Amoeba: dynamic management system

INTERNAL TRAINING – FEB 2018
INSTITUTE OF MANAGEMENT AND TECHNOLOGY PROMOTION
Part 1: general impressions and management rationale

Part 2: AMS in detail

Part 3: introduction and improvement possibilities
The big company symptoms

• Can’t manage efficiency of each operating unit
• Lack of strategy understanding and market sense
• Can’t develop managers
• Not enough room for enthusiasts
• Can’t find a simple way to manage the business
The big company symptoms

To be big

To be dynamic
Amoeba

• Basic living organism, single cell with no defined shape
• Immortal
Organization structure: amoeba

Financial accounting simple system

Managerial rationale and philosophy

What is AMS
Corporate Motto

Respect the Divine and Love People

Preserve the spirit to work fairly and honorably,
respecting people, our work, our company and our global community.

Management Rationale

To provide opportunities for the material and intellectual growth of all our employees, and through our joint efforts, contribute to the advancement of society and humankind.

Management Philosophy

To coexist harmoniously with our society, our global community, and nature. Harmonious coexistence is the underlying foundation of all our business activities as we work to create a world of prosperity and peace.
Maximize revenues and minimize expenses

The fundamental truth of business management
1959: Kyoto Ceramic Co., Ltd. Is Founded in Kyoto, Japan
Management Based on the Bonds of Human Minds
To provide opportunities for the material and intellectual growth of all our employees, and through our joint efforts, contribute to the advancement of society and humankind
Source: https://global.kyocera.com/company/summary/company_profile.html
The Inamori Library

www.imt.vn

70,000 members

> 3000 amoebas
Companies adopted AMS

JP: 750 (KCCS direct consultancy)  
CN: >1000

Source: KCCS, as of March 2016
Enormous changes led to decrease of profit

Strategy or structure not fit

Sense of crisis not shared

Why?

AMS
Part 1: general impressions and management rationale

Part 2: AMS in detail

Part 3: introduction and improvement possibilities
Key elements

• Mini profit center
• Internal transaction
• Daily report and meetings
• Amoeba accounting
• Hourly efficiency
• Accounting/management rules
Point of view on Price

Normal Price = Expenses + Profit

Amoeba Profit = Market price - Expenses
AMS divides organization into small amoebas
Each amoeba operates as a company, perform internal transactions based on market price
Internal transactions

• An amoeba performs internal transaction to get its revenue and profit
Price negotiations

- Market prices of the product will be realized via a series of negotiation between amoebas.
- To generate profit, each amoeba needs to calculate if they should accept an order at a specific price, taking into account its expenses.
Amoeba P/L

Sales

Revenue

Sales commission

Expenses

Profit

Manufacturing

Total production

Expenses

Profit

Total hours

Hourly efficiency

Total hours

Hourly efficiency
Put philosophy into numbers
# Hourly efficiency report

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Total shipment</strong></td>
<td>A</td>
<td>28,000</td>
</tr>
<tr>
<td><strong>Total cost</strong></td>
<td>B=a+b+...+p</td>
<td>14,000</td>
</tr>
<tr>
<td>Material cost</td>
<td>a</td>
<td>700</td>
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<tr>
<td>Outsourced processing cost</td>
<td>b</td>
<td>10,000</td>
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<tr>
<td>Repair cost</td>
<td>c</td>
<td>300</td>
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<tr>
<td>Electricity cost</td>
<td>d</td>
<td>400</td>
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<tr>
<td>Interest payment cost</td>
<td>m</td>
<td>500</td>
</tr>
<tr>
<td>Common expenses inside the department</td>
<td>n</td>
<td>100</td>
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<tr>
<td>Factory expenses</td>
<td>o</td>
<td>200</td>
</tr>
<tr>
<td>Sales and headquarters expenses</td>
<td>p</td>
<td>200</td>
</tr>
<tr>
<td><strong>Profit</strong></td>
<td></td>
<td>14,000</td>
</tr>
<tr>
<td><strong>Total labor hours (h)</strong></td>
<td>D</td>
<td>2,000</td>
</tr>
<tr>
<td><strong>Added value per hour of this month</strong></td>
<td>E=C/D</td>
<td>7.00</td>
</tr>
</tbody>
</table>
Daily report and meeting

Traditional accounting

March 1

April 1

April 10

Consolidate

Monthly check

Amoeba daily accounting

March 1

April 1

Monthly check

Improve everyday by amoeba chorei

www.imt.vn
Reflect daily

Both good and bad attitudes exist within all of us. A good mind is unselfish and altruistic; a bad mind is self-centered. If you make an effort to always think good thoughts and do good deeds, your life will change for the better.

To begin this process, you must reflect back on each day and everything you did.

For example, seriously contemplate whether you were ever unpleasant or unkind; whether you acted arrogantly; whether you did or said anything that was selfish.

Daily reflection is the process of suppressing the bad mind and developing the good, unselfish, altruistic mind. By reflecting on your actions each day, you can elevate your mind, which in turn will lead you to a wonderful life.
Remain humble

Did you achieve good result? 

No

Are you satisfy with it?

No

Improve

Yes
Figure is nothing until you put soul in it

Junichi Kawasaki – former worker of Shiga-gamo plant
Hourly efficiency

Hourly Efficiency (added value per hour)

\[
\frac{\text{Net Production} - \text{Deductions}}{\text{Total Working Hours}} = \frac{(\text{total profit}) - (\text{total expense excluding labor costs})}{\text{Total Working Hours}}
\]
Why use hourly efficiency?

• Simple, clear and easy
  • Each amoeba tries to increase hourly profitability
    • 1.) Increase the revenue 2.) Reduce the expenses 3.) Reduce the hours
  • Can be used at any size of amoeba
  • Easy to benchmark with past performance
Hourly efficiency

• Labor cost control is excluded
  • Labor cost decided by company policies
  • Reduce conflicts (income is a secret)
  • Increase flexibility in lending/borrowing manpower, or integrating/splitting amoebas

• Amoeba leaders manage “hour” aspect, not labor cost
Hourly efficiency

• In Japan, only tiny monetary awards are given to performance related to hourly efficiency

• Rewards come from the work (job ownership – lord of the land game - gamification) and gratitude of others
Amoeba meeting

- Leader shows results
- Team discuss their actions & measures
- Make plan for the month - debate
Strive Harder than Anyone Else
Accounting rules/Amoeba management rules

• One to one correspondence
  • Any movement of money or goods must be accompanied by the correct documentation

• Double check
  • Checked by multiple people or departments

• Perfectionism
  • High target should be 100% met

• Muscular management
  • No extra fat
Accounting rules/Amoeba management rules

• Efficiency improvement
  • Maximize sales and minimize cost

• Cash-based management
  • Focus on money management

• Transparency
  • Information is disclosed to every member
Effects of Amoeba management

• Prompt decision making
• Site vitalization
• Management visualization
• Manager development
• Profit awareness everyday
• Market sense
• Management by All: problem solving, work with numbers, planning...
• ...
Altruism

Constraints

Altruism or selflessness is the principle or practice of concern for the welfare of others
Building a good culture is a pre-condition

• Truly decentralized organization: act on own interest
• Excessive competition between amoebas
• Speed of the amoeba pushes everyone to make decision promptly
Inamori formula of life

RESULT = ATTITUDE \times EFFORT \times ABILITY

Performance evaluation
Philosophy evaluation
Skill evaluation
Internalize values
Discussion

• How to apply AMS to Vietnamese companies?
• Any better way of doing this?
To be big

To be dynamic
To be big

To be human centric

To be dynamic
Reference

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