Business just can’t quit ‘the number’

As Roger Martin argues in Fixing the Game, even after a decade of accounting scandals and financial bubbles, corporations continue to be measured almost exclusively by quarterly per-share earnings, said Andrew Hill in the Financial Times.

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Andrew Hill
Financial Times

Considering that even former General Electric CEO Jack Welch, once the “high priest of shareholder value,” has recanted his glowing faith, you’d think Roger Martin’s new book wouldn’t be necessary, said Andrew Hill. But as Martin argues in *Fixing the Game,* even after a decade of accounting scandals and financial bubbles, Wall Street analysts and their collaborators in the business press continue to measure a corporation’s value almost exclusively by “the number”—its quarterly per-share earnings—and whether it meets, exceeds, or falls short of analysts’ estimates.

That collective obsession, Martin writes, “simply fails as a theory to produce value in business.” His evidence: returns to shareholders were better before “the shareholder value movement took root” in the 1980s, and since then pay has rocketed for CEOs, who have become “managers of expectation” rather than performance. Yet analysts, journalists, and, sadly, executives still cling to “the number.” It’s past time they followed Welch and admitted their faith was misplaced.