



## True Value Accounting ... Metrics Matters

### Introduction

#### Where to begin?

Where should we begin in order to design, develop and deploy coherent meaningful metrics for our modern global complex socio-enviro-economic system? Where do we start to make True Value Accounting the mainstream accounting system for everything in our socio-enviro-economic system.

Establishing a system of better metrics is a process rather than an event. The best results are going to be achieved when the process enables iteration of ideas and continuous improvement.

#### Context

Conventional money profit accounting is a very powerful and effective system where the main metric for progress and performance is money profit and money wealth, but it is insufficient in the modern world. There must also be equally strong metrics about people and social issues that matter and for the environment and everything that is done for us by natural systems.

Double entry accounting has stood the test of time. It goes back over 800 years to 1211 and has its main idea has not changed much since then. Similarly, the main ideas of economics are old and were formulated when horses were the source of most power.

Science and technology has progressed enormously but harnessed almost exclusively in the interest of progress as measured by the money metric.

The idea that if it does not make money profit, it is not worth doing must be complemented by the idea that if it is going to do (measurable) good it is worth doing. When there are measures for doing good, then it will be easier to arrange the financing.

#### Metrics are powerful

Conventional metrics are very powerful ... metrics like money profit and financial wealth are key drivers of personal and corporate decision making, and at a macro level, policy makers have a fixation with GDP growth. We measure these things, and every decision pushes towards these metrics.

Every sports team has metrics about everything that matters for winning the game ... why not our socio-enviro-economic system?

#### Enabling good people

There are enough good people on the planet, and enough amazing technology for the world to be in a much better place. Why are things so dysfunctional. Why does our modern socio-enviro-economic system produce so many bad outcomes ... both social and environmental.

One thing I learned a long time ago as a young corporate CFO was that I could effect change in the corporate organization by measuring the right things, and making these measures available to the right people. Change was rapid but it was critical that the measures were the right ones. When we used the wrong measures, we got the change, but we did not get the results we were looking for.

### **GDP is not good enough**

Until about 50 years ago, GDP had a strong correlation with quality of life and standard of living. This changed in the 1970s when technology enabled increased productivity and offshoring so that less labor could produce all the products needed for a good life. Payroll down, profits up and corporate capitalism was on a roll. Individuals and society were more and more put at risk. Economists are talking about this state of affairs, but it is just talk with no meaningful metrics and no policy traction.

### **The power of metrics**

So how can we use the power of double entry accountancy that is ubiquitous in the corporate space as the foundation for metrics that will be as rigorous for people / society and environment / planet as it is for corporate performance. How can we measure everything that matters, and not simply the money profit dimension of an activity. How can we use the concepts of double entry accounting to measure progress and performance for everything in society and not just the corporate business and capital markets.

## **True Value Accounting versus Conventional Accounting**

True Value Accounting versus Conventional Accounting are both accounting, but true value accounting (TVA) includes the impact of all socio-enviro-economic transactions on all the components of the system, not simply the money dimension of the transaction and its impact on business or personal wealth.

There needs to be better metrics about cost, price and value ... not only the money dimension of these things, but also what is going on with people and society as well as the environment and the planet.

### **Multi dimension**

A big car is more comfortable, but a big car also has a bigger environmental impact. This idea applies to everything ... every product ... life cycle analysis.

### **Multi perspective**

There needs to be an accounting for transactions from every perspective.

From the corporate view, payroll down means profit up.

From the employee perspective, payroll down means lower pay or unemployment.

### **Accounting for profit**

Business schools typically teach students how to optimize for business profit. We need to be able to teach a more complete optimization that addresses the triple bottom line for the organization ... that is, profit, people and planet.

Business profit is an amazingly powerful way of summarizing the performance of a business.

In simple terms, the profit is the surplus of revenues ... which are a function of price ... over cost. In conventional money profit accounting both of these are measured in money.

Most accounting regulations concern themselves with the manner in which accounting is done and the profits are reported.

### **Management accounting**

Management accounting is driven by data from the financial profit accounting system, but structured in ways that are useful for decision making and profit performance improvement.

### **Accounting for cost**

Accounting for cost is a sub-set of management accounting, and concerns itself with the cost information in ways that enable decisions to be made at every level of the organization.

### **Accounting for value**

There is no accounting for value in conventional money profit accounting.

However there is an implicit calculation of value when a customer considers the 'buy' or 'not-to-buy' decision. A purchase is most likely when there is a high 'value' relative to the 'price'

### **Accounting for risk**

And then there is risk ... we don't handle risk in a sensible way. It may be reasonable to discount future profit flows to a net present value, but doing the same for risk is just plain WRONG.

### **Accounting for place**

We need to think in terms of the progress and performance of place. Organizations like the World Bank, the United Nations do their management at a project level, but a project disappears after a time. On the other hand a place goes on for ever. When we start managing resources so that places get better, then everything can get better. Managing for better cities, communities, neighborhoods is going to be more effective than managing at a national level.

### **Accounting for people**

We need to think of people as assets and not as liabilities ... more as potential contributors rather than simply as potential customers.

We need to have a way to measure 'good' as rigorously as we are able to measure 'profit'. Getting funding for an initiative that is going to make profit is relatively easy compared to getting funding for something that is going to merely do good!

Human life has value. All sorts of things that are essential to a strong family have value ... but no price. Without price and a money transaction there the activity does not exist in the prevailing system of metrics.

### **Feedback design**

In the end we need to have metrics that give incentive to a world where an individual makes better decisions, a family makes better decisions, a place makes better decisions, a business makes better decisions, nations make better decisions and in the end we have a better world and each of these entities is better off as well. Metrics can make a difference.

### **Corporate reporting**

A lot of work is going on to improve corporate reporting so that it includes social and environmental issues as well ... the Global Reporting Initiative, the Integrated Reporting initiative, SASB (Sustainable Accounting Standards Board), IRIS and others. It is good that they are emerging, but they are costly and don't integrate well with a system of accounting. They also focus uniquely on the corporation without looking at progress and performance from any other perspective. Initiatives like Shared Value (Michael Porter) sound good until you realize that in the end the main beneficiary is that the corporation is even more dominant in the system.

### **Standard values**

Part of the True Value Accounting system will be 'standard values' ... something like standards costs in conventional cost accounting, but about value and impact.

### **Ubiquitous access**

At this time in history, key metrics have to be accessible on mobile devices.

## **Approaches to Training and Promotion of True Value Accounting**

### **Curriculum**

The idea of True Value Accounting (TVA) could be a subject within the broader areas of Business, Economics or Accounting. Students need to learn the mainstream versions of these disciplines, but they also should be aware of the limitations of the conventional teaching and the possibilities of a better way to handle the metrics. It would be enormously helpful to work with MEC faculty to make something like this happen.

### **Workshops**

I think I have got to the stage where the material can be used for a series of workshops or discussion groups ... open space groups if you will. The concepts can be discussed from the perspective of a student as an individual ... or as a potential corporate accountant CFO ... or as a community organizer looking to make Brooklyn a better place ... or really any initiative that aims to do good ... or indeed for a business that aims to make money, but could also optimize for doing good.

### **Discussions groups**

I am very much aware that the purpose of education is to help prepare a person for a successful life ... many, if not most students, need to focus on what it is they need to learn to get a job and earn a living. Some students will benefit from having the opportunity to engage in some 'out of the box' thinking. We need innovation, but it is not for everyone!

### **Text books**

It is so much easier to write a lot than to write a little! Thanks, anyway for your encouragement. I will try to keep this short!

## **Videos**

## **Slidesets**

## **Webinars**

## **Presentations**

The only thing that will work and be sustainable is something that delivers true value to Medgar Evers College (MEC) in some way ... that is, to the faculty, the students, the college reputation and the local community (Brooklyn). Perhaps more important, any initiative or collaboration must not get in the way of students getting the education they need for their own careers. These are some possible areas of help and collaboration:

## **Consultancy**

## **Collaboration with Organizations of all sorts**

### **Schools**

### **Universities**

### **NGOs**

### **Churches**

### **Governing authorities**

### **Projects**

### **Companies**

### **The accounting profession**

### **The investment industry**

### **The tech industry**

### **Social activism**

### **Consulting firms**

Some of the initiatives MEC is initiating for the good of the community (Brooklyn) could be subject to True Value analysis to complement financial feasibility studies. Conventional accounting is powerful for the business perspective, but less so for measuring progress of place and the progress of people.

The technology initiatives of MEC and MEC students could help bring TrueValueMetrics into the 21st century ... the basic architecture of TVA is fairly well defined, but turning this architecture into modules that work on top of systems now generally used by everyone is still work to be done.

The process of numbering (quantifying) important things needs to be an iterative process involving a database and method for crowd-sourcing values. This could be a student / tech project.

Using the Michael Moore film as a starting point ... dialog about what the examples mean for the United States ... and integrating the dialog with the sort of numbering that emerges from TVA.

## True Value Accounting ... Metrics Matter

This could have an Open Space format.

I will get value from some form of collaboration simply because many heads are better than one. There are many ways to proceed. I always observe that I am constrained by a limited budget of energy, time and cash ... but less constrained by my thinking about what is possible. Younger people might be able to take what I have already done to a new level, and as Peter Drucker famously said 'You manage what you measure'. I argue that in order to have a better world, we had better start to measure the right things!

I am sure others may be able to see other ways that new metrics can be introduced into modern education. CEOs are talking about Corporate Social Responsibility (CSR) and Sustainability and investors are starting to talk about Responsible Investing and Impact Investing, but CFOs are stuck with conventional money profit accounting that is powerful but completely inadequate for the modern world. Many initiatives are in play to improve corporate reporting, but none of them seem to have an architecture that is comprehensive and coherent. The TVA data architecture has the potential to be a game changer.

**Table of Contents**

- True Value Accounting ... Metrics Matters..... 1
- Introduction..... 1
  - Where to begin?..... 1
  - Context..... 1
  - Metrics are powerful..... 1
  - Enabling good people..... 1
  - GDP is not good enough..... 2
  - The power of metrics..... 2
- True Value Accounting versus Conventional Accounting..... 2
  - Multi dimension..... 2
  - Multi perspective..... 2
  - Accounting for profit..... 2
  - Management accounting..... 3
  - Accounting for cost..... 3
  - Accounting for value..... 3
  - Accounting for risk..... 3
  - Accounting for place ..... 3
  - Accounting for people..... 3
  - Feedback design..... 3
  - Corporate reporting..... 4
  - Standard values..... 4
  - Ubiquitous access ..... 4
- Approaches to Training and Promotion of True Value Accounting..... 4
  - Curriculum..... 4
  - Workshops..... 4
  - Discussions groups ..... 4
  - Text books..... 4
  - Videos..... 5
  - Slidesets..... 5
  - Webinars..... 5
  - Presentations..... 5
  - Consultancy..... 5
- Collaboration with Organizations of all sorts..... 5
  - Schools..... 5
  - Universities..... 5
  - NGOs..... 5
  - Churches..... 5
  - Governing authorities..... 5
  - Projects..... 5
  - Companies..... 5
  - The accounting profession..... 5
  - The investment industry..... 5
  - The tech industry..... 5
  - Social activism..... 5
  - Consulting firms..... 5

True Value Accounting ... Metrics Matter

|                   |    |
|-------------------|----|
| Background 1..... | 9  |
| Background 2..... | 14 |



## Background 1

----- // -----

On Dec 10, 2015, at 8:41 PM, Peter Burgess  
<peterbnyc@gmail.com<mailto:peterbnyc@gmail.com>> wrote:

Dear Jose, Dean Rolle. Chris and others

Good to see ideas emerging, cooperation and collaboration ... congratulations.

And also congratulations in respect of the Michael Moore film event where the audience seemed to be incredibly engaged, with not enough time to Tweet!

There are enough good people on the planet, and enough amazing technology for the world to be in a much better place. Why are things so dysfunctional. Why does our modern socio-enviro-economic system produce so many bad outcomes ... both social and environmental. I argue that we are maintaining a system where the main and strong metric is money profit and money wealth, while we have very weak metrics about people and social issues that matter and weak metrics about the environment and everything that is done for us by natural systems. Double entry accounting goes back to 1211 and has not changed much since then. The main ideas of economics were formulated when horses were the source of most power. Science and technology has progressed enormously but harnessed almost exclusively in the interest of progress as measured by the money metric. The idea that if it does not make money profit, it is not worth doing must be complemented by the idea that if it is going to do (measurable) good it is worth doing ... and for doing there must first be financing!

Every sports team has metrics about everything that matters for winning the game ... why not our socio-enviro-economic system?

Peter

----- // -----

Jo-ann Rolle <jrolle@mec.cuny.edu>

12/10/15

to me, christopher, Jose

Peter,

Where would we begin on a metric for socio-environment economic?

----- // -----

Peter Burgess <peterbnyc@gmail.com>

12/11/15

to Jo-ann, christopher, Jose, John, bcc: Miko, bcc: Philippa

Dear Jo-ann ... I mean Dean Rolle

Establishing a system of better metrics is a process rather than an event.

Conventional metrics are very powerful ... metrics like money profit and financial wealth are key drivers of personal and corporate decision making, and at a macro level policy makers have a fixation with GDP growth. We measure these things, and every decision pushes towards these metrics.

One thing I learned a long time ago as a young corporate CFO was that I could effect change in the corporate organization by measuring the right things, and making these measures available to the right people. Change was rapid but it was critical that the measures were the right ones. When we used the wrong measures, we got the change, but we did not get the results we were looking for.

Until about 50 years ago, GDP had a strong correlation with quality of life and standard of living. This changed in the 1970s when technology enabled increased productivity and offshoring so that less labor could produce all the products needed for a good life. Payroll down, profits up and corporate capitalism was on a roll. Individuals and society were more and more put at risk. Economists are talking about this state of affairs, but it is just talk with no meaningful metrics and no policy traction.

So how can we use the power of double entry accountancy that is ubiquitous in the corporate space as the foundation for metrics that will be as rigorous for people / society and environment / planet as it is for corporate performance. How can we measure everything that matters, and not simply the money profit dimension of an activity. How can we use the concepts of double entry accounting to measure progress and performance for everything in society and not just the corporate business and capital markets.

Business schools typically teach students how to optimize for business profit. We need to be able to teach a more complete optimization that addresses the triple bottom line for the organization ... that is, profit, people and planet.

But we need to address the issue of perspective as well. From the corporate view, payroll down means profit up. From the employee perspective, payroll down means lower pay or unemployment. A big car is more comfortable, but a big car also has a bigger environmental impact. This idea applies to everything ... every product ... life cycle analysis.

And then there is risk ... we don't handle risk in a sensible way. It may be reasonable to discount future profit flows to a net present value, but doing the same for risk is just plain WRONG.

We need to look have better metrics about cost, price and value ... not only the money dimension of these things, but also what is going on with people / society and environment / planet as well.

We need to think in terms of the progress and performance of place. Organizations like the World Bank, the United Nations do their management at a project level, but a project disappears after a time. On the other hand a place goes on for ever. When we start managing resources so that places get better, then everything can get better. Managing for better cities, communities, neighborhoods is going to be more effective than managing at a national level.

We need to think of people as assets and not as liabilities ... more as potential contributors rather than simply as potential customers.

We need to have a way to measure 'good' as rigorously as we are able to measure 'profit'. Getting funding for an initiative that is going to make profit is relatively easy compared to getting funding for something that is going to merely do good!

Human life has value. All sorts of things that are essential to a strong family have value ... but no

## True Value Accounting ... Metrics Matter

price. Without price and a money transaction there the activity does not exist in the prevailing system of metrics.

In the end we need to have metrics that give incentive to a world where an individual makes better decisions, a family makes better decisions, a place makes better decisions, a business makes better decisions, nations make better decisions and in the end we have a better world and each of these entities is better off as well. Metrics can make a difference.

A lot of work is going on to improve corporate reporting so that it includes social and environmental issues as well ... the Global Reporting Initiative, the Integrated Reporting initiative, SASB (Sustainable Accounting Standards Board), IRIS and others. It is good that they are emerging, but they are costly and don't integrate well with a system of accounting. They also focus uniquely on the corporation without looking at progress and performance from any other perspective. Initiatives like Shared Value (Michael Porter) sound good until you realize that in the end the main beneficiary is that the corporation is even more dominant in the system.

Part of the True Value Accounting system will be 'standard values' ... something like standards costs in conventional cost accounting, but about value and impact.

This is probably enough ... indeed too much ... to introduce the challenge. I have written a lot about how this might come together in a single coherent system, but none of this writing is complete ... but it is progressing. And ... in the end, at this time in history all of this has to be accessible on mobile devices ....

I think I have got to the stage where the material can be used for a series of workshops or discussion groups ... open space groups if you will. The concepts can be discussed from the perspective of a student as an individual ... or as a potential corporate accountant CFO ... or as a community organizer looking to make Brooklyn a better place ... or really any initiative that aims to do good ... or indeed for a business that aims to make money, but could also optimize for doing good.

I am very much aware that the purpose of education is to help prepare a person for a successful life ... many, if not most students, need to focus on what it is they need to learn to get a job and earn a living. Some students will benefit from having the opportunity to engage in some 'out of the box' thinking. We need innovation, but it is not for everyone!

Too long ... sorry

Peter

----- // -----

Jo-ann Rolle <jrolle@mec.cuny.edu>

12/11/15

to me, christopher, Jose, John

Wow! Let me rephrase the question. How can we help?

----- // -----

Peter Burgess <peterbnyc@gmail.com>

## True Value Accounting ... Metrics Matter

12/12/15

to Jo-ann, christopher, Jose, John, bcc: Claudia, bcc: Miko

Dear Jo-ann

It is so much easier to write a lot than to write a little! Thanks, anyway for your encouragement. I will try to keep this short!

The only thing that will work and be sustainable is something that delivers true value to Medgar Evers College (MEC) in some way ... that is, to the faculty, the students, the college reputation and the local community (Brooklyn). Perhaps more important, any initiative or collaboration must not get in the way of students getting the education they need for their own careers. These are some possible areas of help and collaboration:

1. The idea of True Value Accounting (TVA) could be a subject within the broader areas of Business, Economics or Accounting. Students need to learn the mainstream versions of these disciplines, but they also should be aware of the limitations of the conventional teaching and the possibilities of a better way to handle the metrics. It would be enormously helpful to work with MEC faculty to make something like this happen.
2. Some of the initiatives MEC is initiating for the good of the community (Brooklyn) could be subject to True Value analysis to complement financial feasibility studies. Conventional accounting is powerful for the business perspective, but less so for measuring progress of place and the progress of people.
3. The technology initiatives of MEC and MEC students could help bring TrueValueMetrics into the 21st century ... the basic architecture of TVA is fairly well defined, but turning this architecture into modules that work on top of systems now generally used by everyone is still work to be done.
4. The process of numbering (quantifying) important things needs to be an iterative process involving a database and method for crowdsourcing values. This could be a student / tech project.
5. Using the Michael Moore film as a starting point ... dialog about what the examples mean for the United States ... and integrating the dialog with the sort of numbering that emerges from TVA. This could have an Open Space format.

I will get value from some form of collaboration simply because many heads are better than one. There are many ways to proceed. I always observe that I am constrained by a limited budget of energy, time and cash ... but less constrained by my thinking about what is possible. Younger people might be able to take what I have already done to a new level, and as Peter Drucker famously said 'You manage what you measure'. I argue that in order to have a better world, we had better start to measure the right things!

I am sure others may be able to see other ways that new metrics can be introduced into modern education. CEOs are talking about Corporate Social Responsibility (CSR) and Sustainability and investors are starting to talk about Responsible Investing and Impact Investing, but CFOs are stuck with conventional money profit accounting that is powerful but completely inadequate for the modern world. Many initiatives are in play to improve corporate reporting, but none of them seem to have an architecture that is comprehensive and coherent. The TVA data architecture has the potential to be a game changer.

Too long again ... surprise surprise

True Value Accounting ... Metrics Matter

Peter

## Background 2

----- // -----

On Thu, Dec 10, 2015 at 5:21 PM, christopher macrae wrote:

Jose this is very exciting - I feel tech connections are a great empowerment opportunity but I am not sure of diaries, particularly of currently DC-located people. Maybe we need the two schedules- (1) what do people definitely want done by end of December and (2) by end of January

The reason for the second of these deadlines is partly Kenya- since the event is on Jan 28 we will know by that date to what extent we have improved connections with iHub and with GiveDirectly, two of the networks that I dream we could all gain from.

Also during January I believe John's MIT gig will be taking place and so I will also be trying to make sure that everyone I know with MIT contacts has clarified how collaborative they can make them by end of December.

I am also a bit confused by NYDev - I am not sure if tech is a major part of its exchanges - but I am sort of guessing they are not going to public announce til January.

So is FabLab the one main thing to start connections tech teams around in December or are there other tech calendars? What are the next decisions to be made by whom if your ideal progress could be made?

Forgetfulness - Please say if I have forgotten one of the live tech processes of December, there are 3 additional dynamics that seem to be in the air.

Dianne's Windsor circle was almost all about tech commitments, but I don't understand forward schedules and led by whom on that - maybe Mike Cash and John Kiehl have ways of clarifying with Dianne - there was also the extraordinary tech summarizer at Dianne's event on UNHabitat day- was she a New Yorker and if so how can we reconnect with her. Specifically on education, the Xprize evening suggested 3 or 4 New York institutions that might be worth a group visit if we can make that- the goal of making NY more famous in next 10 years as world capital of job creating education than Wall Street's financial fame seems to me to be critical to sustainable development of New York if indeed USA wants to be seen as a leader of global youth empowerment which after seeing last night's film is a very big ask, but one that is CUNY historic raison d'etre to be a worldwide leader of.

Amy and I see arguably the most practical technologist concerned with youth empowerment in Obama's administration on Tuesday so any stories of how Brooklyn is gravitating open tech by then are most timely

There is a lot of research on hubs that ever do hackathons/bootcamps, startup cities and which of our friends have tech channels that give special characteristics to a hackathon which has not come together in the way that several of us had a right to expect - I will make end of December absolute deadline on that regarding the people I had expected this to be led by but good to know if others are doing this too

chris