

Action Value: An Introduction to Action Accounting

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— *Review of* —
**Integrative
Business &
Economics**
— *Research* —

ABSTRACT

After over 500 years of the current accounting concept creation, the usefulness of the accounting-based information has been challenged by users for decision making. Apparently, the double-entry accounting system was not designed to serve the new economy with fast-pace of technological disruptions and uncertainties (Chiarini, 2012). The value of people working for an organization cannot be realized under the current accounting methodology; but merely expense-related items such as salary and employee benefits are recorded in the profit and loss statement (Flamholt, Bullen, & Hua, 2002). Undoubtedly, artificial intelligence (AI) is the future development trend in accounting (Luo, Meng & Cai, 2018) that tends to replace many jobs humans are doing. Thus, the real value of an individual will be determined by the impacts of real action performed (Fernaesus, Tholander & Jonsson, 2008). Understanding the value associated with an individual's action can be a new focus in social science and future business management research. In addition to the long-established study on both financial and management accounting, this paper aims to introduce the concept of action value as a basis for the development of a proposed new accounting concept under "action accounting" with vast opportunity for future research.

Keywords: action accounting, action value, exdysivity, controller FOCUS

1. INTRODUCTION

Today's widely used accounting practices under the double-entry method was introduced in Venice since 1491 by Pacioli, a mathematician (Carruthers & Espeland, 1991). Under this concept, the status and performance of an entity is accounted, measured and reported in financial term under the combination formats of 5 major categories i.e. asset, liability, equity, revenue and expenses. The influence of the current accounting system (CAS) has greatly impacted people's life and economic development ever since with the emphasis of financial returns. Apparently, this system has a major flaw of failing to recognize the importance of a human who performs tasks that can determine the existence of that entity. The current accounting system can only show the cost of a human through the salary account under the expense category (Flamholt, Bullen, & Hua, 2002). When a company encounters a crisis of having operating loss, the management is likely to cut the cost in order to reduce expenses. Most of the time, people cost reduction results in cutting headcounts rather than finding other alternatives through productivity and efficiency improvement such as exploitation of new technology, organizational transformation, and innovations (Haynes, 2007; Shields & Young, 1992). People in an organization has been viewed as an expense item in the profit and loss statement rather than an asset in the balance sheet of the CAS.

The CAS cannot deal with current fast-moving economic environment which requires highly responsive actions. The new technology of AI and robotic machines has caused disruption in several industries such as media, television, banking, telecommunication, and accounting (Lue, Meng & Cai, 2018; Terada & Hamori, 2020). The introduction of big data and block-chain technology has created opportunity to eliminate middle person through decentralization and enhance seamless boundary will inevitably impact accounting industry (Liucheng, 2019; Surana & Bhanawat, 2020). There has been limited new innovations and developments in the CAS that could serve the increasing needs for better decision making to achieve the well-being and sustainability of an organization. This has led to the search for an improved or even a new accounting system to replace the current one.

Organizations grow and continue their operations to achieve the goals through the effective valuable actions performed by employees. Without people, organizations stop and cease. People have to use their knowledge, experiences, and energy to get their jobs done. However, it is evident that there is waste in organizations caused by unfinished tasks. Top management may not make decision and take right actions effectively and finally causes the company to fail (Barlev & Haddad, 2016). An action taking results in certain impact value. This concept needs more attention from academics so that a better system can be created to solve the flaw from the current system. An alternative system that focuses on actions in an organization might be worth considering either as complimentary or replacement of the CAS in the future (Fernaues, Tholander & Jonsson, 2008).

2. ACTION AND TASK RELATIONSHIP

In the business environment, a company's operations consist of many tasks as to be performed by employees under different functions. For a task to be accomplished, one must carry it out by taking valuable action(s). Different types of actions may be needed to be performed by people with different knowledge, skills and experiences. Effective actions can determine success or failure of a task. Moreover, the quality of a finished task depends on efficiency and effectiveness of each action performed. Please see figure1 – components of a task.

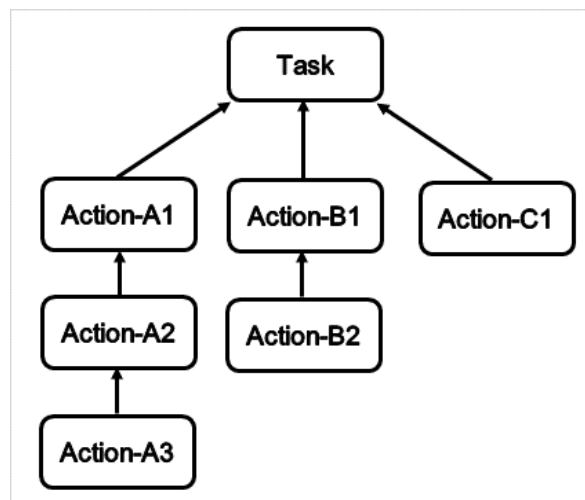


Figure 1 – Components of a task

According to figure 1 above, in order to complete a task, a series of actions must be performed successfully. In one series, action-A3 has to be completed so that action-A2 can be done. Action-A2 must be completed so that action-A1 can be done. Another series shows that action-B2 must be completed before action-B1 can be done. Finally, all 3 actions (action-A1, action-B1, and action-C1) must be completed to get the targeted task done successfully. A task can represent an assignment or a process such as purchasing raw materials, selling a finished product, business planning and so on.

3. WHAT DOES ACTION VALUE MEAN?

Action value represents the present value of discounted future impacts and consequences based on the relevant involving variables. Understanding the associated value of an action can be a science of the future. The fact that every action performed by a person or ironically a machine has certain impactful value, either positive or negative, has brought attention to possible in-depth study and understanding how to ensure necessary actions are taken, and also the impact thereof if such action failed to be performed by responsible person. Consequences and impacts on affected party such as long outstanding tasks, unfinished action plan, non-executed strategies, and delays in implementation are good examples of perceived action value.

A typical management process starts from setting up vision, mission, strategy to achieve the goals. In many cases, businesses fail because of inefficient and ineffective action taking. As most advanced management tools trying to resolve problems usually end up with well-crafted action plan, the success from plan execution is questionable. Implementation failure and waste from non-action have been evident in many organizations.

In order to assist people in acting effectively and efficiently, required actions of which value is calculated and compared with other choices can lead to better action taking driving. Ability to calculate an action's value means the possibility of determining the value of work done that can turn into reward and compensation for the action owner. Therefore, the implications and application of action value concept could open up a new paradigm of how to get things done.

4. ACTION AND ACTION ACCOUNTING

In the normal course of business, tasks are performed by responsible people who belong to a functional department. Each person is assigned duty and responsibility according to the pre-defined job description. By breaking down the job responsibility into small tasks consisting of many actions put together. These actions have to be accounted for by the proposed action accounting concept.

The construct of action accounting framework has been developed from 2 major concepts consisting of the concept of ControllerFocus of long-term accounting strategy (Thammatucharee, 2009), and the concept of natural change capability under exdysivity concept (Thammatucharee, 2010). Thammatucharee suggested that ControllerFocus is the basis for long-term strategy for accounting operation's efficiency and effectiveness. This concept suggested 5 key aspects that accountants should emphasize consisting of future aspect, operation aspect, control aspect, utilization-of-resource aspect, and system aspect (please see figure 2 for ControllerFocus model).

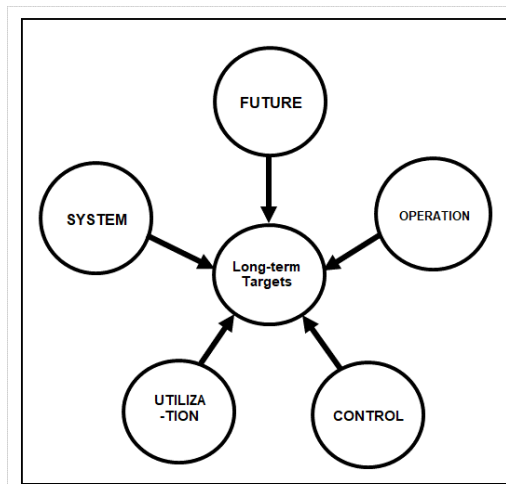


Figure 2 – ControllerFocus model

Future accounting cannot merely concentrate on financial numbers, there are opportunity to better support managers and investors from non-financial information. Thus, the ControllerFocus model has been extended to relevant elements that helps form the strategic thinking as depicted in figure 3 – ControllerFocus strategy web below.

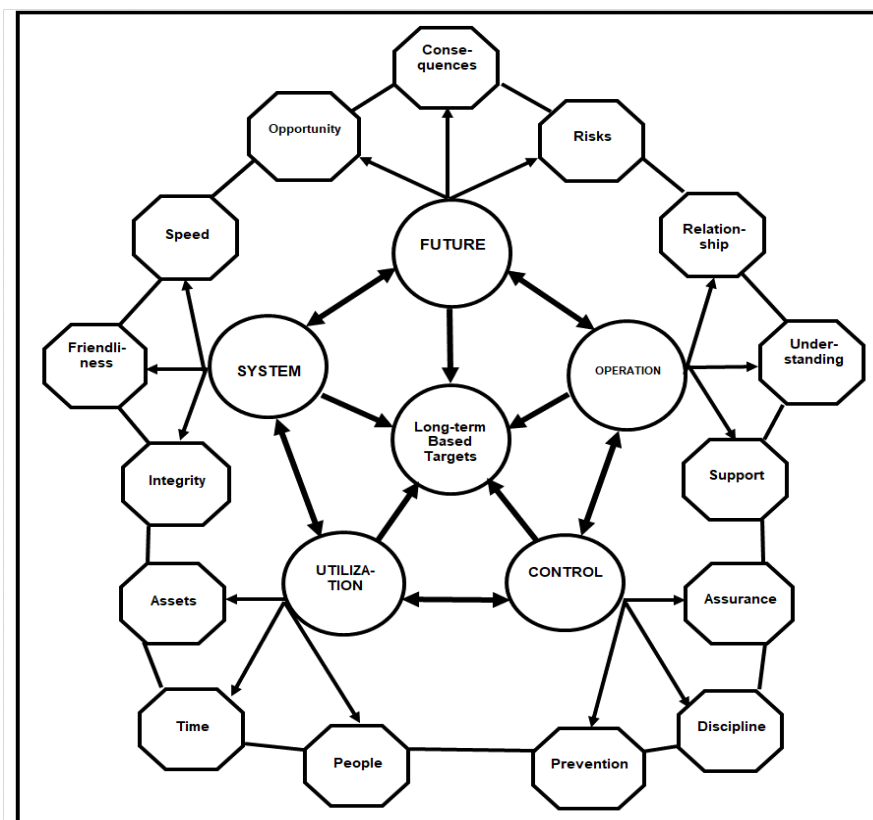


Figure 3 – ControllerFocus strategy web

Under each major element according to the ControllerFocus concept, there are additional 3 sub focus areas to be considered in formulating accounting strategy as follows:

- Future focus – Looking into future aspect of a business, managers should take into account arising opportunity that can help promote business growth. However, associated risks should be considered so that decision making can be more effective. The consequences of business choices must be evaluated and help guide the business towards the right direction.
- Operation focus – This involves several functions depending on the specific type of business. Managers need to gain good understand regarding normal operations so that proper support can be provided to the team. The good relationship among team members can be part of the success factors needed.
- Control focus – Good corporate governance gains more attention and leads to trust by stakeholders. The effective control system needs to be assured with necessary and continuously preventive measures. It is the duty of everyone in the project or organization to maintain high discipline in compliance with the rules and regulations.
- Utilization-of-resource focus – Corporate resources here refer to company's assets, employees, and time. These 3 elements should be efficiently managed and administered so that the company can maximize the highest benefits out of these scarce resources.
- System focus – Continuous improvement of internal system is critical to long-term success of a company. With advanced technology, companies can help the business moving with required speed whereas the integrity of information should be properly maintained. Moreover, friendly system is preferred for better working life.

Thammatucharee (2010) argues that organizational change should be managed in the natural manner just like those reptiles shedding their skin for growth. The word “exdysivity” was created to represent the natural change by abandoning, leaving or rejecting the irrelevant or unworkable practices, acts and thought. Without regular changes, businesses cannot grow and become stronger to be responsive to uncertainty and uncontrollable situation. Exdysivity concept is based on real action performed through self-forced efforts. The ultimate target would be totally transformation from one state to the ideal state. Capability to change becomes a key success factor that every company should develop.

The ControllerFocus and Exdysivity concepts form the core idea for the framework of action accounting by proposing the action grid as shown in figure 4 – Action grid below.

ACTION GRID	FUTURE	OPERATION	CONTROL	UTILIZATION	SYSTEM
PLAN	brainstorm	schedule	participate	allocate	design
EXECUTION	implement	produce	check	manage	develop
ANALYSIS	study	research	investigate	prioritize	test
COMMUNICATION	announce	report	explain	testimonise	demonstrate
EXDYSIVITY	dream	transform	establish	create	revamp

Figure 4 – Action grid

The action grid consists of a set of basic action items covering the normal course of business operation.

Action accounting is an action-based system that captures work actions, records the action value and reporting it in the agreed format for an individual. Under the concept of action accounting, each action performed by a person is converted into a value according to the following steps (please see figure 5 – Action and action accounting).

1. Action Plan – An assignment can be broken down into smaller task and sub-task. At the smallest unit of the whole action, we can find action plan that requires effective execution by volunteer and capable individual.
2. Execution – After understanding and selecting of action plan, a successful action must be performed within the agreed and set condition consisting of time duration, starting and finishing deadline.
3. Action Grid – An actual action occurred will be classified according to the action grid so that relevant action value can be determined. The analysis of action is to be performed correctly as part of the accounting process.
4. Action Value Determination - The determination of an action a value will consist of a reliable and acceptable system that effectively prevent the error, mistake and bias. The system should take into account the capability and value associated with each action performer.
5. A value is generated out of the determination system for the action performed. This can be positive value for a positive action, and negative/reduction value for negative action.
6. Action accounting system – This system accounts for all actions performed by each person based on the accepted practices, rules and regulations. The new advanced technology can be utilized to ensure the reliable and completeness of the system.
7. Reporting and Response – The output from the action accounting is the new format of reporting that can facilitate the meaningful response and further action process in order to achieve the mutual goals of actors and organization.

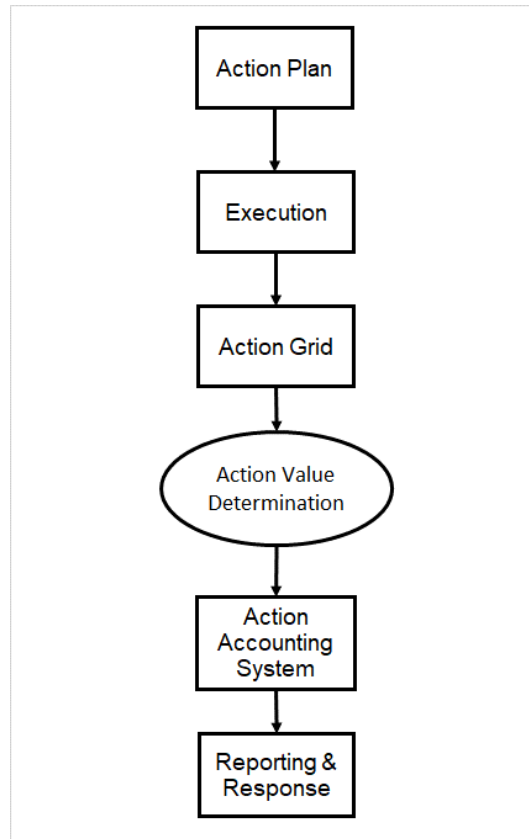


Figure 5 – Action and action accounting

5. THE IMPLICATIONS OF ACTION ACCOUNTING

The current structure of a company defines work by function with responsible person or team. Typically, these functions are sales, marketing, production, human resource, purchasing, accounting and finance. The management sets the target and provides directions for the people under the organization so that they can perform their tasks according to their functional responsibilities (please see figure 6 – Action and task by function).

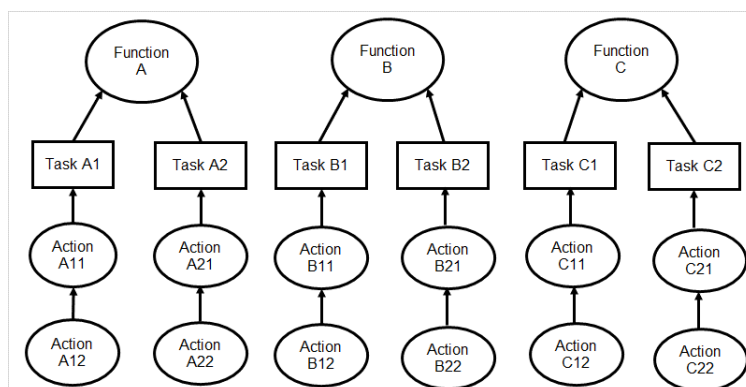


Figure 6 – Action and task by function

Under the action value concept, a task is clearly by an action set consisting of detailed action requirement. These actions are open to anyone who can perform to

volunteer to take it. It is not limited to a selected person or a functional department. As long as a person has the capability and knowledge to get the required action done, he/she can choose to do it (please see figure 7 – Action taking by a person).

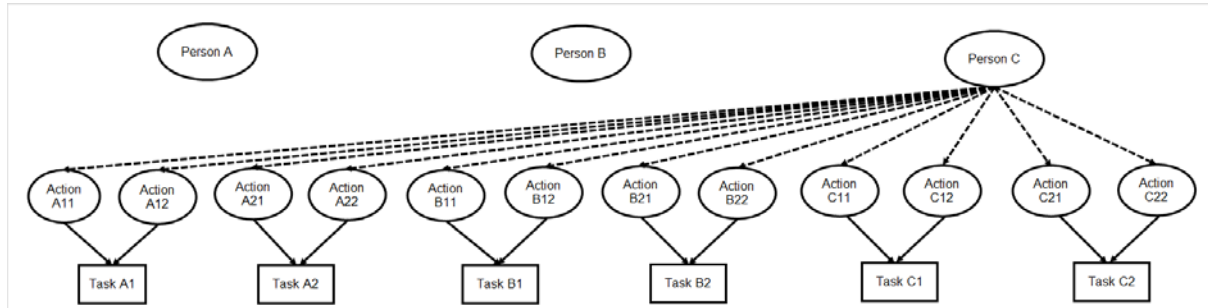


Figure 7 – Action taking by a person

Introduced action accounting could result in changes in several aspects ranging from an individual to organizational levels. The following are anticipated implications from adopting action value and action accounting concept.

- People have more flexibility at work – the action-based work allows anyone to get the job without limitation of the education background or experiences. People can choose to work more or less depending on their readiness and energy.
- Recognition of a person is increased because of the performance and value creation. A new form of qualification for a person could be dramatically changed to take into account past successes and failures.
- Waste of resources is eliminated. The decision making will be more effectively and time will be efficiently spent to implement action plans. People can work from anywhere at any time.
- Economic and income distribution will be fairer. As the focus is on individual level. Silo structure is reduced. The compensation is better determined than the current system.
- Corporate status and operating result report are changed to individual value declaration with open opportunity for taking more challenging assignment.

6. AN ACTION RESEARCH METHOD OF ACTION ACCOUNTING DEVELOPMENT

In order to develop and grow the understanding of action accounting concept framework, an action research was initiated in April 2019 at a heavy machinery trading company in Thailand with total 170 employees. A volunteer group of 5 people under human resource and administrative department and 1 person from accounting and finance department were asked to report on a daily basis actions taken during the day together with self-assessed action value assigned to each action in the scale ranging from 1 to 10 scores of which 1 represents lowest action value, and 10 represents highest action value. These people report directly to the CFO who gets all reports submitted

every day. Under this study, the guideline for value determination was explained by taking into account the following criteria:

- Difficulty of the action
- The impact of the action to the company performance
- Benefits to people in the company
- Requirement of effort and knowledge
- Risk assessment
- The level of urgency
- Value, quality and cost savings

After the first 6 months of the study, the following are significant findings as a result of interviews and observations.

1. The daily format of the action report was simply done by an Excel sheet or Pdf file formats, and submission is done regularly at the end of working day as part of the routine work.
2. The HR manager who participated in this study commented that this daily report from his subordinates help better understanding regarding the work load, job done and pending. It helps improve productivity of the team by using the daily report for action planning and follow-ups.
3. The supervisor of the HR department found that the daily action report provides a reliable tool in adjusting the job and balance the work among existing staffs better than before.
4. The value of an action assigned by each person varied depending on personal judgement. There is no standard measurement for comparison at this stage. However, this is the area that needs further development.

7. DISCUSSION

The recent rapid advancement of new technology has made current accounting system less useful for management and investors' decision making. There are weaknesses on the traditional accounting model that no longer serve the needs of users. The financial information presentation is not sufficient for today's economy which is full of uncertainty and threat from unexpected disruptions. Non-financial indicators are needed more to serve decision makers' needs. A new paradigm is being searched for by professionals in accounting field. This paper proposes action-centric accounting as an alternative for further study and discussion.

One key success factor in business management is the effectiveness in implementing the action plan. The unfinished, delayed and failure to execute the planned actions have caused damages and opportunity loss in many organizations. In order to improve the success rate of execution, the action accounting concept has been suggested with the initial stage of the development. It starts with the introduction of action value idea. As every action has inherent objective to be achieved, it associates with certain future impacts that theoretically can be measured in certain indicative value.

Action-based operation will open up flexibility of working where distance working is possible as compared to current function-based responsibility. Individual value is recognized through the track records of actions done. This assessment is to be confirmed by responsive customers. Apparently, the silo organization will disappear

because anyone who has ability to do the job and who is selected can be the responsible person.

Compensation for the action taker can also be determined by the relationship of the quality of action performed and the standard rates to be established. The digital currency tied to the action value can form a new way of settlement for future job done. An individual can be one's own entity. Waste in operation will be eliminated massively as a result of this new concept development.

The case study above reflects the relevance and possibility to further develop the action value and action accounting concept that could change the way we are doing things as a company or enterprise. More detail study is required to systemize and construct the new concept from input to processing and output. All relevant actions should be classified so that job design can be done in a more systematic manner.

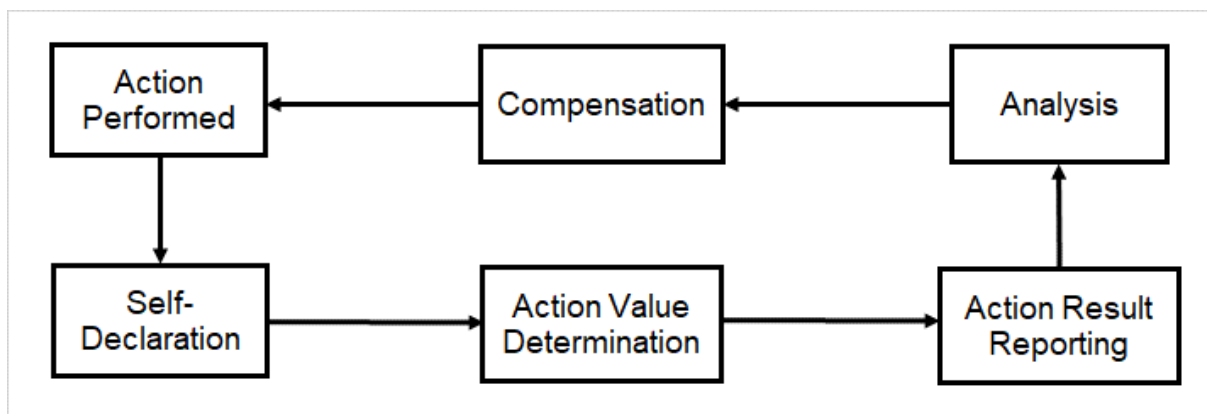


Figure 8 – Overview action accounting cycle

The initial concept of action accounting is developed and can be demonstrated as shown in figure 8 – overview action accounting cycle. Under this cycle, there are 6 major elements consisting of:

1. Action Performed – This step represents the action taken by an individual according to the agreed guideline and process.
2. Self-declaration – For actions performed, there is a self-reporting process to be completed on a regular basis by action owner according to the format together with relevant supporting evidence.
3. Action Value Determination – As action can be managed when its value can be measured, this process needs a reliable and acceptable action value determination system. It could involve comprehensive data and confirmation using the available technology. At this stage of development, the action value is based on subjective determination rather than objective one.
4. Action Result Reporting – The result of an action can be either positive or negative. These results should be reported to the responsible person and supervisor so that proper adjustment to the action plan can be made effectively.
5. Analysis – It is important to analyze actions systematically. The current data collection can be a starting point for future development. Actions can be classified in 4 different groups consisting of planning, ordering,

following up and operating. This will form the basis for further strategic response and reacting.

6. Compensation – The compensation system should be developed so that critical criteria are taken into consideration for compensation determination. This can be an agreed system that helps set up standard compensation rates which is changed from salary-base to action-base system. However, this can also be varied by company and country.

The anticipated changes can be the forming of new economy and management system. Companies will focus on people more than numbers. An individual may act as a legal entity and could take any action assignment on his/her own instead of a company. Right and wrong decisions can be understood better as actions will be performed by available and capable persons. Ultimately, action-based accounting can lead to more logical and economical system with fair and well distribution of income.

8. CONCLUSIONS

This paper has proposed an alternative accounting system that focuses on actions of people in an organization. An inherent value of an action is to be determined based on the reliable tools and systems to be developed from an accepted formula either from objective or subjective approach. The implications of action value concept include potential changes to current management concepts and practices, especially from functional base to action base, increased efficient use of scarce resources, and enhanced recognition of human value as an important asset of an organization. If the action accounting could be developed at the same time today's double-entry accounting system was introduced, it could probably be a competitive option for businesspeople to adopt that could lead our world to dramatically different environment. Action accounting can lead to higher productivity, efficiency, and effectiveness and more suitable with the current digital era where block-chain technology plays an important role in trust-based and non-intermediary economy.

This study, being of an exploratory and interpretive nature, raises a number of opportunities for future research, both in terms of theory development and concept validation. The proposed new accounting system may satisfy the unrecognized needs today. Further research should be directed at refining the valuation of actions in both objective and subjective ways and further elaborate the novel findings.

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