Application Research of Amoeba Model in Cost Control—Take Huawei as an Example

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Keywords: Amoeba, Cost control, Huawei.

Abstract. The amoeba business model is an operation and management system that integrates the power of all the staff through the independent accounting of small collective. One of the difficulties that Chinese enterprises are facing now is cost control. Nowadays, the cost is getting higher and higher, especially the labor cost. The competition between enterprises is getting more and more intense, and the profits are getting less and less, which makes it difficult for many companies to maintain and starts to reduce costs. One of the concepts of the amoeba model is “maximizing sales and minimizing expenses”. In this paper, Huawei, as a company with nearly 170,000 employees, must have huge costs in terms of personnel and materials. In 2016, the company introduced the amoeba model to control corporate costs and reduce employee management costs. The company has formed an atmosphere of full participation in corporate management, and employees’ awareness of accounting and cost awareness have improved the company’s cost management system. At the beginning of this paper, the cost control of amoeba is described, and the cost control and method of the Huawei company are expounded. The application of the amoeba cost model in the cost control of Huawei is also analyzed. This paper also gives a brief description of the possible problems in the cost control of the amoeba model in the light of the environment in which Chinese enterprises are located, and discusses the solutions and Enlightenment to the cost control of the amoeba model.

The Amoeba Business Model

Amoeba management refers to the division of each business department into one or more small organizations, and each small organization can be operated independently as an independent profit center. Every amoeba is like a small business with operators, sales, costs and profits. The amoeba business model is formed by a management accounting system based on unit time accounting and assesses the added value to each employee including the leader. The policy of "total management" has been truly implemented. Introduce "internal transaction accounting" to realize the internal marketization operation mechanism and promote the external competition through the promotion of internal competition.

Amoeba Model Cost Control Method

Cost control is to control all production funds in the actual production and operation activities according to the predetermined cost target, discover the deviation and correct it in time, so as to guarantee the better realization of the predetermined cost target and promote the continuous reduction of cost. The main steps of the amoeba cost control are:

1) Develop the cost control standards of amoeba and establish the cost and expense standard system

Amoeba cost control standard is to point to the enterprise each expense and resource consumption regulation cost limit, it is the basis of cost and cost assessment, facilitating clear the responsibility of each department.
2) Establish the organization system and responsibility system of amoeba cost control.

After the establishment of the amoeba organization, the financial department is responsible for the establishment of a strict cost-incurring responsibility system, appointment, assignment, and regular inspection of the amoeba organization's expense occurrence points.

3) Establish the amoeba cost control information feedback system

Through comparing the actual cost and expense, the accountant assesses the cost control of each organization and reflects it to the decision-making level. In order to take timely measures to organize and coordinate corporate financial activities, and then assess the value added of the team through the formula of total value added and unit time value added of amoeba [note: Total value added to the amoeba = the total value of the amoeba - the total cost other than labor costs Amoeba unit time added value = amoeba total added value/the total working time of the amoeba.]

Overview of HUAWEI and Its Cost Control

Overview of Huawei

As a private communication technology company that produces and sells communication equipment, Huawei is engaged in the research, development, production and sales of communication network technologies and products. As a telecommunications carrier providing fixed network, mobile network, optical network and value-added service-related network solutions, Huawei is a world-class company that is at the forefront of the times. In 1987, it was officially registered in Shenzhen, China. Engaged in the research, development, production and sales of communication network technologies and products. It provides telecom operators with network solutions related to fixed networks, mobile networks, optical networks and value-added services. It is one of the major suppliers in the Chinese telecommunications market and has successfully entered the global telecommunications market. As of 2017, Huawei employees have become a huge team of nearly 170,000 employees.

Current Situation of Cost Control of Huawei

Research and development cost control and its method: Huawei is a global telecom solution provider [equipment or product supplier will provide a series of solutions for its products to provide reference for equipment users]. As a local enterprise in China, it is in the right place and has abundant human resources. Moreover, a research and development engineer in China earns one-third to a quarter of the salary in the west, and the research and development cost is lower than in the west. The low-cost gives Huawei products a low-cost competitive advantage and enhances its vitality. Huawei also with the domestic many well-known colleges and universities to carry out the cooperation study, universities not only provides the advanced technology for Huawei, also for Huawei to provide the high-end technical personnel, greatly reducing the Huawei's research and development costs, therefore, Huawei on the development of cost management has his own ways: 1) strengthening the staff's cost consciousness and awareness as 2) optimization of human resources cost (3) completes the analysis of virtual work, reduce the test cost.

Procurement cost control and method: Huawei uses value procurement. The value procurement principle of Huawei's company is reflected in the upward shift of the supply chain in the procurement and the downward movement of purchased items to reduce its own procurement cost, which not only ensures the timeliness of the purchased parts, but also saves inventory.

Control method of capital operation cost: Huawei's fund raising and capital utilization are strictly managed. There are four main measures to control: 1) establish a comprehensive budget system 2) strengthen the control of capital flow 3) optimize funds Structure 4) Established a linear management assessment system for capital control.

Huawei Introduced the Application of Amoeba Cost

IN 2016, Huawei was determined to further deepen its reform and introduce the amoeba business model. The reform trend of Huawei today is mainly reflected in the following aspects.
1. Establish the cost control standards of amoeba and establish the cost and expense standard system 1)

1) Quota cost management

The management of quota cost is to measure the quantity standard of resource that each department function needs to consume, express through monetary unit, give to carry out according to specific situation, examine next and implement the management method of reward and punishment. And norm cost item points to salary, raw material, fittings, repair cost, water and electricity expenses, overhead cost. Specific it is cost of office cost, material and other charge accumulate sum namely, execute total cost to examine.

2) Reform the salary system and implement human cost control

The human cost control application of Huawei in amoeba is the sum of all direct and indirect expenses paid by the company for the use of laborers in production, operation and labor service activities within a certain period. When the external environment is difficult to change, Huawei is committed to improving the working environment, further enhancing the overall salary market competitiveness, enabling employees to have the greatest enthusiasm and better create value for customers.

2. Establish an organizational system and responsibility system for amoeba cost control

1) Division of the amoeba cost control organization:

Each amoeba is a small business with a sales accounting statement, with sales, cost and profit. Under the premise of ensuring product quality, the production department improves the product design, structure, process and science. Developed to reduce material consumption, and strive to achieve low-input, high-output products; through internal market-based trading means, the procurement department and the production department, marketing department to conduct internal transactions, successfully transfer market pressure to the enterprise, while It is also possible to grasp the current situation of business operations and industry market through cost data and sales data, and as a data basis, conduct fair performance evaluations for organizations and individuals. Systematically combine cost control with enterprise management, and the on-site cost control management process is scientific and accurate.

2) Establish a project-centric operational mechanism to control costs:

Huawei strives to be a full-customer interface, with a working group of solution experts, account managers, and delivery experts to form a customer-oriented "iron triangle" combat unit, effectively enhancing customer trust and deeper understanding of customer needs. Focus on good and efficient delivery and timely payment. To a certain extent, the cost of bad credit and low evaluation due to customer dissatisfaction is reduced.

3) Strengthen the amoeba cost control organization and establish a cost control responsibility center:

Huawei requires every grassroots amoeba cost control organization to have a complete accounting system, strengthen the amoeba cost accounting and cost analysis, do well in accounting and management control. Establish cost control responsibility center.

3. Establishing an amoeba cost control information feedback system

1) Create a full-participating operating cost control system:

Through the unit time accounting system, the operating performance and cost control of various departments, groups, and even some people become clear and transparent. Amoeba management is a full-participatory management system, and the unit time accounting system is an effective system to motivate employees. Each employee can fully grasp the Abbie's cost control objectives, and make unremitting efforts to achieve their goals in their respective positions. Huawei will announce the added value per unit time of each team on a monthly basis. The situation, the profit and cost control created by each team member and group, and its percentage of the company's total profit, make it clear at a glance.

2) Develop the spirit of strategic vision and deepen the concept of cost:

Huawei optimizes relevant policies, creates a better corporate culture, sets up its own culture, especially the concept of cost control, enhances the sense of pride and attachment of enterprise
personnel, and encourages excellent employees to work together with Huawei for a long time. Strengthen the professional skills of enterprise managers, improve their awareness of cost control, implement the concept of cost control, enhance the humanization of managers, respect and trust employees, and encourage them to grow together with Huawei.

4. Huawei's application of amoeba business model summary

Huawei has taken a series of reform measures, such as "dividing the amoeba group, making plans by itself, and accounting independently, so that every employee becomes the leading role of the company and all employees participate in the cost control operation" in the amoeba cost control operation mode, which is suitable for the enterprise environment. China enterprises and their hopes are pinned on the improvement of external macro-environment. It is better to strengthen internal management on a down-to-earth basis, relying on careful calculation to absorb cost pressures and improve management level to lay the foundation for further development of enterprises.

References


