

Re-Inventing Economics

8th view

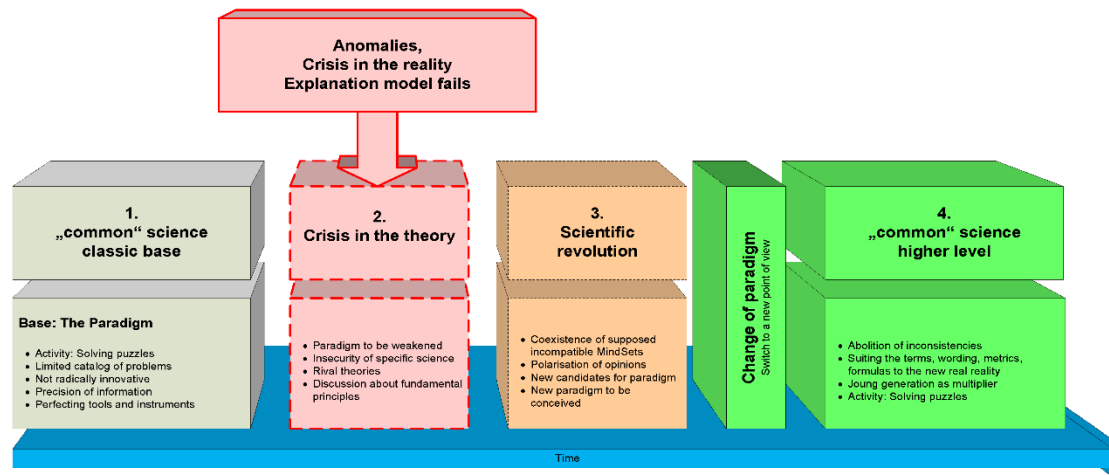
Enhanced Framework

- including Intangible Resources and
 - Hybrid Value Metrics (combining subjective and objective values)
- helping Management to making better and more sustainable decisions for Enterprise, People and Environment.

Compatible with 'Doughnut Economics', disruptive to classic economics.

Pictures are provided with a link that downloads them larger into the browser.

Paradigm shift in economic understanding (Steps in mindware development)



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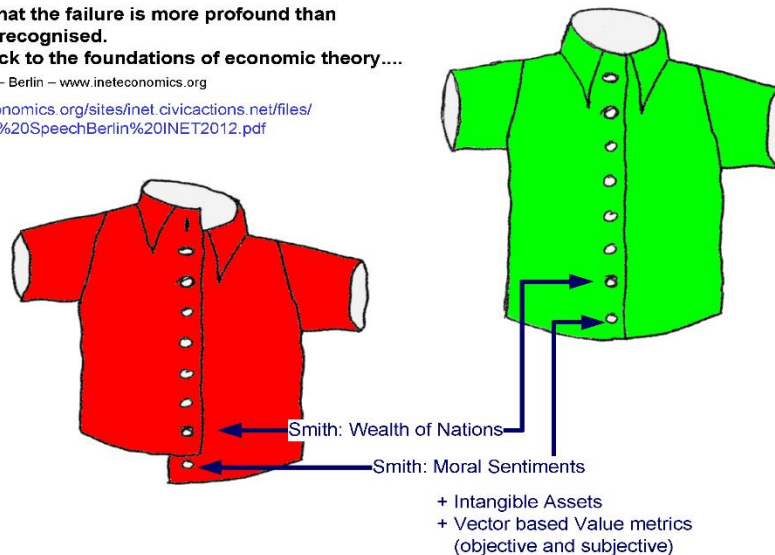
Literature:
 Hochul Gerhard R.: Das Wesen wissenschaftlicher Revolutionen, Herbstagung Club NTB, 1983
 Kuhn Thomas: Die Struktur wissenschaftlicher Revolutionen, Suhrkamp Taschenbuch 25, Frankfurt 1981

Crises in real reality are results of crises in theory – solution needs better theory.

Soros
**I believe that the failure is more profound than generally recognised.
It goes back to the foundations of economic theory....**

12. April 2012 – Berlin – www.ineteconomics.org

<http://ineteconomics.org/sites/inet.civicaactions.net/files/Soros%20SpeechBerlin%20INET2012.pdf>

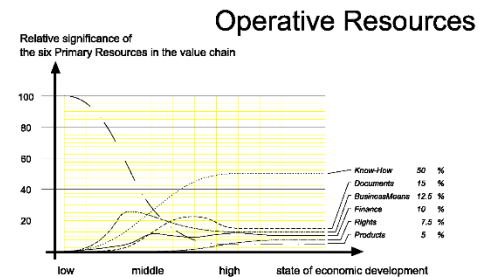
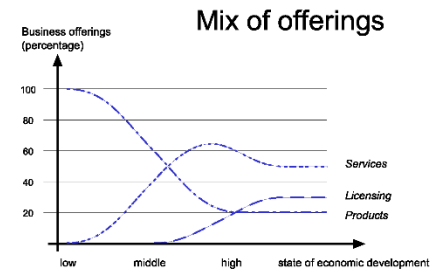
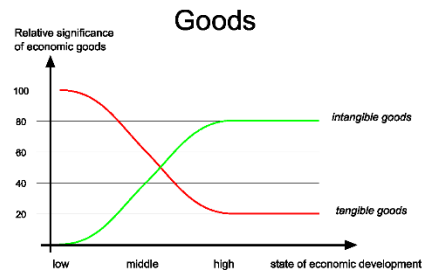


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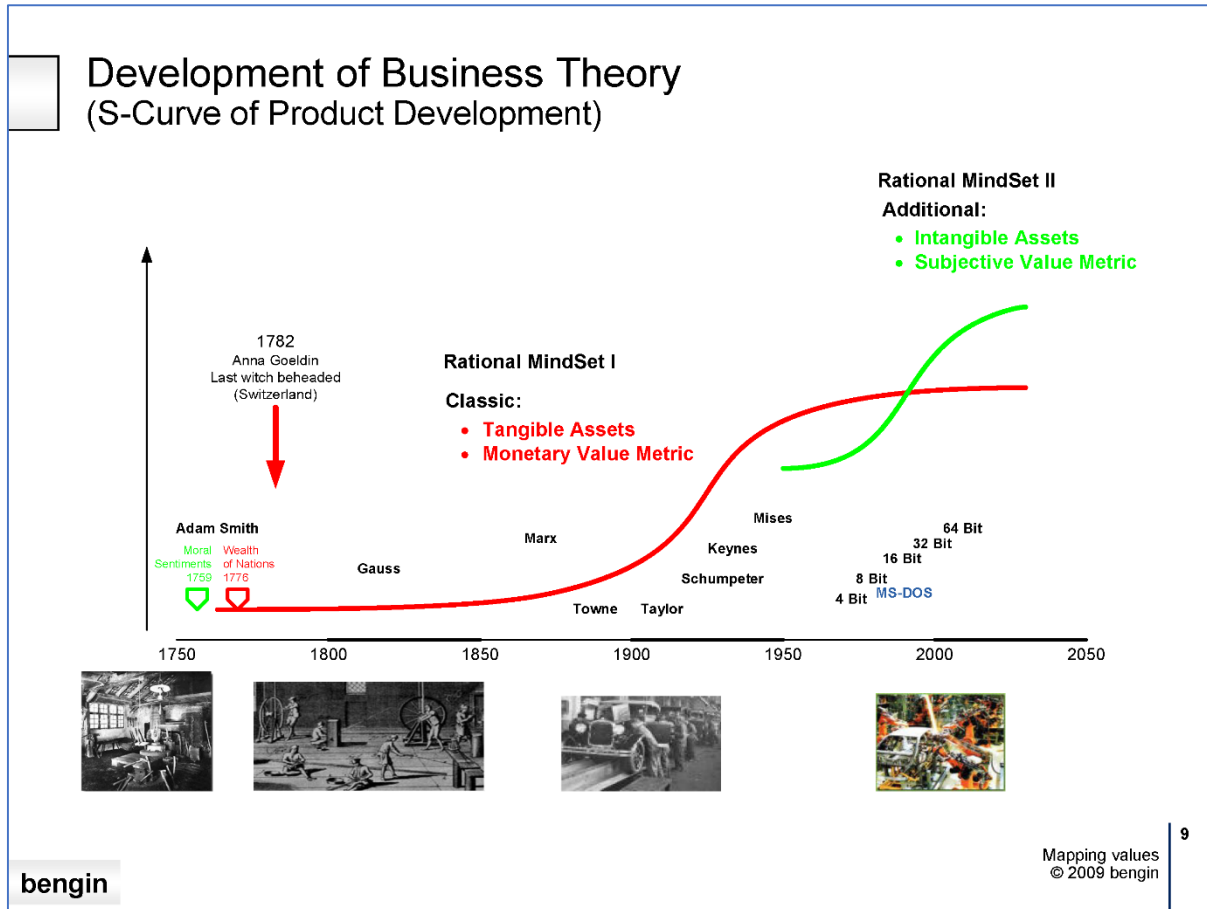
shirtrg_2012_e.vsd

Seems that designer (and teachers) of economics started with wrong book.

About no-, low-, middle- and high-techniques (and technology)

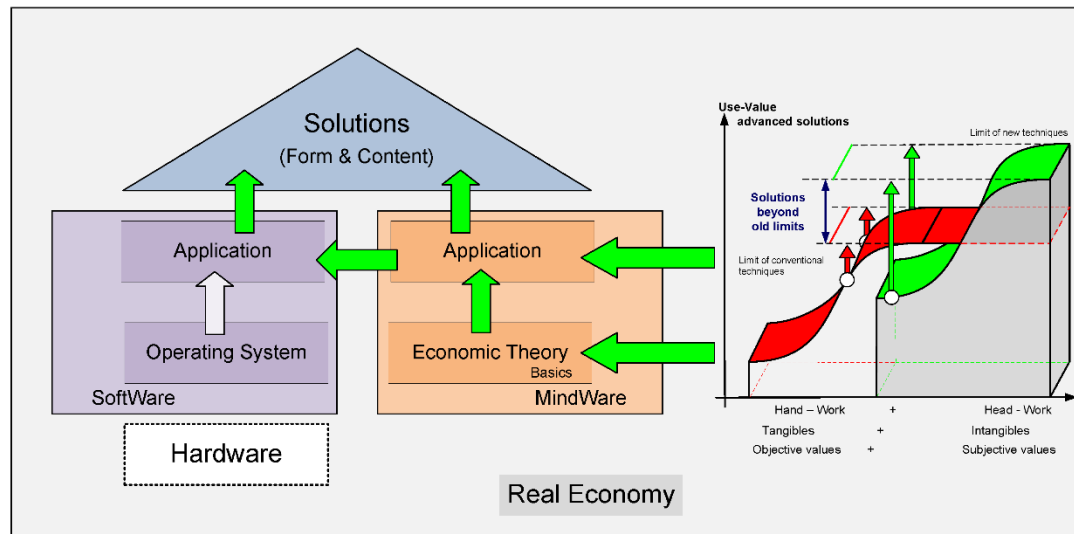


Now: The more high tech the more intangible – theory has to reflect this.



Development on 200 years old base is limited. New approach needed.

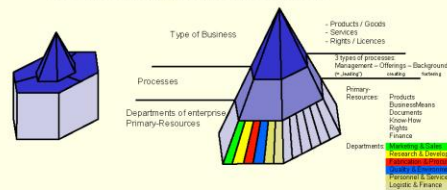
Enabling disruptive solutions beyond classic limits



New basic approach opens new dimensions for better solutions.

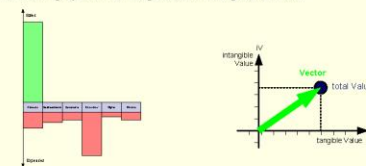
Four main views

1. Structuring the Elements of a Corporation Three levels: Offerings, Processes, Prerequisites



2. Quantifying means (numbers and indicators)

- from P&L account to the P&L profile
- numbering system for tangible and intangible values

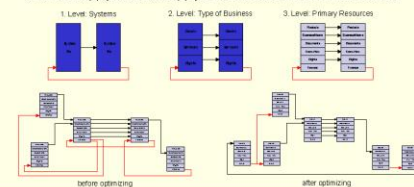


3. Development of Enterprise (Strategies, options....) - Market-oriented (outside-in) and offerings-oriented (inside-out)

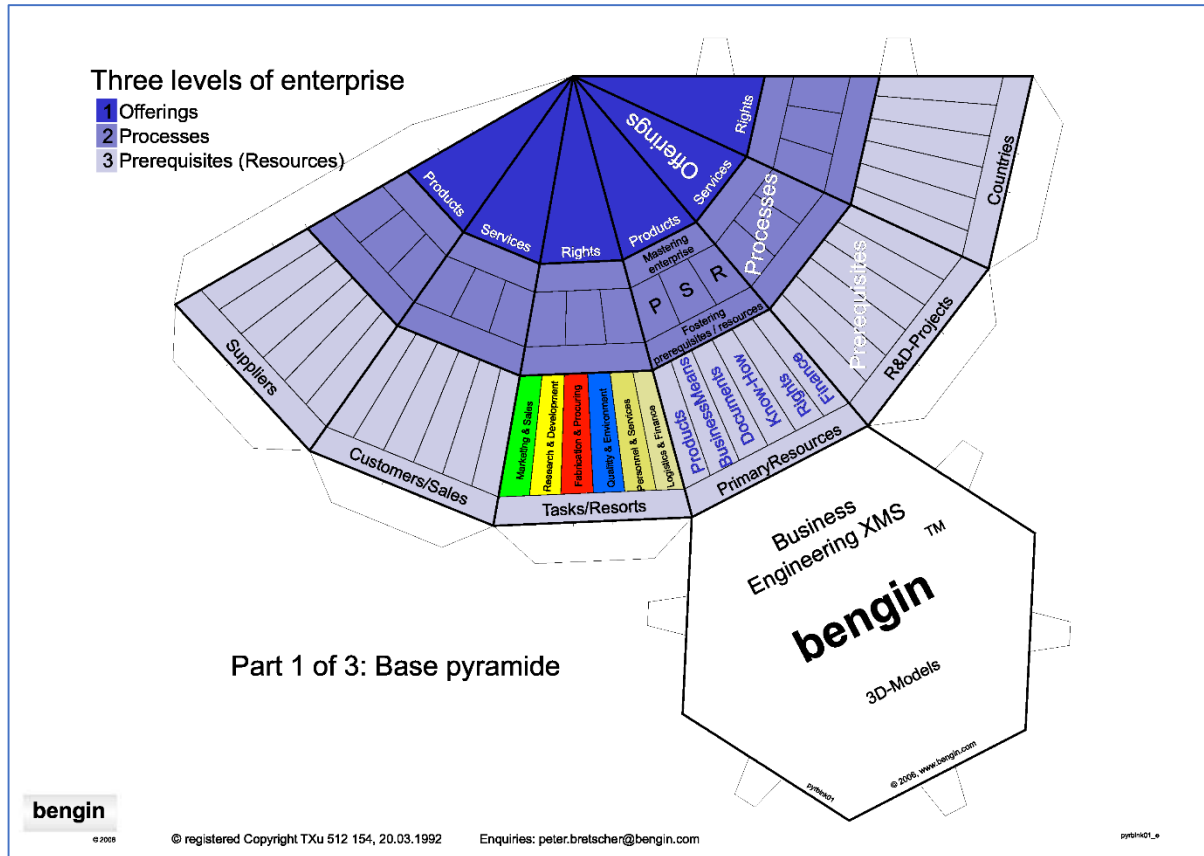


4. Closed Loop Business Relations

- planning, design, optimize Value Adding Net [VAN], beyond borders
- from the supplier of the supplier to the customer of the customer



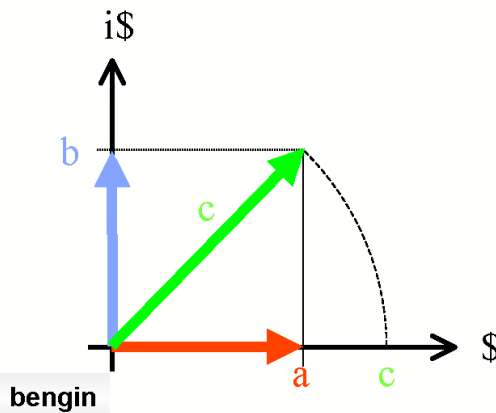
No 1 shows the new structure for an enterprise with three levels. No 2 is for vector based value indicators (simultaneous subjective and objective metric). No 3 & 4 are for strategic planning.



A real 3D-enterprise model opens integral insights for realizing sustainable (otherwise too complex) business options.

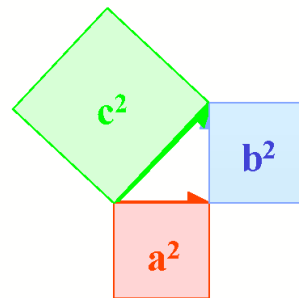
Determining the implicit Value of an Object

- Show implicit Value on its separate axis



The quantifying part introduces the vector as an option to deal with two value components for 'objective' (\$) and 'subjective/implicit' (i\$) dimension.

Count (on) the implicit Value of an Object (mathematics)

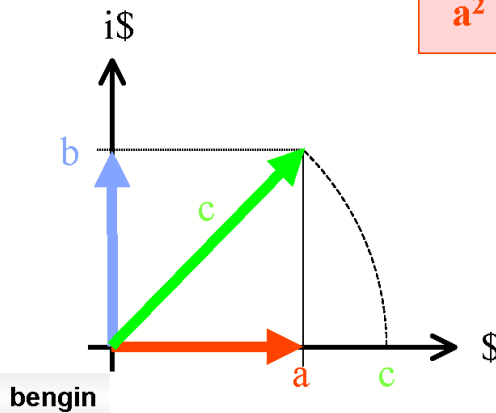


Remember Pythagoras?

$$a^2 + b^2 = c^2$$

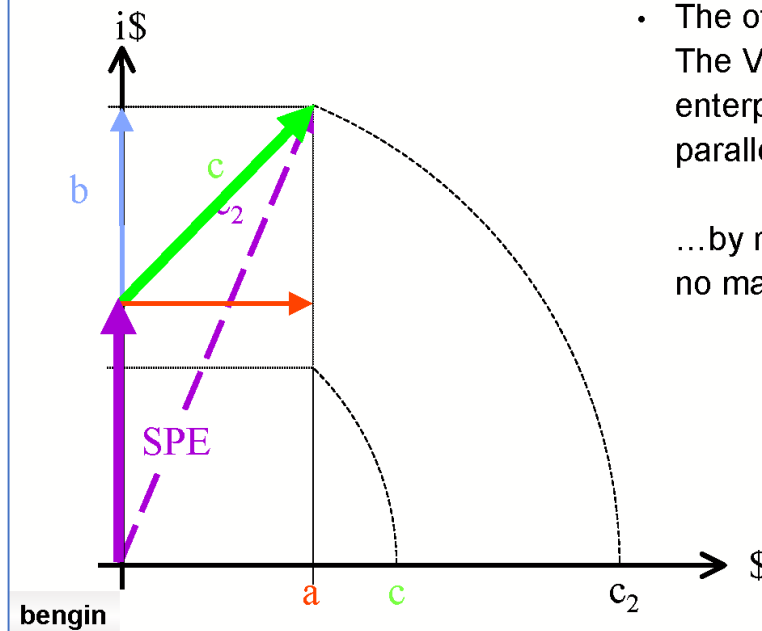
$$b^2 = c^2 - a^2$$

$$b = \sqrt{c^2 - a^2}$$



The math between cost (a) and price (c) and implicit subjective value (b).

What happens at Stock exchange?

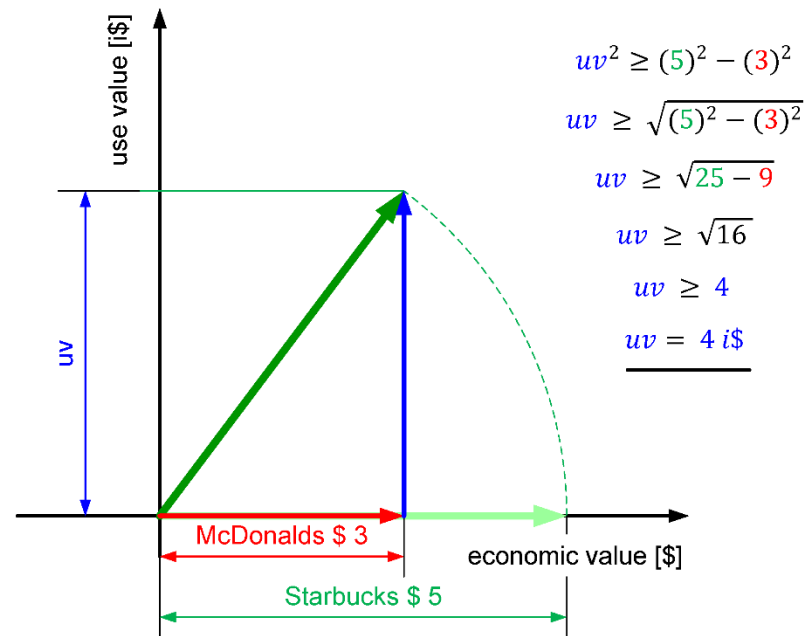


- The other way around:
The Vector Value of the enterprise has been moved up parallel....

...by rising **SPE**....
no matter why....

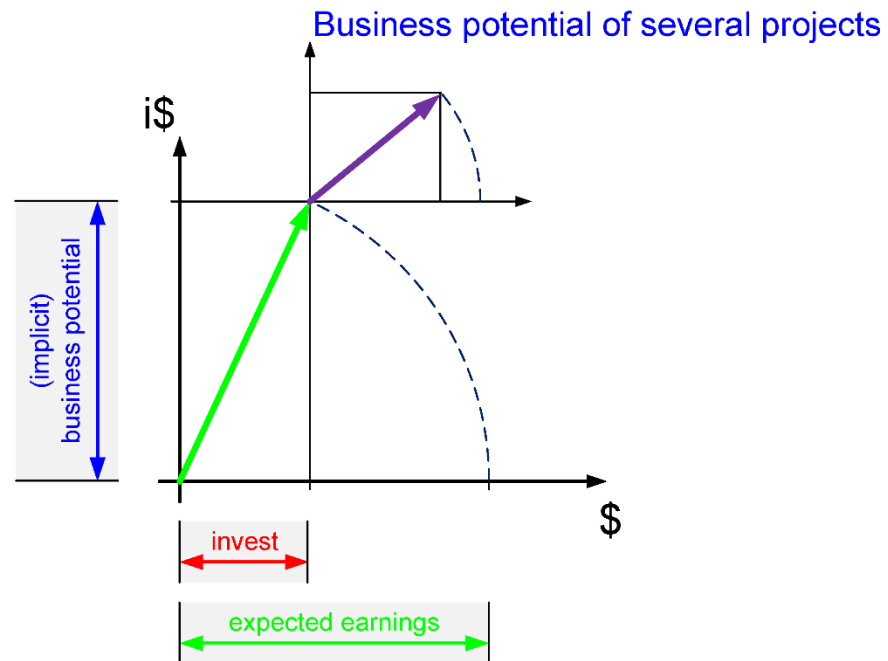
What if the rise of a share price (from c to c_2) would be caused by a **Shareholders Profit Expectation (SPE)** and not by a higher value of the enterprise?

Use value for coffee at Starbucks instead McDonalds?
 (\$ 5) (\$3)



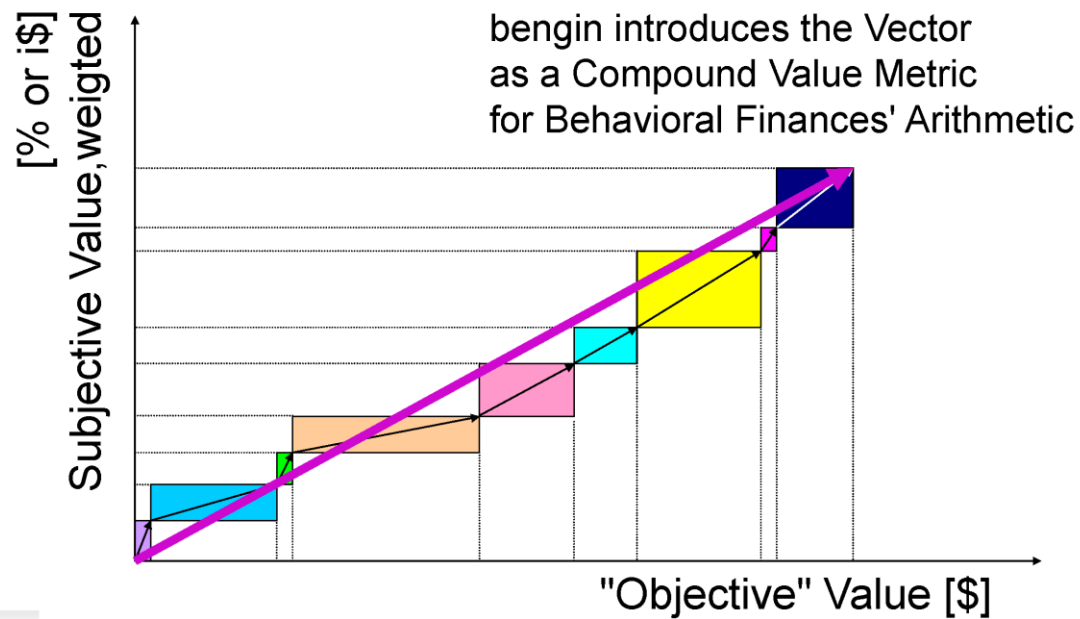
Buying from Starbucks instead from McDonald means that the use value for coffee from Starbucks is 4 i\$ (or more).

Vector Type 2



Want to show 'business potential' (economic energy) of several investment projects? Then do it with vectors.

Evolutionary Economics



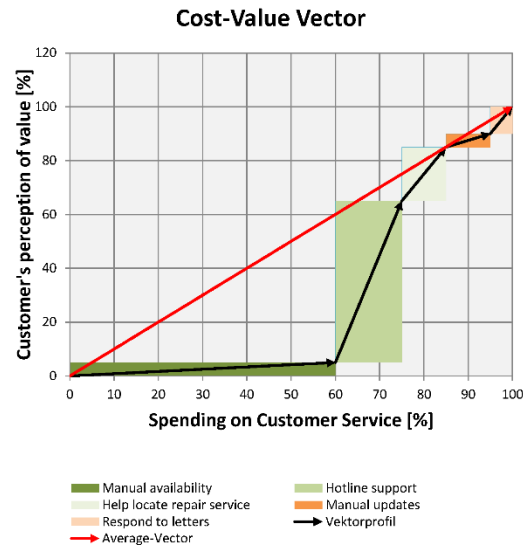
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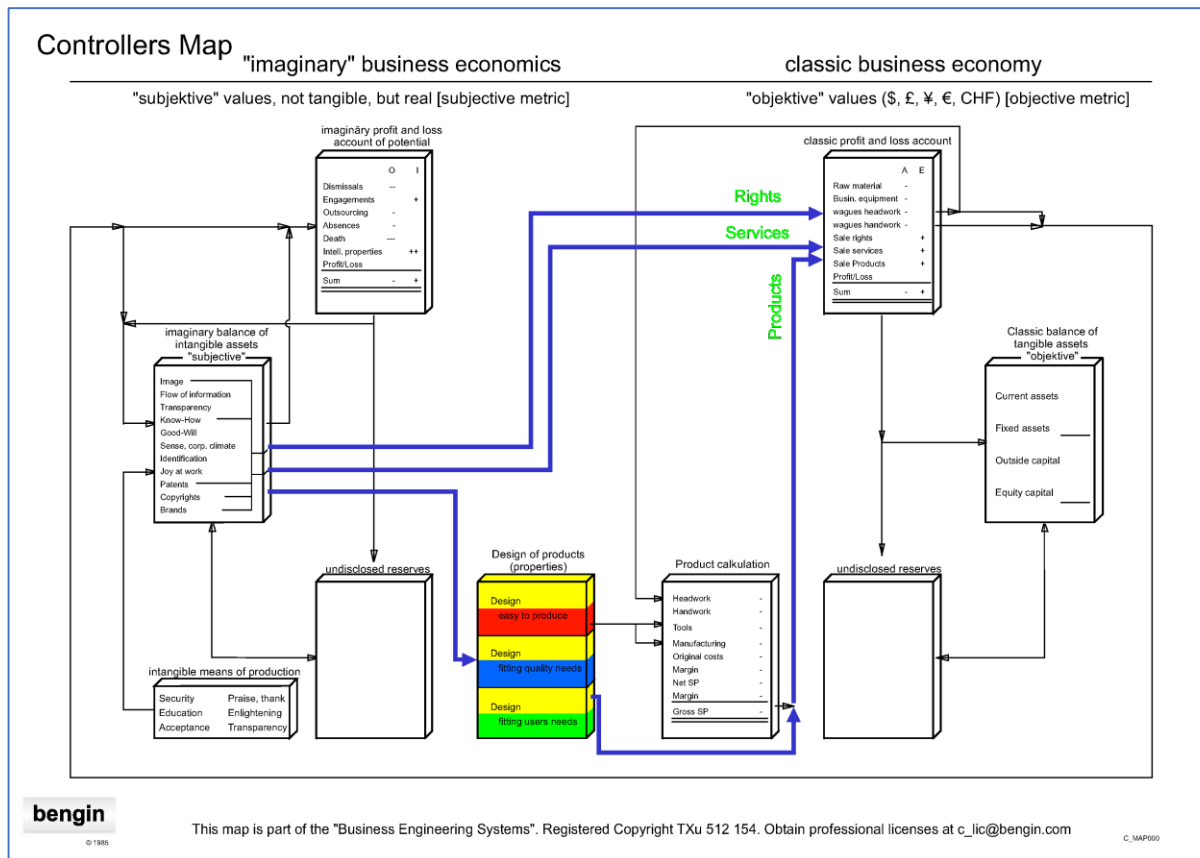
Show value profile of several objects (or budgets?)
not only in \$ but in % of subjective preference too.

Vector Type 1



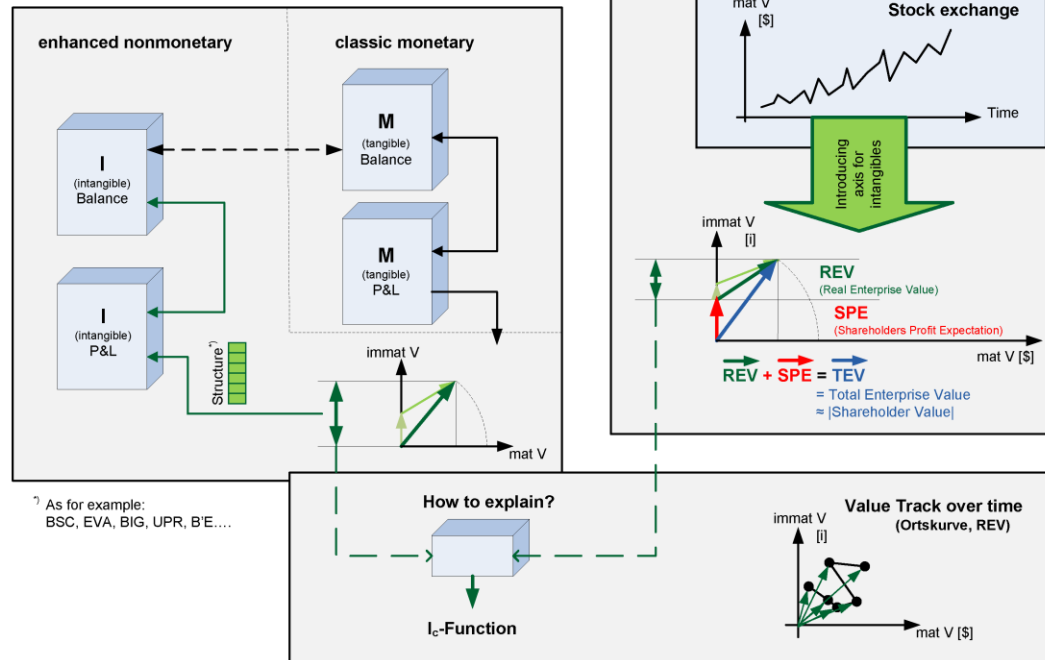
http://bengin.net/beta/05_cost_value_vector_e.xlsx

Show customer's perception of value for several services
in combination with your costs for that service.
Helps to see quickly the value/cost relation.



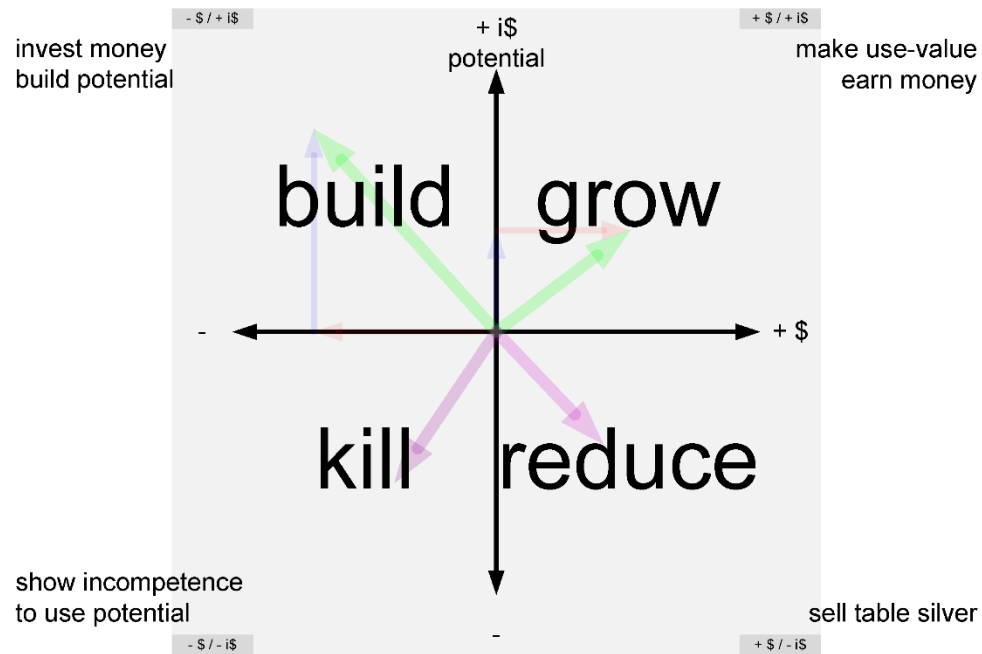
And if you think that in a smart enterprise
should be a Balance and P&L Statement of intangibles because
‘there is the beef’ – then show it. So your people can use it.

Economic Value Architecture & Engineering



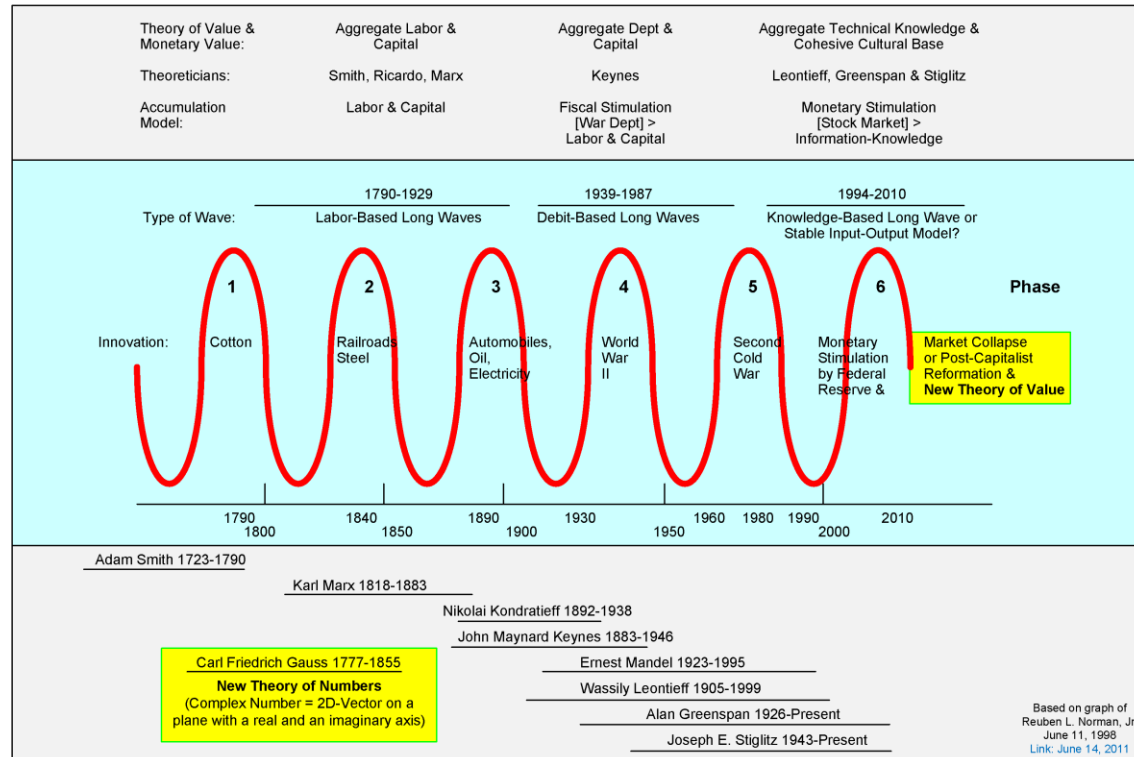
And if you have an intangible Balance/P&L you can show the **Real Enterprise Value (REV)** and decouple the share price from the **Shareholders Profit Expectation (SPE)**.

Strategic modes – **build** – **grow** – **reduce** – **kill**



And if you track the business potential (economic ‘horsepower’) of an enterprise you may see better how management works.

The long Road to Post-Capitalism: Schematic of Six Long Waves From 1790 to 2000



Last word: It could well be, that we are at the beginning of a new area with a growth in intangible goods (skills, services for real needs) far beyond the limited (re)production of tangibles.

**The sole purpose of an enterprise is to
satisfy people's
material and immaterial needs.
The 8th view is for managers.**

The greatest **Enemies of good and proper Management are
Systemic Errors in the Fundamentals of Classical Economic Theories.**

Their **Blind Spots in mapping intangible resources (potentials),
their **Outdated Linear (monetary) Value Metrics** (paradigm), KPIs and
misleading landmarks are making it **impossible to design
and realize a sustainable social and economic system.****

This is another 8th view PowerPoint (12 pages) with some additional Links:

PowerPoint: https://bengin.net/doughnut/dl/insede-innovate-economic-theory190411_e.pptx

Adobe pdf: https://bengin.net/doughnut/dl/insede-innovate-economic-theory190411_e.pdf

YouTube: <https://www.youtube.com/watch?v=uGqnhWtgYME>