

# Organizational Evolution of Empowered Employee Management Mode-A Case Study based on Handu Group

Wei Xiong

School of Economics, Sichuan University, Chengdu 610041, China

13541280989@163.com

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**Abstract:** This thesis analyzes the organizational characteristics of Handu group in different development stages and attempts to discuss the evolution process of the empowered employee management mode in the enterprise. It is found that the empowered employee management mode has experienced an evolution process from structural empowerment, leadership empowerment to psychological empowerment in the specific application of enterprises, and the evolutionary process is based on the development of organizational structure. The implementation of structural empowerment promotes the evolution of organizational structure, which results in leadership empowerment. The synergistic effects of structural and leadership empowerment further contribute to the development of enterprises and changes in organizational structure, thus creating conditions for psychological empowerment.

## 1. Introduction

Organization is an important dimension in the category of management and an indispensable relationship architecture of human society, and it is constantly evolving with the requirements of times. The “modern company organization”, which was born in the industrial revolution, realizes the aggregation of production factors and the management of large-scale employees via the property right contract as well as incentive and restraint mechanism, greatly improving the productivity and promoting the development of human society. With the changes of production technology in the industrial age, modern company organizations adjust their organizational structure according to the traditional principle of organizational labor division to adapt to the external environment.

With the rapid development of mobile Internet, human beings have entered the information age. In the new era, information and data have become new enterprise production factors. With the increasingly rapid speed of global informatization and intelligence, enterprises are faced with uncertain business environment and increasingly drastic competition, which challenges the basic assumptions and labor division logic of modern enterprises emerging in the industrial era. The traditional pyramid bureaucracy gradually loses its dominance. Besides, the networked and flattening organizations continue to emerge. For instance, Haier, Alibaba, Handu group and other enterprises have carried out organizational structure reform through flattening organizations or platform-based organizations, and they have benefited from the characteristics of such organizations that can respond quickly in the rapidly changing complex environment. This new organizational structure puts forward the need for innovation and reform of human resource management, and the empowered employee management mode has become the choice of many enterprises.

The core of empowerment is how to motivate employees’ active behaviors through a series of decentralization and mandatory administration behaviors (Mainiero, 1986). The existing literature mostly summarizes the organizational characteristics of the current empowered employee management mode through analyzing the development path of enterprises, or proposes the hypothesis of organizational reforming tendency. This thesis argues that the empowered employee management mode in the organization is not formed in a flash moment, but a gradual improvement process. Based on case analysis, this paper attempts to construct the evolution process of the

empowered management mode in enterprise organization in the Internet era from the perspectives of empowerment theory, namely the representative structural empowerment, leadership empowerment, psychology empowerment.

## **2. Literature Review**

The research on empowerment began in the 1980s with a discussion of how to stimulate employees' autonomous behaviors, which is defined as a series of decentralization and mandatory administration behaviors (Mainiero, 1986). The existing research mainly focuses on the in-depth discussion on the power decentralization in the process of empowerment. In practice, some research discusses the characteristics of the empowered employee management mode.

The empowerment proposed by Zimmerman (1990) includes two concepts, namely psychological empowerment and organizational empowerment, which gradually become two directions of theoretical research (Spreitzer, 2007). Organizational empowerment mainly develops and evolves from the multi-dimensional authority proposed by Appelbaum, Hébert and Leroux (1999). The representative viewpoints include structural empowerment and leadership empowerment. Structural empowerment emphasizes that employees have more rights and can obtain more information and resources through organizational structure and employee empowerment mechanism. Leadership empowerment lays stress on the role of the leader as a coach, helping employees improve their self-capacities and giving them more options. Psychological empowerment is related to individual motivation, which considers that empowerment is employees' psychological perception process that generates intrinsic motivation. Psychological empowerment is not a general summary of employees' personal characteristics beyond environment, but a series of cognitive states of working environment. Psychological empowerment reflects the ups and downs of people's cognition of the relationship between themselves and working environment (Bandura, 1989).

Most scholars analyze and demonstrate the basic characteristics of empowered employee management mode through case studies or literature reviews, and their viewpoints are scattered and not unified. Luo Zhongwei (2017) proposes four necessary conditions for the construction of an empowered organization by studying the case of Handu group: the internal relationship between equality and cooperation, rational and efficient mechanism design, ability support for employees or "independent business entities" and "creative elite" groups with consciousness of innovation. Feng Jiao (2019), through the literature review, puts forward that the characteristics of the empowered employee management mode are to lead the reform with culture as the core, to unify employees with resources as the support, to motivate employees with mechanism as the link, and to fulfill employees with self-motivating as the driving force.

## **3. Research Design**

This study follows the process of case study: review theory → design research case plan → collect case data → analyze case data.

### **3.1 Research Methods**

Case studies generally offer an empirical description of a phenomenon by analyzing data obtained from various approaches. From the perspective of research purposes, case studies can be divided into exploratory (for theoretical creation), descriptive (for providing descriptions) and explanatory (for testing theory). From the perspective of cases number, case studies can be divided into single case studies and multiple case studies (Yin R K., 2013). This study adopts the exploratory single case study method. Firstly, the research aims to solve the question of "how self-leadership comes into being", which belongs to the category of "how" question. As a result, case study is used. In addition, this study is to explore the generation mechanism of employee self-leadership in the empowered management mode. The existing literature does not excessively cover this aspect, so an exploratory single case study is adopted.

### **3.2 Case Selection**

Based on the following two reasons, this thesis takes “Handu E-commerce Group Co., LTD.” as a case sample. (1) The case selection is typical and representative. Handu group adopts empowered employee management mode, which has grown rapidly since the beginning of entrepreneurship, and has become a constant discussion topic in the business and academic circles. (2) It follows the adaptation principle of theories and cases. Since its establishment, Handu group has adopted “Integrated Operating System for Single Product” (referred to as IOSSP). This management mode conforms to the empowered employee management mode mentioned in this thesis.

### **3.3 Case Enterprise Situation**

Since its establishment in 2006, Handu group has experienced the evolution of “single brand stage – multi-brand stage – brand incubation platform stage -- Internet brand ecosystem stage”. In 2009, Handu group set up Hstyle brand, focusing on the design and sales of Korean style clothing, and developing new clothing products in the form of product group, which has achieved great success. Since 2011, Handu group began to replicate this mode and entered the multi-brand stage. In 2012, it launched the internal men’s wear sub-brand AMH and children’s wear brand MiniZaru. It acquired and launched the women’s wear designer brand Souline. In 2013, it launched its own women’s wear brand Soneed. Handu group started the operation of brand incubation in 2014, and also carried out the thirdpartnar business. It integrated and launched the middle and old-aged clothing brand Dequanna. In 2015, it established the outdoor children’s clothing brand Discovery Expedition with Toread, which marks the opening of Handu’s cooperative brand. Since 2016, Handu group has begun to open up the group’s ecological operation system and original Internet “secondary ecological” system, relying on the first-level ecological platforms such as Ali and JD, and making full use of big data, cloud computing and other new-generation Internet e-commerce infrastructure provided by first-level ecology. It carried out resource integration in the whole country and even the whole world, and provided Internet brands with strategic services such as creativity, design, production, sales, communication, storage and transportation.

### **3.4 Data Collection and Analysis**

In this thesis, second-hand data are mainly used for analysis, and the data sources are as follows. (1) Literature related to Handu group was obtained through CNKI, but it was obviously impossible to sort out and analyze all relevant literature. Therefore, this thesis screens the collected literature. (2) Information and materials obtained through the official website of Handu group. (3) Data obtained via social media reports. (4) Annual report of the company and high-level speeches. In terms of analysis strategies, firstly, literature review is conducted to understand the current research of empowerment theory, and to determine research questions and objectives. Secondly, in the process of case study design, the data analysis strategy is clarified.

#### 4. Case Study

Table 1. Typical evidence table of Handu group

First-class concept	Second-class concept	Typical evidence
Structural endowment	Financial authority	“We talk to each group every year. In October, when we formulate next year’s production plan and sales plan, we will talk to each group. After the discussion, we will match its capital and resources according to this index.”
		“The team commission is also calculated according to the performance commission formula. The core indicators include performance completion rate, gross profit rate and inventory turnover rate.”
	Product decision-making authority	“These three people can determine what style they produce and what style they plan to market. They can discuss it by themselves.” “The selection of style, size, output, inventory depth, benchmark sales price, discount pace and strength of each product in Handu group are all decided by the product group.”
Leadership endowment	Employee composition authority	“So why do we allow the existence of a one-person group? If you don’t want to do it with your current team members, you can mention it, and then go out. If he cannot find a partner, it can at first exist as a one-person group.”
		“If you leave the original group leader, 10% commission will be automatically paid to the group leader’s account within one year.”
	Limited product decision-making authority	“If the trend analysis demonstrates that jeans account for 20% of the clothing market this year, and the total number of Handu group’s new products is 30,000, then new jeans can only be 6,000 this year. The planning department will adjust and control the new demand of each group according to this index, to prevent the product structure deviation and excessive inventory caused by too many new jeans.” “A product has a life cycle. In Handu group, the product design must be in line with the planning cycle. What products you want to update in what time period, when you want to order, it all depends on the cycle.”
Psychological endowment		“Every group is working for their own, and that is clear to everyone.”  “For example, 100 million yuan will be spent this year to support the birth of a new brand. The company has 20 brand quotas. If there are outstanding team leaders who want to establish their own brands, they can apply for the quota.”

#### **4.1 Single Brand Stage**

From 2008 to 2010, Handu Group was in the stage of single brand. At this time, the empowered employee management mode was mainly embodied in the structural empowerment. Zhao Yingguang, founder of Handu Group, seized on the hot trend of Korean style clothing and founded Hstyle brand in 2009. He boldly adopted the mode of “group system”. Each group is composed of three major parts, which is buyer and designer, marketing, warehouse management and internal operation. Each group is independently responsible for the tasks of design, production and sales. This management mode gives the group two major authorities. (1) Financial authority. Each product group will receive a part of working capital for the production and promotion of clothing, and the working capital of the group is linked up with the sales volume. Every October, Handu Group will set the sales target of each group for the next year based on the company’s performance growth target, and then determine the working capital of the group according to the sales target. The group will use this fund for clothing production and sales. (2) Product decision-making authority. All aspects of the clothing product from design, production to sale are determined by the group. Each group needs to choose the style, size and production quantity of new clothing products according to their own grasp of market demand, and then it ought to contact the manufacturer for production. It is up to the group whether the product should participate in discounts and other marketing strategies. After such an empowerment process, each group has a high degree of autonomy, and its subjective initiative is greatly stimulated. While the groups are growing rapidly, Handu group is also gradually improving the functions of its platform. By integrating the planning department, production center and warehouse logistics system, the product group is provided with better back-office support, and the organizational structure “platform + group” is initially formed.

#### **4.2 Multi-brand Stage**

From 2010 to 2013, Handu group was in the multi-brand stage, at which time leadership empowerment began to appear. With the join of sub-brands such as AMH, MiniZaru and Souline, the product groups have expanded rapidly and the workload has increased continuously, thus creating overlapping and intersecting work tasks with the platform. In order to solve this problem, Handu group also brings the group system into the photography, procurement and other platform departments. At this stage, the sales generated by each product group are huge, and highly autonomous groups may not be able to handle such a large volume. At the same time, individual groups that pursue their own “benefit maximization” naturally have self-departmentalism and sheep-flock effect. For instance, when they find that a certain clothing of a certain group sells well, they tend to produce a large number of homogenized goods. Therefore, making decisions only from the benefit of a group will not have a completely positive effect on the brand and the whole company. At this time, the management staffs need to play the role of coach and provide strategic guidance to the group through various power adjustments, so as to help the group achieve a win-win situation. This stage of leadership empowerment is reflected in: (1) Employee composition authority. There is free movement among different groups, where members can choose to join other groups, and the leader can decide whether or not to accept new members. This move can promote the group leader to conduct effective management of the group to attract more talents, while team members will also strive to improve themselves to adapt to the more intense competition. (2) The limited decision-making power of new products. In the single-brand stage, the product group has absolute control over the new clothing. However, at the multi-brand stage, due to the limitations of the product group itself, excessive attention is paid to market demand and performance, which makes them unable to make new product planning according to the overall development of the brand. Moreover, repeated choices may be made among groups, which will have a negative impact on brand development. At this stage, the product group must follow the product business proposal of the planning department when developing new products, such as the proportion of tops and trousers, so as to control the brand identity and product structure. In addition, the product sales strategy is determined by the classification of “popular, hot, flat, and unsalable products”. Popular and hot

products can get additional production orders (popular products refer to sales of more than 2,000 pieces), while flat and unsalable products must be sold with a promotional discount.

### **4.3 Platform and Brand Ecology Stage**

From 2014, Handu Group began to enter the platform stage. At this time, psychological empowerment started to appear. At this stage, after the management changes such as organizational empowerment and leadership empowerment, Handu group has developed and expanded rapidly. Its accumulated operational capacity, design capacity, supply chain management capacity, brand incubation capacity and so on have gradually become mature, and it has begun to transform into a platform enterprise and started to provide its own platform services. In addition to Handu group's own women's wear, men's wear, children's wear and underwear brands, relying on "Handu Power" and "Ebrandpark", the platform operates on behalf of other companies and supports the development of other fast fashion brands in the market. By the end of 2016, it has provided services for more than 80 brands. At this stage, psychological empowerment is mainly reflected in employees' sense of value and influence on their work, and employees can also feel greater control. Some employees with entrepreneurial intention can get support from the company to set up a new brand.

## **5. Conclusion and Discussion**

### **5.1 Main Conclusions**

In accordance with the above case analysis, this thesis puts forward the following main conclusions. The specific application of the empowered employee management mode in enterprise experiences an evolutionary process from the structural, leadership to the psychological empowerment, and the evolution process is based on the development of organizational structure.

The evolution path of the empowered employee management mode is as follows. (1) The implementation of the structural empowerment promotes the evolution of the organizational structure, thus giving birth to the operation of the leadership empowerment. In the single brand stage, the organizational structure is mainly composed of multiple product groups. Via the structural empowerment, employees have great authority and autonomy. In this stage, the group system gives full play to the subjective initiative of groups, allowing enterprises to get the dividends of rapid growing e-commerce market. With the growth and development of the enterprise, the enterprise enters the multi-brand stage. The backstage departments such as planning department and production department grow together with the product groups, and they provide basic support for the product groups. At this time, the organizational structure becomes "group + platform". Under the new organizational structure, the product group that pursues self-profit maximization needs certain constraints and guidance to ensure the healthy development of the whole enterprise. Consequently, the enterprise implements leadership empowerment. So far, the empowered employee management mode has completed the evolution from the structural to leadership empowerment. (2) The implementation of structural and leadership empowerment further promotes the change of organizational form, thus giving birth to psychological empowerment. With the operation of leadership empowerment, the success of the group system has been increasingly accepted. Therefore, the enterprise divides the platform department into group forms, which greatly improves the flexibility of the platform department and makes it more and more mature. At this time, enterprises begin to enter the platform and brand ecology stage, and they start to provide external platform services. With the increasing influence of enterprises, employees can feel the value of work in such working environment, which is the psychological empowerment of enterprises.

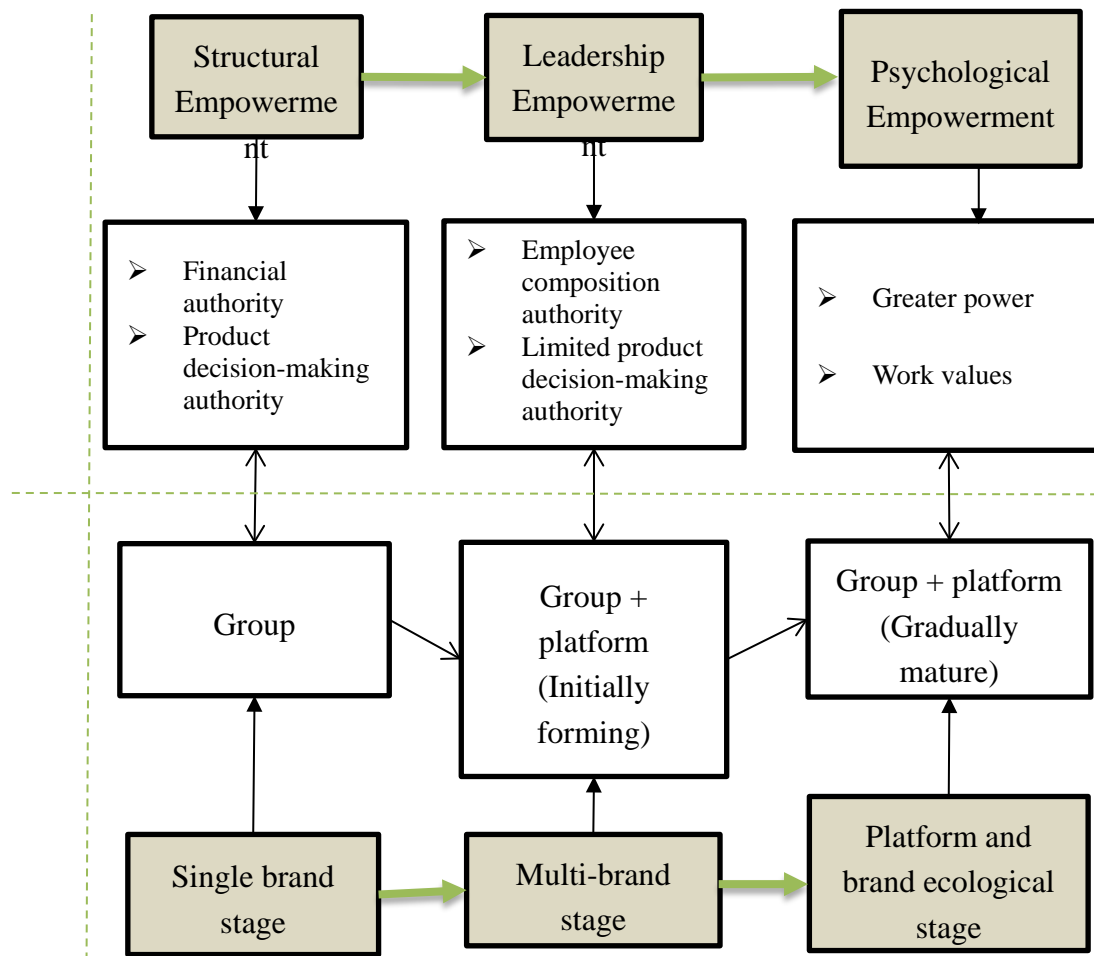


Figure 1. Evolution model of empowered employee management mode

## 5.2 Theoretical Contribution

The existing empowerment theory mainly focuses on the characteristics of organizational empowerment and psychological empowerment, ignoring the evolutionary relationship between different empowerment. In addition, the existing research on the empowered employee management mode focuses on the characteristics of its organizational structure, which is not well connected with the empowerment theory. This thesis finds that the empowered employee management mode is not a management strategy that can accomplish in an action, but has experienced the evolution from structural empowerment, leadership empowerment to psychological empowerment. Besides, this kind of management evolution is complementary to the change of organizational structure.

## 5.3 Research Limitations

The universality of the conclusions drawn from the single-case study in this thesis needs further verification. Firstly, the case adopted in this paper belongs to the clothing industry, and whether the conclusions drawn from this are applicable to other industries with large differences remains to be discussed. Secondly, this thesis only studies enterprises with flattening organizational structure, but not involve traditional hierarchical organization. In the follow-up research, multi-case study method can be adopted to verify the universality of the conclusions in this paper as well as to search for possible problems.

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