

A Case Study of an Innovation of Responsibility Accounting At an e-Commerce Company

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ABSTRACT. *Responsible accounting plans, controls, examines, and evaluates economic activities of division of labor within the responsibility centers of enterprises through “quantitative empowerment.” Many companies have introduced innovative applications after introducing responsible accounting. The thesis takes e-commerce company with pseudonym “H” as the case subject, employs methods of interview and of case study, introduces its original responsibility accounting system with product group as its core, analyzes in detail the characteristics and innovation of its product group operation mode and corresponding incentive measures, and reasons for its successful innovation and application of responsible accounting provides experience and practical guidance for the application of management accounting tools at e-commerce enterprises in China.*

KEYWORDS: *Responsibility accounting, Product group system, E-commerce enterprise*

1. Introduction

According to the “13th Five-Year Development Plan for Electronic Commerce,” e-commerce, as a new type of networked economic activity, has become a new force to promote national economic and social development. Adapting to the “new norm” of economic development, enhancing the new momentum of e-commerce, and improving the level of e-commerce competence and service quality are new issues facing e-commerce companies in China.

Responsible accounting uses “quantitative empowerment” to plan, control, examine, and evaluate the economic activities of the division of labor within the responsibility centers of the enterprise. While mobilizing the enthusiasm of employees and raising their sense of responsibility, it strengthens the budget management and cost management of the enterprise to improve economic benefits and competitiveness. Responsible accounting has many successful experiences in the implementation of Chinese enterprises, such as the “simulated market, cost veto” implemented by Hebei Handan Iron and Steel Company; the SBU (Strategic Management Unit) implemented by Qingdao Haier Group. Company H is a

domestic e-commerce enterprise that has been successfully operated by the “Fast Fashion Online Brand.” It has created an IOSSP (Single Product Full Operation System) with a product team as the core. This system takes the product team as the core and is the smallest. The relative unity of “responsibility, power, and profit” has been achieved on the business unit of the company, which is a successful example of innovative application of responsibility accounting at e-commerce enterprises to improve operating efficiency.

This article introduces the original responsibility accounting system at company H with product group as the core, analyzes in detail the characteristics and innovations of its product group operation mode and corresponding incentive measures, summarizes and summarizes the key points of its successful application of responsibility accounting, and is an e-commerce company in China. Apply management accounting tools to provide experience and practical guidance.

2. Literature Review

As the product of the modern decentralized management model and the main content of modern management accounting, responsibility accounting has undergone a half-century development, and its application in enterprises has become increasingly mature and diversified. Daniel C. McCallum (1851) first puts forward the idea of responsibility management, which promotes the management principles of division of labor, authorization, responsibility system, report control system, unified command, and cracked the management reform problem of the American railway company in an institutionalized way ^[1]. Dorota (2007) argues that each unit in an enterprise organization can be used as the responsibility center of the enterprise, such as a team, a workshop, or a specific functional department, and its main leaders assume corresponding responsibilities for their specific production and operation business ^[2]. Cooper R. Kaplan R (2014) points out that responsible accounting can fully drive the various units in the enterprise organization to do their best to achieve their best conditions, specifically apply responsible accounting to enterprise management, and improve the incentive and restraint mechanism under decentralized management ^[3]. PAN Xiaojiang (2014) proposes a “person-in-one” management model with the employee profit center at the core of Haier Group through field visits to Haier Group, which inspires employees to take the initiative to participate in business management, assume responsibility, take responsibility for their own profits and losses, and actively create value for independent management, bring value-added to customers, and also realize their own value ^[4]. LOU Xiurong (2015) takes a joint stock company as an object and established an internal profit center management model based on the company's organizational structure. The article conducts a detailed analysis from the establishment of process systems, the selection of key control points, and the internal operation guarantee system ^[5].

The specific application of responsibility accounting in domestic and foreign enterprises has shown a state of “full bloom.” Kyocera's “Amoeba business model” and Haier's “man-single-in-one” autonomous business model are typical examples of successful applications. This article studies the H-commerce company's

self-developed “product-group-system-as-core” responsibility accounting system to provide theoretical support for e-commerce companies to adapt to the “new normal” of economic development, enhance a “new momentum,” and improve the level of competition and service quality as well as practical experience.

3. Research Methods and Data Sources

3.1 Research Methods

Case studies have always been an important method of management theory research. Although skepticism against case studies has never stopped, the advantages of case studies are particularly prominent. A case study does not require process control and can perform analysis to large amounts of unstructured material data. And since the evidence comes directly from practice, it is more realistic and effective. To conduct research on the establishment of an innovative responsibility accounting system with “product team” at the core of H-commerce company, case study may be the most effective research method.

3.2 Data Sources

This article studies acquires the use of first-hand data through in-depth interviews, second-hand data obtained by collating documents, archives, and research reports, and then ultimately forms a “triangle of evidence chain,” which is reviewed and checked by relevant personnel of company H to ensure the accuracy of materials and the consistency of opinions And the accuracy of understanding the information.

(1) Literature information. In the process of searching the literature, the author primarily uses the China Knowledge Network (CNKI) database as the main source as well as the Internet to retrieve news materials related to the company H report, and sorted the relevant materials according to the development theme and development stage.

(2) File records. The data evidence of the file record is accumulated through visiting the company H's official website, China E-Commerce Research Center, company forum, company annual report, high-level speech materials, etc.

(3) In-depth interviews. The interviews took various forms such as telephone, email, Internet and face-to-face. It lasted 4 months (from September to December 2019) and went to company H many times. A total of 16 people were interviewed, including 3 senior managers and sub-brand managers 8 people (a total of 4 sub-brands were interviewed, 2 sub-brands were interviewed by 2 managers), 5 group members. In order to ensure the accuracy and reliability of the data, the interview was recorded throughout the interview, which lasted more than 5 hours.

4. .Case Studies

4.1 Introduction to Company h

Company H was founded in 2006 with annual sales of about 1.4 billion yuan. It is an e-commerce enterprise that produces and sells apparel products online. It belongs to the textile and apparel industry. Its product types include women's clothing, men's clothing and children's clothing, with a main consumer group of 20-to-35-year-old female online fashion consumers. The company has many product styles, fast updates, high cost performance, and is popular in major domestic e-commerce platforms. From 2014 to 2019, company H won the double-eleven sales champion of the Internet apparel brand for six consecutive years, and its sales for the whole year led the eighth consecutive year.

In order to solve the contradiction between the supply and demand in the online economy, from the supply side perspective, company H has implemented a “small amount of variety” supply-side model innovation for the diversity of customer needs. Behind a small number of models, the low-cost, high-efficiency, enthusiasm and sustainable supply chain system operates in all aspects. Company H used its original “single product full operation system with product team system as the core” to achieve seamless connection between external market and internal management, and achieved positive results.

4.2 Introduction of Product Group Responsibility Accounting System

In 2009, H's product team model was born. The main purpose at that time was to solve the problem of disconnection between design and sales during the period of buyer's handicrafts, to improve the enthusiasm of employees to work, and to meet the incremental demand for the number of products and reduce the risk of selection. The company tried to establish a community of interests through the product team to achieve full participation in the operation.

Currently, company H has 267 product groups and operates more than 40 brands. Each product group is usually composed of 2-3 members, and its post composition includes a cashier, a commodity production specialist, a copywriter, and a production copy, etc. The members can be increased or decreased at any time due to their needs and have greater flexibility. These product groups control 60% of the capital flow of H Company, and the product groups with the rights owned by general corporate leaders also basically have them.

Company H takes the product group as the core. The product groups operate and account independently, but cooperate with each other and make overall planning together. Around the core of “product operation,” they independently conduct business under the overall planning of the enterprise, and realize the relative unity of “responsibility, power, and profit” on the smallest business unit. They are based on the company's public service platform. Operating body.”

4.3 Operation Style of the Product Group

The company H responsibility accounting system for the product team is an innovation in the production organization of Internet companies. Each of its products, from design, production and sales, to the “product team” as the core, planning, photography, production, marketing, customer service, logistics and other related business links coordination and cooperation, forming a full-scale data, refined operation management system. The product team model not only strengthens the contact between personnel in various departments, so that the information can be shared with all employees at the first time, but also greatly improves the company's product gross profit margin and inventory turnover rate.

Under the company's overall plan, the product team independently conducts business around “product operation,” which is divided into several stages such as data analysis, order placement, and sales rhythm control. The specific operations are as follows:

(1) The responsibility of Corporate Planning Department for data analysis and goal setting

First of all, the planning department is based on the accumulated data of the past years, with reference to the peak and trough rhythm of the peaks and troughs of the year, conducts data analysis and prediction, and sets goals based on the conclusions formed; It is broken down into various groups, and each group independently sets specific goals and subdivided assessment standards for monthly, quarterly, and yearly. The planning department is responsible for coordinating the various departments of the product department to do product planning, i.e. the company's annual and quarterly product development rules, which specify the arrival band and the market rhythm, and then allocate it to each product department and implement it into each product group.

(2) Emphasis on the decision-making status of the product team

The organizational structure of company H is built on the product team as the core. The company consists in the form of a large service platform, and the main body of specific decision-making and income generation is the product team. The product team is a typical profit center, is the main bearer of H company's market risk, and is also the main body of market decision-making. Each product group has the power to decide on the production quantity, style, promotion timing and price of the specific products that it is responsible for. In addition, the product team also has the power to establish its own brand.

(3) Adoption on the “small amount and multiple types” ordering method. Based on the data provided by the Planning Department, the product team evaluates the possible shipments and risk inventory of the team's products. The product team generally places orders to manufacturers in a small number of times, and continuously observes market feedback to reduce inventory risks. For example, pre-sale activities will be carried out before the product is officially sold, and big data will be used to observe which style collections, pre-orders and browsing traffic

are dominant. During the formal sales, it will focus on launching hot sales, and then feedback to the factory to increase the order volume.

(4) Carrying out the classification of “explosion and stagnation” of single products and grasping the sales rhythm

Because of the inability to control the rhythm of returns and promotions, many apparel companies have a backlog of inventory. Company H uses big data to analyze the popularity and popularity of single product sales. Every 15 days, all styles are compared, and the products are divided into four categories: “explosion and stagnation”: explosions and prosperity are very high in sales and are in short supply. Products with greater market potential can be returned to the order, i.e. they can be reordered and supplemented; the sales of flat models and delayed models are low, and they need to be discounted or removed immediately. Of course, in the pilot of discount promotion, analysis and selection should also be carried out, and the sales time may be sold at a slight discount. In this way, the vicious inventory that needs to be cleared at the end of the season will naturally decrease.

(5) Attention to the construction of flexible supply chain

It takes only 24 days for a piece of clothing from company H to go from design to new. This level leads many domestic fast fashion brands, thanks to the strong flexible supply chain behind it. Company H divided the processing plants into modules. One factory was only responsible for one process. One garment was completed by several factories, including supplying fabrics to the factory for ordering. By cutting off the cumbersome connection of the separate supply chain, orders are further subdivided, reducing intermediate procedures, making it more efficient, faster, and of better quality, as well as shorter capital turnover cycles and less inventory and risk^[7].

4.4 Incentive Measures

(1) Daily sales ranking mechanism

The data management and refined operation of company H's products run through the entire process of design, production, sales, and inventory. Big data analysis is used to generate daily product sales rankings. The top ranked products will have more resources to promote. The product group is automatically updated, allowing free combination, allowing the existence of a one-person group. The well-made group can receive monthly bonuses and annual bonuses, and the last ranked group for two consecutive seasons will be eliminated and disbanded and reorganized. If the team member leaves the original team leader, the leaving team member shall contribute 10% of the bonus to the original team leader as a training fee within one year. Because ranking affects team morals, automatic updates promote internal talent flow and optimize staffing, thereby forming healthy competition and encouraging employees to spontaneously value performance.

(2) New brand support policy

Company H emphasizes the combination of bottom-up willingness and talent with top-down leadership and support, giving the product team brand creation rights, and correspondingly establishing a new brand support system. In order to encourage employees to create new brands, the company has the following support policies. First, the members of the product team that successfully create a new brand will become the founders and founding team members of the brand, and the benefits will be created and shared. Second, the salary income of the members during the creation of the new brand provides subsidies to ensure that they are not lower than the original salary level, at least the same as the original. Third, in order to maintain the enthusiasm of employees in the new brand creation period, appropriately reduce the standard of their evaluation indicators, so that the team members have a slight achievement and have the opportunity to receive bonuses. The company vigorously supports the team in creating new brands in terms of capital security and personnel deployment. The members of the team that successfully create a brand enjoy the qualifications of the founder of the brand, and at the same time can also receive a certain dividend. This kind of up-and-down way greatly stimulates the creativity of employees.

5. Key Points for Successful Implementation and Application of Responsible Accounting by Company h

Company H has evolved from a purchasing brand to a fashion brand incubation platform, from buying a handicraft to a single-item full-process operating system with a group system as its core. Its responsibility accounting system has gradually improved in continuous improvement and has become a key force supporting the development of the enterprise.

(1) Independent accounting by product team with independent operation

Each product team of company H is equivalent to a small boss, with independent business, and at the same time, the teams cooperate and cooperate. Each product group is given the corresponding power and obligations to enable it to independently conduct business around “product operations” under the overall planning of the Planning Department, and to realize self-incentive and restraint of the group through benefit sharing. Each product group is equivalent to the company's “profit engine.” In this mode, it provides an excellent platform for employee development and ability improvement and realizes the mutual achievements of the team members and the company.

(2) Quantitative weighing to reduce decision risk

The product team of company H has great decision-making power. As a public platform, the company provides strong capabilities and resource support. Through decentralization, the product team can adjust the production strategy in a timely manner to meet market demand, shorten the decision time, and improve the efficiency the success of business decision-making.

(3) Target management, reasonable centralization

The Planning Department of company H sets and refines goals for each product team from top to bottom, and then each product team weighs its own capabilities to provide feedback, so that goal setting is more reasonable and feasible.

(4) Establishing a scientific performance evaluation system

In order to truly reflect the actual work completion of each product group, not only must a scientific and reasonable performance evaluation system be established, but it must be strictly implemented in the actual work process. Company H utilizes specific quantifiable indicators such as sales and gross profit margins to evaluate the performance of each group, which is automatically updated and are assigned corresponding rewards and penalties are made. The rewards and penalties are clear, so that each group fully competes while ensuring the overall efficiency of the enterprise. Mutual benefit and win-win.

6. Conclusion

This article conducts a descriptive case study of the responsibility accounting system at company H with the product group system as the core. In the context of increasing competition pressure on apparel e-commerce, in order to respond sensitively to market changes and achieve flat organizational innovation, each product team should become a responsibility center that operates independently and is responsible for its own profits and losses. Company H combines top-down central control with bottom-up innovation. Under the company's overall strategy, it maximizes the innovation and creativity of each product group, which not only provides protection for the company's overall interests, but also Employee personal development provides a platform.

In the course of self-development, company H innovated management methods, established a set of responsibility accounting systems suitable for the enterprise, and demonstrated the introduction of management accounting tools to other companies. However, the inherent limitations of a single case study make the research in this article valuable only for fast fashion online brands.

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