

Management Innovation and Financial Performance: The Case of Amoeba Model in Chinese Enterprises

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ABSTRACT

Introduction: In response to increasing competitive and operational pressures, Chinese enterprises have increasingly turned to innovative management models. Among these, the Amoeba Management Model, originating from East Asian managerial philosophy, has garnered attention for its emphasis on decentralization, accountability, and profit consciousness.

Objectives: This study aims to empirically examine the effect of the Amoeba model on corporate financial performance in Chinese enterprises, focusing on key performance indicators such as Return on Assets (ROA) and Return on Equity (ROE).

Methods: A balanced panel dataset was compiled from 16 firms across eight industries in China, covering the period 2010 to 2023. A fixed-effects regression model was employed, augmented by a Difference-in-Differences (DID) approach, to identify performance changes before and after Amoeba model implementation.

Results: The analysis demonstrates statistically significant improvements in both ROA and ROE among firms that adopted the Amoeba model. These findings reinforce the model's effectiveness in enhancing financial performance through decentralization, internal control, and transparent accounting structures.

Conclusions: The results support the transformative potential of the Amoeba Management Model as a tool for performance enhancement in emerging market enterprises. By fostering autonomy at the unit level while maintaining financial accountability, the model offers a robust approach to sustainable organizational performance improvement.

Keywords: Amoeba management, decentralized management, financial performance, ROA, ROE, difference in differences (DID).

INTRODUCTION

In recent years, as China's economic restructuring and "quality-first" growth strategies have intensified, a strong imperative has emerged for firms to shift their management paradigms fundamentally. Policy documents, such as the *Guidelines for Establishing World-Class Enterprises and the State-Owned Enterprise Quality Improvement Plan* (Yu, 2013), explicitly call for management innovation and greater market agility.

National initiatives, most notably the innovation-driven development strategy and the "Digital China" campaign, have further underscored the need for organizations to adopt management models that can respond swiftly and effectively to rapidly changing market conditions. This environment creates both the opportunity and the necessity to deploy more innovative, flexible, and comprehensive accounting and control mechanisms.

Against this backdrop, the Amoeba management model, rooted in East Asian management philosophy (Nonaka & Takeuchi, 1995), has emerged as a holistic approach that aligns decentralized organizational structures with empowered employees and financial transparency. First formulated in the late 1950s by Kazuo Inamori, founder of

Kyocera Corporation, the Amoeba model has been successfully adopted across multiple industries (Adler & Hiromoto, 2010; Inamori, 2012).

Core Principles of Amoeba Management

Amoeba management is a distinctive model that combines management philosophy, organizational structure, and performance-incentive systems, and is built upon three core principles:

1. **Autonomous, Profit-Center Structure.** The firm is divided into multiple small “amoeba” units, each endowed with independent decision making authority and profit accountability. Every employee adopts an “entrepreneurial mindset”, actively participating in strategy, fostering a sense of ownership, initiative, and responsibility.
2. **Time-Unit Profit Accounting.** Performance is measured continuously using the formula:

$$\frac{\text{Value Added per Time Unit}}{\text{Time Unit}} = \frac{\text{Sales} - \text{External Purchase}}{\text{Total Hours Worked}}$$

This real-time metric enables employees to monitor and improve their productivity.

3. **Full Employee Participation.** Organizational goals and values are shared openly with all staff, creating transparency and enabling every team member to contribute to strategic execution. This “people centered” culture strengthens internal cohesion and collective commitment.

Operational Mechanisms

To implement the Amoeba model effectively, an organization must establish the following interlocking systems:

- **Unit Structuring:** Break the company into autonomous “amoebas” of 3-15 people, each responsible for its profitability.
- **Amoeba Leaders:** Appoint and train a manager for each unit, equipping them with management, communication, and basic accounting skills.
- **Internal Marketplace:** Enable amoebas to trade goods and services among themselves at market based prices, clarifying profit allocation and accountability.
- **Monthly Performance Reviews:** Calculate each amoeba’s value added per unit every month and conduct structured performance analyses.
- **Information Transparency:** Share daily reports and hold morning meetings to keep all levels of the organization informed.
- **Flexible Structure Adjustment:** Continuously realign unit boundaries and responsibilities based on performance outcomes.

Unlike traditional command-and-control systems, Amoeba management is a philosophy that empowers employees to become co-creators. It shifts organizational governance from “monitoring and control” to “trust and empowerment”, laying the foundation for a self-sustaining, innovation-driven enterprise.

LITERATURE REVIEW

Since its original implementation at Japan’s Kyocera Corporation (Inamori, 2012; Adler & Hiromoto, 2010), the Amoeba management model has attracted growing interest worldwide and, in recent years, has been piloted across multiple sectors in China, becoming a focal point of academic inquiry.

Wang Di (2024) finds that after China’s MN Group introduced the Amoeba model in 2018, its net profit rose by 47 % in 2018 and by 45 % in 2019, before declining in 2020. Although the model delivered a rapid boost to financial performance, Wang argues that the legacy performance-measurement system was poorly aligned with the new structure, which contributed to the subsequent downturn. He proposes three solutions for redesigning the evaluation framework and uses financial-ratio analysis and modular performance measures to quantify the effects of these improvements.

Yahefujiang (2023) studies the rollout of Amoeba management at Baosteel in 2016. He reports that Baosteel's sales jumped by 92% and total profit by 69%, and by 2019, its output reached 38.9 million tonnes, making it the world's third-largest producer. While internal controls and market-response capabilities improved markedly, Yahefujiang notes persistent shortcomings in performance evaluation, information systems, and internal audit processes.

Jianfu, Yaven, and Zvarych (2022) examine the application of the Amoeba model in China's real-estate sector. Their case study of Zhongliang Company shows revenues swelling from RMB 3.5 billion to RMB 100 billion shortly after adoption, underscoring the model's rapid-growth potential. They highlight the model's flexibility during the post-pandemic downturn and its special relevance to urban planning in third- and fourth-tier cities.

Hiromoto (2010) analyzes Kyocera's own experience, identifying key success factors: a decentralized structure of autonomous profit centers, a clear and simple accounting system, and strong employee empowerment. These elements, he argues, drove initiative and dramatically increased internal productivity.

Urban & Czerska (2016) compare Amoeba Management System (AMS) implementations in Sweden and Poland. They demonstrate that AMS's core aim - creating self-managing teams - consistently improves internal management. Their work also details the implementation challenges, the role of employee engagement, and the cultural adjustments necessary for success in a European context.

Shen *et al.* (2020) employ a Difference-in-Differences (DID) approach to assess the impact of COVID-19 on the performance of Chinese stock-listed firms. They find that the pandemic depressed firm performance, especially for companies with lower sales and investment levels. Although this study does not examine the Amoeba model directly, it validates DID as an empirical method, providing the foundation for our analysis of how Amoeba adoption alters pre- and post-intervention performance.

Taken together, these studies confirm that the Amoeba model can rapidly enhance financial performance, boost productivity, and foster organizational agility in uncertain markets. However, they also warn that without corresponding upgrades to performance metrics, information systems, and organizational culture, the model's benefits may erode over time. Accordingly, our study aims to build on this literature by systematically quantifying the Amoeba model's impact on the financial metrics of Chinese firms, thereby deepening both theoretical understanding and practical implementation guidance.

DATA AND MODEL

This study uses firm-level financial data from Chinese companies across multiple industries to quantify the impact of implementing the Amoeba management model on financial performance. Specifically, we compare firms that have adopted the Amoeba model with matched peers that have not, over the period from 2010 to 2023.

Our sample comprises 16 firms (one adopter and one non-adopter per industry) in eight sectors. Financial statements for these firms were drawn from Wind Financial Terminal and the CSMAR database (Table 1). Firm names have been withheld to protect confidentiality.

Table 1. Data Coverage by Industry

Industry	Years	Source
Dairy production	2013-2023	Wind Financial Terminal
Steel manufacturing		
Telecommunication equipment		
Air transportation		
E-commerce	2012-2023	
Infant formula	2013-2023	
Beverage production		
Heavy machinery manufacturing	2010-2023	CSMAR

To isolate the effect of Amoeba adoption, we employ a DID framework within a firm fixed-effects regression. This method has been widely used to evaluate structural interventions; for instance, Shen *et al.* (2020) applied DID to assess the impact of COVID-19 on corporate performance in China, thereby validating its suitability for estimating treatment effects. Angrist & Pischke (2009) further emphasize that DID combined with fixed-effects panel regression provides a robust identification strategy in observational settings.

$$Performance_{it} = \beta_0 + \beta_{DID} DID_{it} + \beta_{tr} treated + \beta_{per} period_{it} + \beta_x Controls_{it} + \varepsilon_{it}$$

where, *Performance* – financial performance metric (ROA or ROE); *treated* – 1 if firm has adopted Amoeba management, zero otherwise; *period* – 1 for all post-adoption years for treated firms (and corresponding years for controls), zero otherwise; **DID – the interaction term capturing the treatment effect (*treated* * *period*)**; *Controls* – vector of firm-level covariates (size, sales growth, leverage ratio, etc.); ε – idiosyncratic error term; *i* – firm index, *t* – year index.

All regressions include firm fixed effects to control for unobserved, time-invariant heterogeneity across firms.

Table 2. Variable Definitions and Descriptive Statistics

Variable	Adopted	Obs.	Mean	St.dev.	Min	Max
Dependent variables						
<i>roa</i> – Return on Assets, net income divided by total assets	All	180	0.0442	0.0656	-0.1531	0.2781
	No	92	0.0408	0.0656	-0.1531	0.2090
	Yes	88	0.0478	0.0658	-0.1047	0.2781
<i>roe</i> – Return on Equity, net income divided by total equity	All	180	0.0894	0.1625	-0.5907	0.5712
	No	92	0.0758	0.1712	-0.5907	0.5712
	Yes	88	0.1036	0.1525	-0.5907	0.5008
Amoeba Adoption-Related Variables						
<i>did</i> – dummy variable capturing the difference between firms that have adopted the Amoeba model and those that have not	All	180	0.3222	0.4686	0.0000	1.0000
	No	92	0.0000	0.0000	0.0000	0.0000
	Yes	88	0.6591	0.4767	0.0000	1.0000
<i>treated</i> – dummy variable equal to 1 for firms that adopted the Amoeba model, 0 otherwise.	All	180	0.4889	0.5013	0.0000	1.0000
	No	92	0.0000	0.0000	0.0000	0.0000
	Yes	88	1.0000	0.0000	1.0000	1.0000
<i>period</i> – dummy variable equal to 1 for all years from the adoption year, 0 otherwise.	All	180	0.6444	0.4800	0.0000	1.0000
	No	92	0.6304	0.4853	0.0000	1.0000
	Yes	88	0.6591	0.4767	0.0000	1.0000
Control variables						
<i>lev</i> – ratio of total liabilities to total assets	All	180	0.5755	0.1359	0.2315	0.9269
	No	92	0.5500	0.1380	0.2315	0.9269
	Yes	88	0.6023	0.1290	0.3119	0.8408
<i>ocfta</i> – ratio of operating cash flow to total assets	All	180	0.0904	0.0823	-0.1288	0.4198
	No	92	0.0809	0.0657	-0.0705	0.2365
	Yes	88	0.1002	0.0961	-0.1288	0.4198
<i>size</i> – natural logarithm of total assets	All	180	24.4560	1.5763	21.0643	28.1924
	No	92	24.2262	1.7567	21.0643	28.1924
	Yes	88	24.6962	1.3304	21.6425	26.7103
<i>ppeta</i> – ratio of property, plant, and equipment to total assets	All	180	0.2771	0.1990	0.0000	0.8763
	No	92	0.2854	0.1741	0.0000	0.6985
	Yes	88	0.2683	0.2227	0.0184	0.8763
<i>growth</i> – year-over-year percentage growth in sales	All	164	0.1192	0.2829	-0.4896	1.6674
	No	84	0.1127	0.2888	-0.4896	1.6674
	Yes	80	0.1259	0.2782	-0.4813	1.3779

<i>lntr</i> – natural logarithm of receivables turnover	All	164	2.8266	1.4548	0.0880	7.8089
	No	84	2.7695	1.5725	0.0880	7.8089
	Yes	80	2.8864	1.3273	0.5023	5.8510
<i>covid19</i> – dummy variable equal to 1 for pandemic years (2020 and 2021), 0 otherwise	All	180	0.1778	0.3834	0.0000	1.0000
	No	92	0.1739	0.3811	0.0000	1.0000
	Yes	88	0.1818	0.3879	0.0000	1.0000

Table 2 presents variable definitions and summary statistics for the full sample and by adopter status. ROA (Return on Assets) and ROE (Return on Equity) average higher for treated firms (ROA: 0.0478 vs. 0.0408; ROE: 0.1036 vs. 0.0758), suggesting a preliminary performance advantage.

Among treated firms, 65.9% of observations fall in post-adoption years, compared with 63.0% for controls. Treated firms tend to be larger (higher *size*), more highly leveraged (higher *lev*), generate more operating cash flow (higher *ocfta*), exhibit stronger sales growth (higher *growth*), and enjoy faster receivables turnover (higher *lntr*), but invest proportionally less in PP&E (lower *ppeta*).

RESULTS

This study estimates the effect of Amoeba management adoption on firms' financial performance, measured by return on assets (ROA) and return on equity (ROE). We employ both correlation analysis and a fixed-effects regression framework with a Difference-in-Differences (DID) specification.

Table 3 presents pairwise correlations among all key variables. Both ROA and ROE show statistically significant relationships with several control variables:

- *ocfta*, *growth*, and *lntr* all correlate positively with *roa* and *roe*, indicating that stronger cash-flow generation, higher sales growth, and faster receivables turnover tend to accompany superior profitability.
- Conversely, *lev* and *ppeta* correlate negatively with *roa* and *roe*, suggesting that increased leverage and asset intensity are associated with reduced profitability.

Table 3. Correlation Matrix

Variable	<i>roa</i>	<i>roe</i>	<i>did</i>	<i>treated</i>	<i>period</i>	<i>lev</i>	<i>ocfta</i>	<i>size</i>	<i>ppeta</i>	<i>growth</i>	<i>lntr</i>
<i>did</i>	0.031	0.069									
<i>treated</i>	0.054	0.086	0.705 ***								
<i>period</i>	-0.121	-0.112	0.512 ***	0.030							
<i>lev</i>	-0.496 ***	-0.298 ***	0.118	0.193 ***	0.017						
<i>ocfta</i>	0.686 ***	0.594 ***	0.117	0.117	-0.034	-0.274 ***					
<i>size</i>	-0.033	-0.058	0.124 *	0.149 **	0.135 *	0.083	0.029				
<i>ppeta</i>	-0.101	-0.153 **	-0.201 ***	-0.043	-0.279 ***	0.008	0.106	0.143 *			
<i>growth</i>	0.350 ***	0.424 ***	0.089	0.023	0.154 **	0.112	0.428 ***	0.123	-0.196 **		
<i>lntr</i>	0.390 ***	0.321 ***	-0.035	0.040	-0.104	-0.207 ***	0.524 ***	0.032	0.251 ***	0.294 ***	
<i>covid19</i>	-0.001	-0.047	0.146 *	0.010	0.285 ***	-0.077	-0.013	0.085	-0.066	-0.082	0.067

Note: ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

The relatively low to moderate intercorrelations among the controls imply that multicollinearity is unlikely to bias the regression estimates.

Table 4 presents the estimates from five specifications explaining ROA:

- The *did* coefficient is positive across all models and attains significance at the 10% level in Models 3-5. This finding implies that, relative to non adopters, Amoeba adopters experience a measurable increase in ROA following adoption.
- The *treated* dummy is positive and significant at the 1% level in every model, underscoring that firms that implement Amoeba management enjoy substantially higher ROA than their counterparts.
- The *period* dummy (post-adoption years) consistently enters with a negative and highly significant coefficient, suggesting a possible regression to the mean or adjustment costs over time; however, disentangling this from the core DID effect requires further investigation.
- Among the controls, *ocfta*, *growth*, and *lntr* each carry positive, significant coefficients, whereas *lev* consistently exerts a negative, significant impact.

Table 4. Regression Results with ROA as the Dependent Variable

Variable	Model 1	Model 2	Model 3	Model 4	Model 5
<i>did</i>	0.0385 ***	0.0214	0.0225 *	0.0243 *	0.0248 *
<i>treated</i>	0.1776 ***	0.0794 ***	0.0789 ***	0.0875 ***	0.0900 ***
<i>period</i>	-0.0503 ***	-0.0320 ***	-0.0316 ***	-0.0295 ***	-0.0321 ***
<i>lev</i>		-0.1417 ***	-0.1379 ***	-0.1450 ***	-0.1398 ***
<i>ocfta</i>		0.3260 ***	0.3221 ***	0.2091 ***	0.2061 ***
<i>size</i>			-0.0002	-0.0069	-0.0081
<i>ppeta</i>			0.0200	0.0352	0.0414
<i>growth</i>				0.0371 ***	0.0386 ***
<i>lntr</i>				0.0079 *	0.0071
<i>covid19</i>					0.0083
Constant	0.0488 ***	0.0951 ***	0.0901	0.2353	0.2588
Observation	180	180	180	164	164
Number of companies	16	16	16	16	16
Adj.R2	0.6026	0.6908	0.6875	0.7489	0.7496
F statistics (p-value)	16.9686 (0.0000)	22.0476 (0.0000)	19.7564 (0.0000)	22.1377 (0.0000)	21.3317 (0.0000)

Note: *** and * indicate statistical significance at the 1% and 10% levels, respectively.

Adjusted R² values range from 0.60 to 0.75, and F-tests are significant at 1% in all specifications, indicating strong overall explanatory power and model fit. These associations affirm the economic plausibility of the control variables used in the model.

Table 5 summarizes analogous regressions for ROE:

- The DID term is positive and significant at the 5%-10% levels in Models 1, 3, 4, and 5, reinforcing the ROA results and demonstrating that post-adoption adopters outperform non-adopters in ROE.
- The treated dummy reaches 1% significance only in Model 1, suggesting that the immediate treatment effect on ROE may be most potent in the simplest specification and may attenuate when additional controls are introduced.
- The period dummy again enters negatively and with high significance across all models, mirroring the pattern observed for ROA.
- Control variables *ocfta*, *ppeta*, *growth*, and *lntr* show significant positive associations with ROE, in line with their effects on ROA.

Table 5. Regression Results with ROE as the Dependent Variable

Variable	Model 1	Model 2	Model 3	Model 4	Model 5
<i>did</i>	0.0963 **	0.0615	0.0759 *	0.0732 *	0.0750 *
<i>treated</i>	0.2579 ***	0.0333	0.0257	0.0435	0.0522
<i>period</i>	-0.1334 ***	-0.0992 ***	-0.0942 ***	-0.0908 ***	-0.0999 ***
<i>lev</i>		-0.1045	-0.0493	-0.1494	-0.1313
<i>ocfta</i>		0.9399 ***	0.8897 ***	0.5338 ***	0.5235 ***
<i>size</i>			-0.0020	-0.0315	-0.0355
<i>ppeta</i>			0.2734 **	0.2931 ***	0.3149 ***
<i>growth</i>				0.1296 ***	0.1349 ***
<i>lntr</i>				0.0280 **	0.0249 *
<i>covid19</i>					0.0290
Constant	0.1226 ***	0.0845	-0.0085	0.6960	0.7774
Observation	180	180	180	164	164
Number of companies	16	16	16	16	16
Adj. R ²	0.4210	0.5049	0.5188	0.6193	0.6212
F statistics (p-value)	8.6549 (0.0000)	10.6061 (0.0000)	10.1904 (0.0000)	12.5279 (0.0000)	12.1400 (0.0000)

Note: ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Adjusted R² values lie between 0.42 and 0.62, and all F-statistics are significant at 1 %, indicating satisfactory explanatory performance. This result indicates that while the effect of Amoeba adoption on equity returns is more sensitive to model specification, the direction of influence remains positive across all models.

Overall, the results consistently demonstrate that firms adopting the Amoeba management model achieve higher ROA and ROE compared to non-adopters. The effect on ROA is particularly robust, both in magnitude and statistical significance, while the effect on ROE, though slightly more variable, remains positive. Control variables confirm that healthier cash flows, stronger sales growth, and efficient receivables management enhance profitability, whereas higher leverage and capital intensity tend to suppress it.

These findings substantiate the hypothesis that the decentralized profit-center structure, enhanced transparency, and employee empowerment inherent in the Amoeba model materially improve corporate financial performance.

CONCLUSION

This study aimed to empirically examine the effect of the Amoeba management model – a distinctive decentralized management innovation originating from East Asia (Nonaka & Takeuchi, 1995; Inamori, 2012) – on the financial performance of Chinese enterprises operating in diverse industrial contexts. By leveraging a robust Difference-in-Differences (DID) framework combined with firm fixed effects, and by drawing on a balanced panel dataset spanning 16 firms across eight industries from 2010 to 2023, this research provides quantitative evidence that enriches and extends the largely qualitative literature on Amoeba adoption (Adler & Hiromoto, 2010; Hu *et al.*, 2018).

The core findings demonstrate that firms which implemented the Amoeba model recorded statistically significant improvements in both return on assets (ROA) and return on equity (ROE), corroborating previous case-based insights (Wang, 2024; Yahuofujiang, 2023) that emphasize the model's capacity to enhance operational flexibility, internal accountability, and profit consciousness at the unit level. The observed improvements in ROA and ROE, as well as the model's emphasis on flexibility and accountability, align with broader studies on management innovation that highlight the transformative role of decentralized structures in driving sustainable performance gains when complemented by clear financial accountability and transparent information systems (Bloom & Van Reenen, 2007; Urban & Czerska, 2016).

The core findings demonstrate that firms which implemented the Amoeba model recorded statistically significant improvements in both return on assets (ROA) and return on equity (ROE), corroborating previous case-based insights (Wang, 2024; Yahuofujiang, 2023) that emphasize the model's capacity to enhance operational flexibility, internal accountability, and profit consciousness at the unit level. This aligns with broader studies on management innovation, which underscore the transformative role of decentralized structures in driving sustainable performance gains when complemented by clear financial accountability and transparent information systems (Bloom & Van Reenen, 2007; Urban & Czerska, 2016).

Nevertheless, this study also uncovers nuanced dynamics that merit further consideration. The persistently negative coefficient on the post-adoption dummy variable indicates that while the initial performance uplift is both tangible and substantial, sustaining these gains over extended periods demands careful recalibration of supporting systems – particularly performance metrics, incentive mechanisms, and leadership capacity (Jianfu *et al.*, 2022; Chen, 2013). This finding aligns with Shen *et al.* (2020a, 2020b), who emphasize that structural reforms can lose momentum in the absence of concurrent institutional or cultural adaptation, particularly in rapidly changing or crisis-prone markets.

Equally important, the strong influence of internal financial drivers, specifically robust operating cash flow, consistent sales growth, and efficient receivables turnover, reinforces well-established empirical evidence (Ciza *et al.*, 2025; Warie *et al.*, 2024) that sound financial fundamentals remain vital enablers of organizational resilience, irrespective of managerial innovations. Conversely, excessive leverage continues to pose a structural constraint on profitability, consistent with capital structure theories and prior empirical observations across various emerging market contexts.

Taken together, the implications are twofold: First, the Amoeba model can serve as a viable strategic tool for firms seeking to bolster financial performance through enhanced decentralization, employee empowerment, and intra-firm transparency. Second, practitioners and policymakers should recognize that successful implementation requires thoughtful customization to local institutional settings, robust internal control frameworks, and sustained investment in capacity building for unit managers – a lesson that transcends national boundaries and resonates with cross-cultural evidence from European (Urban & Czerska, 2016) and hybrid Sino-Japanese cases (Chen, 2013).

Directions for future research could usefully include longitudinal analyses that track firm performance across multiple business cycles to capture the durability of Amoeba-induced gains. Additionally, integrating dimensions such as board governance, ESG commitment, and digital process integration (Kaluarachchi, 2025; Maji & Tiwari,

2025) would provide a more holistic understanding of how modern corporations can leverage hybrid management systems to navigate increasingly volatile and complex market environments.

In conclusion, this study contributes to bridging the empirical gap in the Amoeba management literature by systematically quantifying its financial impacts in the Chinese context and by offering insights that hold practical relevance for managers, scholars, and policymakers interested in innovative pathways to sustainable corporate performance.

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