic assessment of the strategy dimension is divided into two parts: Strategy Suitability and Strategy Acceptance. According to this survey, Waterdrop Inc.'s strategy dimension results are as follows:

Waterdrop Inc.'s Strategy Suitability scored 66%, placing it in the 38th percentile of the 134 internet technology companies that took part in Tencent's 2018 survey; the overall Strategy Acceptance score for all employees was 77%, ranking it at the 60th percentile within the same group.

3.3 Organizational Capability

The Organizational Capability dimension is assessed in two areas: Organizational Capability Health and Organizational Capability.

The Organizational Capability Health evaluation for Waterdrop Inc. is as follows:

The company's overall Organizational Capability Health Index (OCI) score was 70%, ranking in the 87th percentile among the 134 internet technology companies surveyed nationwide in 2018. Yang Guo'an and Tencent Consulting experts identified Customer Orientation, Innovation, and Agility as the three most performance-relevant aspects of Organizational Capability. The average employee recognition of these three elements contributes to the company's Organizational Capability Health score. After full participation, Waterdrop Inc. employees rated Customer Orientation recognition at 65%, Innovation recognition at 70%, and Agility recognition at 76%. All three scores rank in the 80th percentile or higher among the 134 internet technology companies that participated in Tencent Group's 2018 Organizational Capability Diagnostic Survey.

Waterdrop Inc.'s Organizational Capability assessment results are as follows:

The Customer Orientation index received a score of 65%, ranking in the 86th percentile among the 134 internet technology companies that participated in Tencent Group's 2018 Organizational Capability Diagnostic Survey. The Innovation index was 70%, placing it in the 81st percentile. The Agility index scored 76%, ranking in the 92nd percentile. The Quality index was 79%, positioning it in the 81st percentile. The Cost index scored 76%, placing it in the 94th percentile, and the Execution index also scored 76%, placing it in the 82nd percentile among the companies surveyed.

3.4 Employee Capability

The Employee Capability dimension is divided into Employee Capability Health and Employee Capability.

Waterdrop Inc.'s Employee Capability Health results are as follows:

The overall Employee Capability Health index score was 82%, ranking in the 87th percentile among the 134 internet technology companies surveyed in 2018.

Waterdrop Inc.'s Employee Capability results are as follows:

The Talent Acquisition index scored 63%, ranking in the 77th percentile; the Training and Development index scored 71%, placing it in the 88th percentile; the Employee Retention index scored 67%, ranking in the 94th percentile; and the Employee Dismissal index scored 66%, placing it in the 87th percentile among the 134 internet technology companies that participated in Tencent Group's 2018 Organizational Capability Diagnostic Survey.

3.5 Employee Mindset

The Employee Mindset dimension is evaluated through two aspects: Employee Mindset Health and Employee Mindset.

Results from the Employee Mindset Health assessment for Waterdrop Inc.:

The company's Employee Mindset Health Score was 82%, ranking it in the 86th percentile among 134 internet technology companies surveyed nationwide in 2018.

Results from the Employee Mindset assessment for Waterdrop Inc.:

The Cultural Values score of Waterdrop Inc. was 89%, placing it in the 90th percentile among the 134 internet technology companies that participated in Tencent Group's Organizational Capability Diagnostic Survey in 2018. Additionally, the company's Performance Incentives score was 67%, ranking it in the 76th percentile among the same group of companies.

3.6 Employee Governance

The Employee Governance dimension is evaluated through two aspects: Employee Governance Health and Employee Governance.

Results from the Employee Governance Health assessment for Waterdrop Inc.:

The company's Employee Governance Health score was 75%, positioning it in the 78th percentile among 134 internet technology companies surveyed nationwide in 2018.

Results from the Employee Governance assessment for Waterdrop Inc.:

Waterdrop Inc.'s Organizational Operations score was 68%, placing it in the 78th percentile among 134 internet technology companies that participated in Tencent Group's Organizational Capability diagnostic survey in 2018. The company's Information Communication score was 71%, positioning it in the 84th percentile, and its IT Support for Processes score was 56%, ranking it in the 53rd percentile among the same group of companies.

3.7 Comprehensive Analysis and Evaluation of Waterdrop Inc.

Waterdrop Inc. has achieved high scores in Cultural Values, Retention, Organizational Operations, Cost Management, and Employee Capability Health, all of which are ranked above the 90th percentile among the 134 internet technology companies included in Tencent Group's Organizational Capability Diagnostic survey Conducted in 2018. These strengths are valuable assets that the company should continue to capitalize on.

For the sub-dimensions of IT Support for Processes, Strategy Suitability, and Strategy Acceptance, concerning questions such as "The company's internal management information systems (e.g., OA, knowledge management systems, eHR, financial systems, etc.) help me work efficiently,", "The company has established significant competitive barriers that are difficult for competitors to replicate,", "The company's business information systems (e.g., CRM, ERP, etc.) enable me to work efficiently,", "I am aware of the clear connection between my work and the company's strategy,", and "I have a clear understanding of the company's business development direction," Waterdrop Inc. scored lower, ranging between the 35th and 60th percentiles among the 134 internet technology companies that participated in Tencent Group's Organizational Capability Diagnostic Survey in 2018.

Nevertheless, the Employee Confidence Index at Waterdrop Inc. was 89%, positioning it at the 91st percentile among

the 134 internet technology companies that participated in Tencent Group's Organizational Capability Diagnostic Survey in 2018. This suggests that the majority of employees at Waterdrop Inc. are committed and capable of collaborating with the company to address the areas needing improvement identified above.

4. Overall Approach and Strategy for Waterdrop Inc.'s Healthier Development

4.1 Overall Approach for Waterdrop Inc.'s Healthier Growth

According to the results from the Organizational Capability Diagnostic Survey, Waterdrop Inc. should focus on making significant optimizations in the areas of Strategy and Employee Governance.

In the realm of strategy, there is a consensus among all management personnel to place greater emphasis on achieving the complete cycle from strategy formulation to implementation.

As for Employee Governance, the first step is to optimize and update the company's Employee Governance framework while continuing to enhance cultural and process-related developments that align with these principles. The company should prioritize the IT Support for Processes in the most critical areas, ensuring that the system meets real business needs by increasing financial and R&D investment where necessary. Additionally, better support for efficient employee operations should be ensured through improved OA, knowledge management, eHR, financial, CRM, and ERP systems.

4.2 Detailed Strategy for Achieving Healthier Growth

With the mission of "To leverage internet technology in promoting widespread access to medical care and insurance, safeguarding hundreds of millions of families" and the vision "to build a company with a valuation exceeding $10 billion," Waterdrop Inc.'s CEO Peng SHEN, who heads the strategy group, along with co-founder and Operations Director Wei RAN, who oversees the company's strategic upgrades, led the core team in applying the SWOT analysis framework to explore how to further improve the company's strategy loop.

Between December 2018 and March 2019, Waterdrop Inc. held two CEO + Core Executives Strategic Discussions and one CEO, Core Executives, and Middle Management Strategic Alignment Meeting. During these sessions, they employed the SWOT analysis approach to evaluate Waterdrop Inc.'s current situation, ultimately reaching a consensus on actionable plans for implementation.

4.3 Detailed Countermeasures

From December 2018 to March 2019, Waterdrop Inc. conducted two CEO + Core Executives Strategic Discussions and one CEO, Core Executives, and Middle Management Strategic Consensus Meeting. These meetings led to the formulation of strategic actions, which were implemented starting in April 2019.

Using the SWOT analysis method, the core leadership team assessed Waterdrop Inc.'s status, resulting in the following insights:

Potential External Opportunities:

Policy support from CBIRC for protection-oriented insurance products.

Limited investment channels due to global economic shifts, spurring interest in insurance.

Advances in medical technology and a rapidly growing internet health insurance market.

Increased insurance awareness among younger demographics and in lower-tier cities.

Expansion of mobile payments and super-apps in third- to fifth-tier cities.

Potential External Threats:

A cautious investment climate towards internet technology companies.

Regulatory scrutiny from CBIRC on internet insurance innovations.

Lack of voluntary insurance purchasing among consumers.

Competition from established insurers and new entrants like Ant Group.

Emergence of various internet life insurance platforms.

Current organizational weaknesses:

Confusion among users regarding Waterdrop's brand offerings.

Dissatisfaction with the user acquisition process.

Reluctance to recommend Waterdrop's services.

A lack of product diversity in insurance offerings.

Shortages in insurance management and industry specialist talent.

Need for optimization in service delivery and big data analytics.

Waterdrop Inc. must prioritize both W-T (Weaknesses-Threats) and S-O (Strengths-Opportunities) strategic combinations: The W-T strategic combination addresses the interplay between organizational weaknesses and external threats. As the company's external threats correlate with its weaknesses, rapid improvement of deficiencies is crucial to avoid potentially fatal setbacks. Consequently, no organization should disregard the W-T strategic combination, as only by swiftly reversing its weaknesses can it achieve sustainable growth. The S-O strategic combination aligns organizational strengths with environmental opportunities. For Waterdrop Inc., successfully leveraging its strengths while capitalizing on external opportunities presents the chance to establish genuine competitive moats based on the core competencies of its team. This strategic approach warrants attention from the majority of internet technology companies. Given the rapid growth of China's insurance market and the company's relatively robust financial and talent reserves, following extensive deliberation, the middle and senior management incline towards adopting the S-O strategic combination from the SWOT analysis framework. This approach aims to comprehensively accelerate business development aligned with the company's mission and vision by harnessing internal strengths and external opportunities, while concurrently emphasizing W-T strategy-related initiatives to swiftly address current deficiencies.

The aforementioned middle and senior management consensus centers on the company's founding mission: "To leverage internet technology in promoting widespread access to medical care and insurance, safeguarding hundreds of millions of families," alongside the vision of "attaining a valuation of tens of billions of dollars by 2021." Informed by the SWOT analysis outcomes, the leadership team opted to iterate upon the company's previous strategic direction (which involved offering high value-for-money health insurance to post-80s tech industry professionals and internet users in tier-three, four, and five cities via WeChat). They established an annual target of "achieving a minimum of RMB 3 billion in annualized life insurance premiums in 2019," while concurrently resolving to deliver an enhanced user experience compared to previous offerings. Looking ahead, the executive decision is to pursue a "de-WeChat-ification" strategy, allocating increased resources towards user acquisition and retention through alternative app platforms. Simultaneously, they aim to provide improved and more comprehensive services to the broader national population, expanding beyond the initial focus on post-80s tech industry professionals and internet users in lower-tier cities. This strategic direction necessitates that Waterdrop Inc. broaden its range of protection products and service delivery methods while maintaining a high-quality user experience. Following extensive examination of critical points and associated concepts, the CEO, core executive team, and middle management collaboratively developed Waterdrop Inc.'s 2019 strategy: "Optimize the online direct conversion efficiency of Waterdrop Medical Crowdfunding and Waterdrop Mutual, diversify life insurance service models, enhance user experience, and attain a minimum of RMB 3 billion in annualized premium revenue."

Following multiple rounds of strategic alignment discussions, grounded in Waterdrop Inc.'s mission "To leverage internet technology in promoting widespread access to medical care and insurance, safeguarding hundreds of millions of families," long-term vision: "to be the first career choice for China's ambitious youth," and medium-term vision: "to become China's leading internet health insurance brand," the company's middle and senior management unanimously view Waterdrop Inc. as a noble enterprise that instills pride and possesses inherent talent attraction capabilities. Talent is regarded as the company's most valuable asset and product, with the sustained rapid growth of internet companies being primarily driven by employee initiative and expertise. Consequently, the company aspires to attract a substantial pool of exceptional talent in the future, recognizing this as the sole means to fulfil its grand mission of "To leverage internet technology in promoting widespread access to medical care and insurance, safeguarding hundreds of millions of families." In this context, "safeguarding" encompasses not only the provision of medical funds but also the delivery of efficient and dependable medical services. From a B2C internet perspective, life insurance serves as a primary gateway to medical services, and the current level of digitalization in this domain remains suboptimal. Thus, the company's strategy involves first establishing a robust life insurance business before venturing into the medical service sector. Predicated on these considerations, the management team ultimately crystallized the medium-term vision of "to become China's leading internet health insurance brand."

Concurrently, they resolved to reinforce the company's core values of "putting users first, maintaining integrity and rigor, pursuing excellence, embracing openness, adaptability, frugality, diligence, and fostering continuous learning and growth." They established the operational ethos of "internally approaching the company as a product, cultivating the team with patience; externally, earning trust and persistently generating authentic value for customers."

They also solidified Waterdrop Inc.'s long-term strategy strategy goal: "Waterdrop Inc. aims to establish a Chinese equivalent of UnitedHealth Group. " The company's 2019 strategy is: "to optimize online direct conversion efficiency for Waterdrop Medical Crowdfunding, Waterdrop Mutual, and other platforms, diversify life insurance service models, enhance user experience, and attain a minimum of RMB 3 billion in annualized premium revenue."

In this context, "diverse service models" encompasses: maintaining excellence in online direct sales while identifying

potential users with insurance needs, exploring various insurance sales service channels including community-based approaches, telemarketing, and face-to-face sales, and implementing a roadmap that integrates a broader spectrum of life insurance service models. On the business front, the company will introduce the "Penguin Insurance" initiative, leveraging a service model of "online engagement with potential users + telemarketing support," alongside the "Quick Buy" operation, employing an "online interaction with potential users + face-to-face sales assistance" approach. These new ventures will complement the existing Waterdrop Insurance Marketplace's "online direct sales of health insurance" service model.

Grounded in the company's 2019 strategy, business deployment, and current operational landscape, Waterdrop Inc.'s core management team engaged in discussions concerning Employee Governance. They first reaffirmed the principle that "human capital is the company's most valuable asset and its most crucial product." Regarding talent development, they devised a 2019 talent nurturing and acquisition plan aligned with the company's 2019 strategy: maintain a talent pool of more than triple the required number of general managers (with a 70% internal development and 30% external recruitment ratio), source an increased number of high-caliber middle and senior managers through executive search firms and other channels, recruit training directors from prominent organizations such as ByteDance Group and Alibaba Group, while prioritizing the establishment of a robust training department and executive development programs. In day-to-day operations, the three primary organizational capabilities—service capability, scenario capability, and big data capability—have been enhanced through periodic corrections and routine training. Internally, the company should adopt comprehensive KPI assessments and trial the OKR methodology in selected business modules. The employee evaluation process should integrate KPIs focused on improving user experience and bolstering risk control and compliance. Following organizational capability diagnostics and strategic workshops, senior and middle management, along with the HR team, have begun to prioritize the development of workflow processes and related IT support. Additionally, they have taken a more serious approach to building the HR system, financial management procedures, and the supporting IT infrastructure. Following thorough discussions, a consensus was reached to establish a specialized team within the internal R&D department for developing IT systems pertaining to critical HR and financial confidentiality, while sourcing non-core HR and financial IT systems externally. During the first quarter of 2019, the company procured external IT systems including "Xinren Xinshi," "Enterprise Butler," "Siyin Cloud Printing," "Attendance Assistant," and "Jianjian Smart Administration." Concurrently, teams were assembled to develop internal systems such as "Waterdrop Industry Analysis Backend," "Waterdrop Inc. Talent Resume Database," and "Waterdrop Announcement System," all of which were embedded into the enterprise WeChat platform. Recent months of practice have demonstrated that the work of all company members has become quantifiable and evaluable, resulting in a significant boost in work efficiency.

5. Conclusion

5.1 Research Findings

Internet technology companies are currently facing challenges such as the global economic slowdown, the need to delve deeper into the potential of industries, and the enhancement of their own management levels. Over the past decade, these companies have mostly focused on developing products centered on users, but few CEOs have paid attention to the overall operation of the company. Many CEOs are good at developing hit products, but they have not been able to build the company into a sustainable and innovative enterprise. This is more challenging than developing one or two hit products, and it tests the CEO's vision in building organizational capabilities.

Essentially, the company's talent is its most important asset. Only if the talent grows rapidly can the company continue to create excellent internet services and products. If the talent grows slowly, even if the current products and services are excellent, the company will eventually go downhill. Only by treating the company as a product and carefully creating it can we promote the growth and retention of talent, build the company's organizational capabilities, better meet user needs, continuously introduce products that are in line with the trend of the times, and achieve long-term development of the enterprise. The executive team's attention to and formulation of effective corporate strategies are key to achieving this goal. It is not terrible to take the wrong road, what is terrible is not knowing it. The lack of strategic planning will lead to the company's operation blindly and inefficiently, and will eventually weaken the team's confidence and organizational capabilities. Therefore, the company must pay attention to strategic planning, regularly review and continuously optimize to give play to the team's organizational capabilities.

5.2 Limitations of This Study and Future Research Directions

5.2.1 Limitations

(1) This study was conducted from September 2018 to April 2019 and may not reflect the most recent industry changes

and management ideas at the time of publication.

(2) This study may be influenced by the operational management philosophy of Tencent Group and its invested companies

(3) The theoretical frameworks used in this study need further refinement.

5.2.2 Future Research Directions

Future studies should broaden their scope and incorporate a wider range of management theories to better understand the development and evolution of organizational capabilities.

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