

A Community Management and Accounting Protocol

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The spectacular economic achievements of western civilization in the 19th and twentieth centuries have been attributed to the efficiency of modern business enterprise. This has set the standard of performance and has become the model in which almost all human activity has been patterned. Its methods, organizational forms and management practices have served as model and analogue even for non-business activities of human society. "Businesslike" has become an epithet for everything ordered, efficient, disciplined and rigorous.

In more recent decades, however, as humanity has become increasingly aware of the persistence of certain problems, like poverty, and the aggravation of others such as environmental destruction, the finger pointed to the very methods that had made business so potent and effective: its pursuit of profit as the overarching goal, its relentless drive for productivity and its utter lack of concern for either social or ecological considerations.

The socialist solution was to make the state the preponderant organization and state enterprise the principal instrument for the management of production. This resulted in the disasters of the USSR and the socialist regimes in Asia. Their record for achieving a reasonable distribution of incomes was somewhat better but productivity, efficiency and environmental preservation suffered horrendously.

This paper advances the notion that the trouble with both systems has not been in the ownership of enterprise -- private on the one hand or state on the other. Nor was it in the degree of freedom from centralist state controls that the enterp[rise and the market enjoyed -- relatively free in the one regime and subject to rigid command-and-control constraints from the state, in the other. The problem was that the preponderant unit of organization was enterprise and its profit as measured either in the capitalist or the socialist accounting method the paramount measurement of performance.

It poses an alternative possibility: the community as the paramount unit of organization and its net income and net worth as the overarching measurements of economic performance. This does not eliminate enterprise. It merely makes enterprise accounts subsidiary to community accounts, instead of, community accounts being subsidiary to enterprise, as in company towns.

This makes the economy a community rather than an enterprise system and would view national incomes as a consolidation of community rather than enterprise incomes. The shift has profound philosophical and theoretical implications.

But can such a system be made "operational"? Let us first understand precisely what "operational" means. The best way is to see in what ways the enterprise system has been operational for these several centuries. The operationality criterion requires that it be made up of constituent units, each with the following properties.

- a)The unit must be an organization with a system of authorities and mechanisms for control.
- b)It must have an operating technology that relates the control levers to the operating variables with predictable parameters, i.e. it must lend itself to rational management.
- c)It must have a defined set of stake-holders and beneficiaries and a system of governance that

gives the stakeholders a say in the primary and secondary goals that the unit must seek to accomplish and the tolerable costs and trade-offs and order of priorities that shall govern its choices.

d)It must have a suitable accounting system to monitor its performance, track its course and articulate for the information of its stakeholders how it is achieving - or failing to achieve its short- and long-term objectives.

e)It must have a set of professional managers trained in the technology of running the unit's operating system.

f)It must be linked to other units in successively larger systems and a system of orderly transactions with other units to achieve gains from larger aggregations and benefits for the larger communities to which it belongs.

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Fleshing-out an Operational Model of a Community

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In neo-classical theory the micro-decision-unit is the 'firm'. It is an organization with an authority structure, a defined set of stockholders, managers and employees, a definite set of product lines or 'businesses', a production, marketing, distribution, and organization technology, an accounting system that records stock of resources and ownership and creditor claims on resources, an income statement, cash flow, and a management information system to direct and monitor performance. The firm is related to other firms in the same 'industry' and to other industries local, national and international, and transact through 'markets' - correspondingly local, national and international - where volumes of products and services are exchanged through bargains that set prices. The gains from these exchanges are reckoned by the transactors on the basis of resulting individual net profits accruing to each.

The performance criteria - the 'bottom-line' - of firms are profits and net worth. Social welfare and ecological integrity are not mainstream considerations in their operations. Although, neo-classical theory maintains that under given conditions, the market mechanism through which prices and volumes of product transactions are cleared, ensures the convergence of decision patterns that seek profits and those that seek the larger social welfare. No one really believes any longer that this convergence happens generally or typically in real world situations. By the same token, intercommunity exchanges can take place in which the transactors gain but one or both the communities lose part of their life support.

The objective then is to flesh-out an operational model of a community. Enterprise management has developed into a hard-nosed science and art because the concept of enterprise has had the benefit of translation into a clear, unambiguous operating model, with performance standards measured through an elaborate accounting system, and operating protocols embodied in textbooks with principles and cases. The question: can the concept of a community be similarly fleshed-out?

Two reasons dictate that it should be:

a)Enterprise management excludes responsibility for the ecology. This is the reason economists agonize over the problems of "externalities" -- precisely because the whole of the environmental

consequences of business operations are external to the enterprise and must be brought back into consideration to accommodate environmental costs.

b) An authentic sustainable development program must be designed as a consolidation of sustainable development programs at the level of sustainable developing communities, meaningful only because the responsibility for carrying them out are clearly defined at each of these levels, the managers are trained to implement those programs, and the accounting systems monitor the performance of the managers.

This implies that there needs to be exercised in some mode and through some formality, in the community, the role of manager. What are the implications of that role? It assumes the community to be an "organization" of particular characteristics, and the managers are practitioners of a defined science and art.

The discussion will proceed as follows. In the selection of the appropriate unit of organization, analysis, management and accounting, we shall attempt to integrate the ecological considerations so that they become part of the mainstream decision process. Thus in ecology, the levels of organization are as follows:

a) The physical territory

b) The living organism

c) The populations of interbreeding living species

d) The community of populations of human and non-human living creatures

e) The ecosystem - the community and the physical territory which forms its habitat.

f) The Landscape - which combine a group of ecosystems with all the human artifacts.

g) The Biome - a larger unit combining landscapes in a region with common ecological bio-ecological characteristics: a grassland region, a rain forest, a desert, an ocean.

h) Groups of biomes in the major continents and oceans are biogeographic regions with particular flora and fauna.

"Community" has a very precise meaning in ecology as a group of "populations coexisting in a contiguous territory. Within that territory (landscape) each population thrives in a particular place which is its "habitat" and "ecological niche" is the term applied to the ecological role of the species in its community. As Odum puts it: habitat is the "address" of the organism, where it lives, and ecological niche is its "profession", what it does.

The system is not static of course. Populations affect populations of other species and habitats, both their own and that of others. And changes may mean destruction or migration of species, so that biotic communities may undergo changes. Human populations are particularly aggressive in this respect, affecting their own kind and other species, and of course wreak fundamental changes on landscapes and habitats.

Conscious of this and precisely seeking systemically to integrate ecological elements into organizational structure and behavior, we take "Community" to mean "ecosystem" encompassing therefore, populations of other living species as well as their habitats. Thus defined, community economics goes beyond merely commercial transactions but encompasses the resource usage in the whole system.

We then describe the structure and operations of this community as an organization. And proceed to define the accounting system that would track the performance of the community as an organization - its balance sheet showing its stock of resources as of a point in time and its liabilities and consolidated net worth, and then its periodic income flows, the gross income and the net after considering current and capital costs including the cost of maintaining natural resources to their state at the beginning of the accounting period, and then the allocation of net income between

consumption and capital formation.

We discuss, how to manage the community in accordance with the logic of these accounts and then look at the problems of operationalization and filling the conceptual boxes with real numbers.

Key words

[business management](#), [community organization](#)

, [Philippines](#)

Notes

Extract of the Preparatory Document N° 100 for the Assembly of the Alliance for a Unite and Responsible World, in 1997. Sixto Rochas : Development pathology : lessons from the Philippines. Cou can command the whole document : FPH, 38 rue Saint Sabin, F- 75011 Paris, tel/fax + 33 1 48 06 58 86

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