Multi Dimension Impact Accounting (MDIA) … Brief

The prevailing metrics that dominate the media dialog about business, politics, society and the economy are driving everything in the wrong direction. Optimizing the organization to make the most money profit and deliver higher stock prices while ignoring all the externalities that impact people and planet drives a big part of society in the wrong direction and is environmentally unsustainable. GDP growth is a popular metric because it makes bigger profits and higher stock prices far easier to achieve than otherwise. There are no metrics about improvement in quality of life for everyone while using the least resources and doing the minimum environmental damage.

Multi Dimension Impact Accounting (MDIA) changes this. MDIA uses a single set of data in an integrated comprehensive system to measure state, progress and performance from multiple perspectives and in multiple dimensions: (1) profit; (2) people; (3) planet (land); (4) planet (water); (5) planet (atmosphere); (6) place; (7) product; (8) organization; and (9) time.

All these data elements have different characteristics ... but they all have their purpose.

In the prevailing system of management metrics, everything is about the organization and its performance. A better system of metrics will be agnostic about the structure of economic activity, but will be clear about the performance of economic activity, that is, how much progress for how much consumption of limited resources and how much impact on the environment.

The performance of an organization is one dimension of the metrics, but only one. The other dimensions are people, place and product. MDIA is a broader application of the Triple Bottom Line concept which has an organization focus and refers to profit, people and planet.

Keeping track of socio-economic performance at the individual people level would be good, but is difficult to do because there are all sorts of issues around privacy and the individual is too small. On the other hand different groups of people are manageable. People may be classed in groups such as investors, senior executives, wage earners, family members, community members, etc. and in many other ways. In an optimum system for socio-economic performance management, it is improvement in the quality of life for people that is the dominant goal.

People live in a place, and quality of life is impacted by what is in the place and goes on in the place. This includes the economic activities, the various services, the infrastructure, the natural resources, and so on.
Trying to understand impact on the planet (land, water and atmosphere) is difficult because it is very big. Places are much easier. Their locations are fixed and the data are easier to validate. People can see things in a place and report on them. Others can check on the reporting and confirm the data.

In addition, everything to do with planet happens in a place. It can be identified in a place. Waste originates in a place and landfills are in a place. Industries pollute (like oil in the Niger Delta) in a place. Factories have accidents (like textiles in Dhaka) in a place. These events can be reported on and used to enable accountability of those people and organizations responsible.

Product … that is all goods and services … is another dimension. A product has a life cycle starting with raw materials, going through a series of economic activities that 'add value' in the supply chain until the product is used, and eventually put into the post use waste chain. The purpose of product is to improve the quality of life of the user, and is optimized when this is maximized and the net value destruction in the life cycle is the minimum.

In MDIA, it is the economic activity in a place that is the core analytical unit. An economic activity is located in a place and is associated with organizations and products. The data about an economic activity may be aggregated (consolidated) into place, organization and product according to rules derived from accounting consolidation rules.

The characteristics of economic activity have an impact on people. People (investors) invest in organizations that operate economic activities in a place. People (executives) make decisions in an organization in a place. People (workers) work in an organization in an economic activity in a place, add value and get paid. People earn money and people spend money. While workers' pay is a cost to the economic activity and to the organization, the same pay is a value to the worker, the workers' families and the community (place). The impact on the place depends on the local multiplier and whether the money stays in the place or moves directly to another place.

MDIA is not positioned to displace TBL but to embrace and enhance TBL so that it is part of a comprehensive analysis and reporting framework. TBL has an organization focus. MDIA is broader and completely agnostic with respect to how society, the economy and businesses are organized. Being agnostic is a critical characteristic of good metrics.

MDIA has applicability in every sector everywhere. It gets beyond 'single silo' thinking and encourages multi-sector solutions. MDIA has a focus on progress. Progress is change of state. It does not really matter how one gets there. Performance is the relationship between resources consumed and environment degradation relative to the progress achieved.

All of this has to be quantified in a widely acceptable manner. MDIA does this using a system of standard costs rather like standard costs in a cost accounting system.

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