



MULTI DIMENSION IMPACT ACCOUNTING (MDIA)

Draft dialog for Left Forum panel

SECTION 1

Rough notes from discussion ... Friday, May 16, 2014

Joe Mondello	John Kiehl	Peter Burgess
Environment	Staying on point Corporate America	
Multiplier Wave propagation Concentric circles	Tool – relevant numbers	
Carbon ... Greenhouse Gases CO2 Methane	Misbehavior of corporations Red-Black Ink on a spreadsheet Pink / Green Blue Another dimension	
Cheap tires - v - Michelin tires	Relevant numbers for everything that matters	
	Crowdsourcing to build database of standard values for everything that matters	
	What does matter?	
	The issue of SIZE ... size does matter. Big size is dangerous No company should ever have more than 30,000 employees! A restaurant that is always full is going to be successful ... the	

	owner has 'skin in the game' Oldsmobile ... 100s of car companies before they consolidated	
	The matter of RISK Risk must be accounted for	Ignition switch story ... small decision to save money resulted in huge cost to the company. How? Why?
		Fracking industry is another example of risk. Much fracking done by small companies that do not have the financial resources to handle an accident.
		Insurance is part of the answer
		Environmental Defense Fund (EDF) ... Krupp indicated there are 6,000 small companies doing fracking.
	Punctuated equilibrium	
	Legislation doesn't work ... something else is needed. Numbers is a better way.	
	Fitness landscape	

SECTION 2

This section are notes that aimed to define where I want to get to by the end of the panel discussion.

END POINT

MDIA has an architecture for socio-economic data that allows the same dataset to be used for everything of importance.

A. About the business / organization / economic activity ... about PROFIT

- Something the CFO understands
- Something that the Board of Directors and stockholders understand
- Something that operating department managers understand.
- The money profit balance sheet and profit and loss accounts
- The people impact account
- The resource depletion account
- The environmental degradation account
- The risk account

B. About the place / community

- An inventory of good things
- An inventory of bad things
- A tabulation of what could be improved
- A summary of how good a place it is to live in
- A summary of how good a place it is to visit.
- Payroll / livelihood accounting
- People quality of life status
- People quality of life services account for the place
- Resource account summary for the place
- Environmental degradation summary for the place

C. About the person

Perspective

- The perspective of an individual
- The perspective of a family
- The perspective of a community
- The perspective of a nation
- The perspective of the world

What is the quality of life and standard of living

This is made up of many different elements.

- Wealth;
- Job, Income, Livelihood;
- Health;
- Education;
- Housing;
- Community;
- Food and water;
- Energy;

Communications;

The elements interact with each other in complex ways and depend to a large extent on the individual, but are also modified by all the other elements.

The 'State' of a person is a function of what has happened in the past, what is going on in the present, and what can happen in the future.

The 'State' of a person is also comprised of both money valued elements, and elements that are valued without reference to money. 'Good' is not valued with reference to money, but it must, nevertheless be quantified.

D. About a product

The word 'product' is used to mean both goods and services

Data about a product:

- Identification
- What it is

Money metrics

- How much it cost (money metric)
- How much is the price (money metric)

The trucost / truvalue profile

- Material
- Energy
- Labor
- Equipment
- Financial
- Taxation
- Pro-good expenditure
- Profit
- TOTAL

In a given situation, what is the VALUE of the product

E. About the planet

Reconciliation / aggregation for the planet

For resource depletion

For environmental degradation

Resource depletion includes:

- Minerals
- Energy
- Land
- Water

Environmental degradation includes:

- Land
- Water
- Air
- Bio-diversity

SECTION 3

This section are more notes about a possible dialog for the Left Forum panel discussion.

End point: Where are we going?

Why the name ... Multi Dimension Impact Accounting?

Taking this backwards ...

Accounting

not economics
not impressions or opinions
something more rigorous ... data about facts

Impact

not only accounting for money and profit
but also accounting for
 impact on people
 impact on planet

Multi Dimension and multi-perspective

while there are only one set of facts, the data architecture must permit multiple view of the data / facts
because they do not always look the same from different perspectives

Exhibit ... John's cube

Why is MDIA needed? Why are better metrics so important?

You manage what you measure

It is 50 years of so since the mainstream corporate world started to 'manage by the numbers'.

Harold Geneen, the CEO of ITT was an early proponent of this. In the 1970s he transformed ITT from a low performing sleepy international telephone company to a huge, high growth, high return on investment international conglomerate. It was all numbers and financial engineering.

Wharton, Harvard Business School, MIT Sloan, Dartmouth Tuck and the rest have taught many generations of students to be financial 'quants' ...

Optimizing for profit has proved to be fantastically good for corporate performance

As technology has emerged the business model has been to use the resulting productivity to improve profit performance and stockholder value ... but EXTERNALITIES have been ignored.

People ... payroll has been optimized for the profit performance of the organization and not optimized to improve the quality of life and standard of living of people.

Planet ... corporate profit performance has been optimized with little or no regard to the impact on resource depletion and environmental degradation.

Surely there is nothing new in this?

Yes and no!

There was NO conversation about the Triple Bottom Line ... Profit, People, and Planet 40 years ago, but slowly these issues have crept into the conversation.

Remember we are talking about complex systems where there are multiple components of society and the economy interacting in very chaotic ways.

One of the good chaotic things is that technology is improving at an amazing pace, and we have no idea what will emerge next.

In IT there is the phenomenon on Moore's Law

Similar things are going on in bio-technology, materials, etc

But the conversation is getting more robust ... from 10 years ago, to 5 years ago to now

The problem is that this is conversation ... with relatively little traction

In order to move the conversation and the good ideas to action there has to be 'numbers'.

Numbers?

Yes

But how can you put numbers on things that are not expressed in money terms? These things are subjective.

This is not easy ... but it can be done and must be done.

In corporate accounting there is a subset of accounting called cost accounting. Within cost accounting there is the concept of 'standard costs' which makes cost accounting a whole lot easier to manage without losing much of its value. I will argue that standard costs actually makes for better analysis and better decisions.

In MDIA ... we use a similar idea. It is 'standard value'.

Everything ... EVERYTHING gets a standard value!

But that is an enormous undertaking? This sounds like a lot of data ... a lot of work ... but is there anything of value at the end of the day

It is a lot of work ... but if the data architecture is right, there can be utility way before there are standard values for everything.

Better yet, the process of developing standard values helps in achieving better socio-economic performance.

Let's start with the things of importance around people, quality of life and standard of living

EXPAND

In the case of planet ... resource depletion and environmental degradation

EXPAND

In the case of product ... the goods and services we buy

EXPAND

In the case of an organization ... the money profit trajectory already converts in a 'stock market value'.
With MDIA a truevalue is determined taking into account the organization's impact on people and planet

EXPAND

So what does this mean in a practical way? How does this get used?

The purpose of all of this is to get behavior change so that socio-economic activity results in people having a better quality of life and standard of living with little or no resource depletion and degradation of the environment.

Behavior change is people centric. People make decisions and people have to be enabled to make good decisions that result in good outcomes.

My experience in doing this suggests that behavior change can be very very rapid when the data are relevant to the reality of the situation

When you change the way the game is scored you change the way the game is played

As a C-Level executive I had a P&L responsibility. I needed results to show profit improvement

My shipping department supervisor had a responsibility for operating the shipping department including a fleet of trucks in support of everyone else as efficiently as possible. Data showed he could drive the trucks more than 70,000 miles on a set of Michelin tires, but only 30,000 miles on lower cost (to buy) tires. If the purchasing department made the decision, we got cheap tires and lower profits. If we used the data correctly we got higher profits.

Numbers only serve to confuse

Badly architected numbers certainly serve to confuse, but if the data architecture is right numbers can be used usefully, reliably and efficiently.

The data must be agnostic relative to the process

The basic goal is to have good results ... it matters less what process has been used to get to the results.

This is not the same as saying that 'the end justifies the means' ... what it says is that we do not decide how to measure based on the process being used, we decide what a good outcome will look like and we measure for that.

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