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# How Cathay Capital helped pre-IPO, cross-cultural e-commerce company Deerma upgrade its strategy & organizational capabilities for sustained growth



Founded in 2011 in China, Deerma is an innovative electrical appliance brand integrating R&D, design, production and marketing of environmental humidifiers, vacuum cleaners, small household and kitchen appliances as well as other products in water health, beauty and personal care.

Deerma chose to partner with Cathay Capital in 2020, which invested in its RMB 380M Series B, with the goal of international expansion along with product development and diversification via enhanced technical capabilities.

21.6%

Revenue growth

25.21%

Total profit growth

18.17%

Net profit growth



Sector:	Consumer
Country:	China
Fund:	Mid CAP
Status:	Current Portfolio (Pre-IPO)
Investment date:	July 2020

## Challenge

While starting out as a small e-commerce operation, Deerma acquired the Water Health Division of Philips (Acqua Shield) in 2018 and has grown into a large, multi-business unit and cross-cultural enterprise with thousands of employees. The company is in the pre-IPO stage, looking to increase revenue by 300% in the next 3 years by focusing on key strategic sectors and potential acquisitions — requiring the organizational capacity to match the action plan. To do this, Deerma needed support in building core organizational capabilities (e.g., digitalization, products, quality, etc.) along with improved governance and efficiency.

By working with the CAP (Cathay Acceleration Program) team, Deerma hoped to seize the opportunities during the pre-IPO phase to completely upgrade its strategy and organizational capabilities to achieve sustained growth after listing — all while maintaining its entrepreneurial spirit and flexibility of business units (BUs).

## Solution

First, the CAP team helped Deerma conduct a systematic organizational checkup, leveraging the Y-Triangle Organizational Diagnostic Tool (including online research, offline interviews, HR function audits etc.) to produce an organization capability diagnostic report highlighting core issues and challenges. This helped Deerma determine that with the increase of business and organizational scale, the autonomous governance model of the company's primary BUs was not conducive to capability building and linking internal processes to improve operational efficiency. Together, the Cathay team and Deerma's top management defined 4 initiatives to improve organizational capability at the group level, which would in turn empower individual BUs. This included: (1) financial (operations and finance), (2) strategic (2022 strategic planning), (3) organization & talent (employee well being) and (4) quality (improving product quality and post-sale return rate).

Next, the CAP team participated in Deerma's product / sales planning meeting and facilitated management discussions around the organizational strategy, breaking down the larger business strategy into department-level planning and individual goals, and how to track achievements and KPIs in the monthly operations analysis meeting.

Lastly, Deerma's management team members come from an array of diverse backgrounds with various ways of thinking, working and collaborating — some from the original founding team while others come from large private Chinese enterprises, multinationals, Philips, or elsewhere. As an external consultant, the CAP team supported Deerma's management team building, leadership development and evolution through retreats, executive coaching, and redesigning the mechanism of executive rights, responsibilities and benefits.

“ In the process of upgrading Deerma’s organizational governance, the CAP team provided strong support in discovering both long and short-term goals along with targeted empowerment output. The team was not only invaluable as professional consultants, offering in-depth guidance and advice to management, but its organizational development tool was extremely effective in diagnosing the multi-dimensional organizational elements from the top to the grass-roots level. Upgrading organizational governance requires short-term visible quick wins to build confidence with firm, lasting determination to reach long-term objectives, which can’t be accomplished in one battle. To that end, the CAP team has proved to be a patient and steady partner to our management team, assisting Deerma with carrying out the post-organization diagnosis initiatives (completing strategy sorting, goal decomposition and other projects in combination with the core business of the period) and continuously provides strategic suggestions with trainings, resources and much more.”

**MR. TIEQIANG CAI**  
**CHAIRMAN & CEO, DEERMA GROUP**