Qualitative Factors and the World We Want to Live In

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Steven Bragg on his AccountingTools website defines qualitative factors as "decision outcomes that can not be measured", and lists employee morale, impacts on opinion of the company by customers, investors, and the community, and quality reputation of the product as examples of qualitative factors (2018, October 28a). He defines quantitative factors as "numerical outcomes from a decision that can be measured". He says that these are commonly included in various financial analysis, and then lists direct labor hours, material costs, interest costs, and product returns as examples of quantitative factors (2018, October 28b).

While I understand that the intent of this portfolio reflection was to discuss qualitative factors as traditionally viewed in a managerial accounting context, I am compelled by a deep conviction that we need a fundamental paradigm shift if our society is to continue to thrive and even survive, to take this reflection in a different direction. Taking this course, and the first course I took in our University of the People MBA program, BUS 5113: Organizational Theory and Behavior, has been a huge help in moving me toward an understanding of how business operates in the context of a capitalist economy, and to begin to prepare me in my struggle to help run a business successfully in that context.

One of the deepest problems with the way we do business is the very way we measure success. As Dan Ariely writes in his Harvard Business Review online article, You Are What You Measure, "Human beings adjust behavior based on the metrics they’re held against. Anything you measure will impel a person to optimize his score on that metric. What you measure is what you’ll get. Period." (2010, June). As long as what appears on a financial statement is the bottom line, and side-effects like toxicity in nearby soil, increases in cancer rates and other adverse
health effects, are not part of what we measure when determining the success or failure of an enterprise, we will continue to generate massive harm to a huge number of human beings all in the service of success.

From a strictly financial standpoint, qualitative factors like the subjective opinions people have about a particular business, its reputation, etc., are only relevant if the people who hold these opinions are relevant, and people are only relevant if they have the power, either economically or politically, to effect the bottom line of the business. That means the poor and the disposed, lacking both economic and political power, are not relevant, and harm done to them is often not relevant from a business accounting standpoint. What happened to the water supply in Flint Michigan (CNN Editorial Research, 2019), could never have happened to the wealthy and powerful.

To build the world I want to live in, a world characterized by equity, justice, and a profound respect for human dignity, a fundamental paradigm shift needs to take place. We need a whole new accounting system that accounts for people instead of profit by measuring those things that truly matter to our well being.
References


