An initiative for radical reform of the prevailing metrics

MDIA – Multi Dimension Impact Accounting

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About Prevailing Metrics

- Singular focus on money metrics
  - Money profit for business
  - Prices in capital markets for investors
  - GDP growth for policy makers

- One dimension
  - Financial performance of the organization
  - Stock price of the organization

- Short term decision focus

- Metrics ignore externalities
  - Impact on people
  - Impact on planet

- GDP ignores most things that really matter
What Radical Reform Will Look Like

• Based on old established accounting concepts
  • Money flows: revenues, costs, profit
  • Double entry … balance sheet and transactions
  • Standard values … similar to standard costs

• About impact on people as well as profit for business

• About impact on planet

• Short term and long term decision focus

• Metrics include externalities
  • Impact on people
  • Impact on planet

• Multiple reporting perspectives

• Economic activity the central focus
Economic Activity at the Center of MDIA

• An economic activity:
  • Is anything that uses resources and has outputs
  • Is located in a place
  • Is implemented by an entity … individual or organization
  • Is associated with products

• An economic activity has impact on people

• An economic activity has impact on planet

• An economic activity produces value change for place

• Economic activity aggregates
  • For the place
  • For the implementing organization
Metrics for the Place

- The state of the place
  - Its natural resources
  - Its human resources
  - Its economic activities
  - Its public infrastructure
  - Its organizational infrastructure

- Progress … change in state over time
  - Quality of life for people
  - Impact on planet
  - Impact on place
  - Profit for business

- Performance
  - How big the progress
  - How much net consumption of non-renewable resources
Metrics for the Organization

- The state of the organization
  - The money based balance sheet
  - The human capital
  - The value of net social valuadd
  - Provision for net resource depletion
  - Provision for environmental degradation

- Profit and impact
  - The money profit
  - Direct valuadd for people
  - Indirect valuadd for family
  - Indirect valuadd for community
  - Resource depletion
  - Environmental degradation
Metrics for Products

• Products are used in production
  - There is money cost
  - There is also the impact elements in the supply chain
  - There is also the profit component in the supply chain

• Production
  - Add materials
  - Add labor
  - Add profit

• Products are the output
  - They have a price
  - They have a perceived value to the buyer
  - They have cumulative people impact elements
  - They have cumulative planet impact elements

• Products have an impact during use

• Products have a post use waste chain
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Perspectives

• Place

• Organization

• Individual (people)
  • As investor
  • As employee
  • As consumer
  • For the family
  • For the community

• Planet

• Product

• National economy
Behavior Change

- In the organization
- By the organization
- By people
  - As investors
  - As employees
  - As consumers
  - As public officials
- About the place
- About the future
- About the nation
Quantifying Value

- Value is very personal
- Value is very important
- The concept of standard value
  - This is the same concept used in cost accountancy … standard costs
- Value profiles for everyone
  - Use technology to 'crowdsource' all the relationships
- All values are related one to another
- Values not directly related to a money unit
Invitation

• MDIA is a big idea

• It facilitates radical reform of the prevailing metrics

• The next steps are mainly associated with technology
  • How to build the standard value database
  • How to build a database of 'state of place'
  • How to build a database of 'impact of product'

• Old fashioned easy information also has value
  • Getting this organized and into a database

• Please get in touch. Please help

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