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How Modern Economics Is Built On 'The World's Dumbest Idea'

I reported earlier this month that the Financial Times published a pair of important articles asking why the goal of a firm is to maximize short-term shareholder value is still being taught in business schools.

> "While there is growing consensus that focusing on short-term shareholder value is not only bad for society but also leads to poor business results, much MBA teaching remains shaped by the shareholder primacy model."

The challenge is massive because shareholder value is now deeply embedded in the basic economics that is taught in business schools and economics faculties around the world. Moving on from the shareholder value theory, which even its foremost exemplar, Jack Welch, has called "the dumbest idea in the world", will entail re-thinking and re-writing much of the basics of modern economics.

Two prime textbooks on managerial economics

To understand the depth of the problem, let's look at a couple of the best-selling textbooks on managerial economics. One is *Managerial Economics and Business Strategy*, by Professor Michael Baye, the Bert Elwert Professor of Business Economics in the Kelley School of Business at Indiana University and Jeffrey T. Prince, Associate Professor of Business Economics & Public Policy also at the Kelley School of Business.

The other is *Managerial Economics*, by William Samuelson, Professor of Economics and Finance at Boston University School of Management and Stephen G. Marks, Associate Professor of Law, Boston University.

Their learning doesn't come cheap. The latest edition of the Baye/Prince book (8^{th} edition in 2013) will set you back $173.99 on Amazon. The latest edition of the Samuelson/Marks book (7^{th} edition in 2012) is cheaper–a mere $161.12. Fortunately for the authors, sales of their books are not determined by the kind of free markets that they advocate in their books, which are required reading in myriad college courses around the world.

One might have expected that books at such prices would come with the very latest in cutting-edge thinking. Sadly, both books are, like most mainstream economics textbooks when you look at them closely, imbued with, and indeed built on, the obsolete shareholder value theory and the idea that the whole job of the manager is to maximize profit for the company and its shareholders.

How managerial economics is built on shareholder value

Let's start with the best-selling book from the distinguished professors, Baye and Prince. Here, we learn at the outset that the very foundation of managerial economics is, guess what: maximizing shareholder value. As the book amiably confesses at the outset, "much of this book assumes the manager's task is to maximize the profits of the firm that employs the manager."

"Assumes"?

The goal of maximizing profits is thus apparently not something to be justified or proved or demonstrated or even supported by any evidence as the appropriate goal. It is simply assumed to be a truth of the universe. That's the way the world is. QED. Moreover, the underlying principles that follow from the assumption are said to be "valid for virtually any decision process." (p. 3) According to the authors, "if you learn a few basic principles from managerial economics you will be poised to drive the inept managers out of their jobs!" (p.2)

Astonishingly, almost everything in the following 550 pages flows from this basic assumption. Almost all of the complex examples and problems, the dazzling mathematics, the esoteric charts and the apparently precise analyses, which millions of economics students and managers have been forced for decades to master, rest on this flawed assumption. The "right answer" to almost every problem is to apply "the dumbest idea in the world."

Shareholder value: the master goal for organizations

As the book continues, the logic of short-term shareholder value is further reinforced. The goal of maximizing profits is thus "the overall goal" to which all other organizational sub-goals, such as the optimal price, the choice of technology, the choice of inputs, the responses to competitors, must be subordinated. (p.5).

The 4th Edition of the book (2003) gave a faint nod to "long-term value" with a box that includes a quote from Clifton Wharton in an article in Harvard Business Review (Dec 1991), to the effect that "managers must resist a narrow focus that looks only at short-term profits."

In the 8th edition (2013), even this brief nod has been eliminated. All that remains in the box is the flat declaration: "ultimately the goal of a continuing company must be to maximize the [long-term] value of the firm."

It is evident from what follows that one doesn't need to worry too much about the long-term because of another convenient, but equally dubious, assumption that pops out of nowhere, without justification or proof or argument in its support: increasing short-term profits will increase long-term value. Thus, the goal of maximizing the value "often is achieved by trying to hit intermediate targets, such as minimizing costs, improving the production process, decreasing the time it takes to make decisions, and improving product quality." (p.7)

Indeed, short-term profits constitute a beneficent message from society. There is little need to worry whether short-term profits lead to long-term value, because profits are inherently good. “Profits signal the owners of resources where the resources are most highly valued by society. By moving scarce resources toward the production of goods most valued by society, the total welfare of society is improved.” (p.7)

Short term profits equal long-term value?

The book enshrines these assumptions in formal “principles”. Thus: “Maximizing profits means maximizing the value of the firm, which is the present value of the current and future profits.” (p.18)

There is little if any sign in this book of the tension between the pursuit of short-term profits and long-term value.

1. “Bad profits” kill future profits

In this book, all profits are good. The possibility of such a thing as “bad profits” is almost inconceivable. The books show no awareness of some thirty years of research done by Fred Reichheld and his colleagues summarized in *The Ultimate Question 2.0*, which shows that if the firm is making profits while leaving customers disgruntled, then the profits generating brand liabilities that will have to be repaid one day.

> ”Whenever a customer feels misled, mistreated, ignored or coerced, then profits from that customer are bad. Bad profits come from unfair or misleading pricing. Bad profits arise when companies save money by delivering a lousy customer experience. Bad profits are about extracting value from customers, not creating value. When sales reps push overpriced or inappropriate products onto trusting customers, the reps are generating bad profits. When complex pricing schemes dupe customers into paying more than necessary to meet their needs, those pricing schemes are contributing to bad profits.”

In a world in which power in the marketplace has shifted from seller to buyer, pursuing bad profits can have disastrous consequences for the firm. Such consequences are not even alluded to in this book. Example after example, analysis after high-powered analysis, graph after complex graph, reiterate the fundamental assumption: the basic job of a manager is to maximize short-term profits.

The notion that the only valid goal of a firm is to add value to customers—as articulated by Peter Drucker in 1973—is totally absent. The role of customers? They are there to be exploited for the good of the firm and its shareholders. The book even helps “identify a variety of strategies to raise the costs to consumers of ‘switching’ to would-be entrants, thereby lowering the threat that entrants will erode your profits.” (p.9)

2. The opportunity cost of a focus on short-term profits

Even more amazingly, the words “disruption” or “disruptive innovation” do not appear in this book. There is no hint of the horrifying opportunity costs that flow from an undiluted pursuit of shareholder value. As Allen Murray noted in the Wall Street Journal,

> “In today’s world, gale-like market forces—rapid globalization, accelerating innovation, relentless competition—have intensified what economist Joseph Schumpeter called the forces of ‘creative

> destruction.' Decades-old institutions like Lehman Brothers and Bear Stearns now can disappear overnight, while new ones like Google and Twitter can spring up from nowhere….
>
> "As explained Clayton Christensen classic book, *The Innovator's Dilemma* in 1997… market-leading companies have missed game-changing transformations in industry after industry—computers (mainframes to PCs), telephony (landline to mobile), photography (film to digital), stock markets (floor to online)—not because of 'bad' management, but because they followed the dictates of 'good' management. They listened closely to their customers. They carefully studied market trends. They allocated capital to the innovations that promised the largest returns. And in the process, they missed disruptive innovations that opened up new customers and markets for lower-margin, blockbuster products."

Apparently these "gale-force winds" have yet to reach the world inhabited by the distinguished professors. Instead they insist on the very principles that have caused these disasters as the basic *modus operandi* of a modern firm. Although the professors themselves are happily living in a parallel universe that has—so far—been safe from gale-force winds, surely there is some responsibility to teach economics students the disastrous practical consequences of acting on their doctrines?

3. How short-term thinking has killed entire industries

Nor is there any mention of the fact that the pursuit of short-run profits has led to decades of foreign outsourcing that have destroyed not only individual businesses but also whole segments of the American economy, thereby undermining the capacity of American industry to invent the next generation of products and services. The words "outsourcing" or "offshoring" do not appear in the book.

As a result of pursuing a primary focus on maximizing short-term profits through efficiency gains achieved through offshoring, "the U.S. has lost or is on the verge of losing its ability to develop and manufacture a slew of high-tech products," as explained by Gary Pisano and Willy Shih In "Restoring American Competitiveness" (Harvard Business Review, July-August 2009). Today, Amazon couldn't make a Kindle in the U.S., even if it wanted to.

One would never guess from this book the frighteningly long list of industries of industries that were "already lost" to the USA in 2009:

> Fabless chips"; compact fluorescent lighting; LCDs for monitors, TVs and handheld devices like mobile phones; electrophoretic displays; lithium ion, lithium polymer and NiMH batteries; advanced rechargeable batteries for hybrid vehicles; crystalline and polycrystalline silicon solar cells, inverters and power semiconductors for solar panels; desktop, notebook and netbook PCs; low-end servers; hard-disk drives; consumer networking gear such as routers, access points, and home set-top boxes; advanced composite used in sporting goods and other consumer gear; advanced ceramics and integrated circuit packaging.

The list of industries "at risk" is even longer and more worrisome.

The learned professors see their book as "providing students with the tools… that they need to make sound managerial decisions." The professors continue: "Sadly, billions of dollars are lost each year because many existing managers fail to use basic tools." What they don't point out is that many billions of dollars are lost each year precisely because they use the tools the professors recommend.

If the esteemed professors had addressed the issue of offshoring (which this book doesn't), they would presumably have argued, like other traditional economists, that these losses represent the normal and beneficent process of the global economy working through national "comparative advantage". The problem is that when you outsource manufacturing in a foreign country far away, you are not just losing jobs. You risk losing something more important: knowledge. And even more important than that: the capacity to innovate. When knowledge and innovation are involved, you're not just relocating a business. You may be relocating your future. When all large businesses do it, based on the economics they have been taught at business schools, whole sectors of the economy disappear permanently.

The conventional economic thinking that we find in this book, as Pisano and Shih point out, "ignores the fact that new cutting-edge high-tech products often depend in some critical way on the commons of a mature industry. Lose that commons, and you lose the opportunity to be the home of the hot new businesses of tomorrow."

4. The national capacity to compete has been destroyed

Nor is there any indication in the book that the undiluted pursuit of short-term profits has endangered the very capability of the USA to compete in the international marketplace.

As detailed by a report, *Competitiveness at the Crossroads*, *(2012)* by three distinguished professors at Harvard Business School—Michael Porter, Jan Rivkin and Rosabeth Moss Kanter, the signs of the problem have been visible for some time. "Job creation had stalled around 2000. Wages had been stagnating for well over a decade ago."

Even worse, "virtually all the net new jobs created over the last decade were in *local* businesses—government, healthcare, retailing—not exposed to international competition. That was a sign that the U.S. businesses were losing the ability compete internationally."

How did this national tragedy happen? "The basic narrative of the report begins in the late 1970s and the 1980s. Through globalization, it became possible and attractive for firms to do business in, to, and from far more countries. Changes in corporate governance and compensation caused U.S. managers to adopt an approach to management that focused attention on the stock price and short-term performance."

As a result, "firms invested less in shared resources such as pools of skilled labor, supplier networks, an educated populace, and the physical and technical infrastructure on which U.S. competitiveness ultimately depends."

These management actions in turn gave rise to "serious social problems (loss of jobs, stagnating income, growing inequality) and eventually a decline of the public sector (an inability to fund health and pensions, or investments in 'the commons' such as infrastructure, training, education, and basic research, fields that the private sector had abandoned.)"

The root causes of the decline in competitiveness are thus the consequence of the focus on the short-term and the stock price—the very thinking that is still so insistently taught in this best-selling textbook by Professors Baye and Prince**.**

5. The decline in the private sector has been quantified

These setbacks for traditional economic thinking are not simply opinions. They have been quantified by a comprehensive study of 20,000 US corporations from 1965 to 2011 in [Deloitte's Shift Index](). We discover that the rates of return on assets and on invested capital has declined by three-quarters.

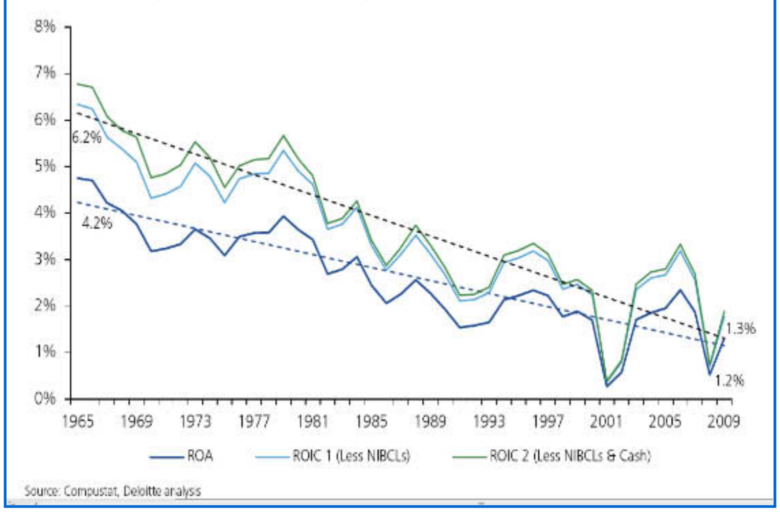

Exhibit 6: Economy-wide Return on Invested Capital (ROIC) (1965-2009)

Given the love that economists have for numbers, one might have expected them to be thrilled to have these statistics and to relish exploring their implications. That hasn't happened—so far—to any significant extent because the numbers put in question the basic narrative and tools of traditional economic thinking.

The Samuelson/Marks book

The book by the esteemed professors from Boston University, Professors Samuelson and Marks, is basically more of the same.

> "In most private-sector decisions, profit is the principal among alternative courses of action, the manager will select the one that will maximize the profit of the firm. Attainment of maximum profit worldwide is the natural objective of the multinational carmaker, the drug company, and the management and shareholders of Barnes & Noble, Borders Group, BP, NBC, and CBS." (p. 8).

By contrast to the Baye/Prince book, this book gives occasional hints at the outset of an awareness that there is another world out there beyond short-term shareholder value.

> "In practice, profit maximization and benefit-cost analysis are not always unambiguous guides to decision making… Both private and public investments involve trade-offs between present and future benefits and costs. "Uncertainty poses a second difficulty…. the cost and date of completing a nuclear power plant are highly uncertain… At best, the utilities that share ownership of the plant may be able to estimate a range of cost outcomes and completion dates and assess probabilities for these possible outcomes." (p.11)

But we are fairly soon back in the world of maximizing short-term profits.

> "Value maximization is not the only model of managerial behavior. Nonetheless, the available evidence suggests that it offers the best description of a private firm's ultimate objectives and actions." (p.15)

> "The central focus of managerial economics is the private firm and how it should go about maximizing its profit." (p.18)

After a brief nod to the possibility that long-term value might not always be aligned with short-term profits, the short-term profit maximization perspective takes over in an explicitly prescriptive fashion:

> "The fundamental decision problem of the firm is to determine the profit-maximizing price and output for the good or service it sells." (p.53)

> "A manager who is in charge of a single product line is trying to determine the quantity of output to produce and sell to maximize the product's profit." (p. 62)

In almost all the examples and problems, the "right answer" is clear: maximize short-term profits

21st Century examples with 20th Century thinking

Most of the examples in the book are from the 20th Century with managers facing decisions on how to maximize profits from traditional commodities like petroleum or corn flakes. But when more recent examples appear, in an apparent effort to demonstrate the book's relevance, they are approached with the same profit-seeking 20th Century mindset. For example, one of the problems given is the following:

> "In November 2007, Amazon introduced the Kindle, the first successful reading device for electronic books. The price was a daunting $399. In 2009, the company dropped the Kindle's price to $259 and in mid-2010 to $189. Let's assume Amazon sold 1 million units at a price of $259 and 3 million units at a price of $189. Find the output and price that maximize Kindle profits." (p. 52)

Let's think for a second about the way this problem is formulated. The venerable professors are saying: let's assume Amazon's goal is to maximize profits (it isn't). Let's assume that we know what the market response to each model of the Kindle will be at any particular point in time (we don't). Let's assume there are no competitors (there are). Let's assume the production function is stable (it isn't). Let's assume that Kindles are a commodity and any Kindle is like any other Kindle (they aren't). Let's assume that customers are basing all their decisions on individual transactions rather than relationships (they aren't).

If we are willing to make all those assumptions and do the fancy mathematics, we are able to conclude that Amazon could have maximized profits from the Kindle alone, by setting a price of $210 and selling 2.4 million units, while recognizing that it is also making additional profits from e-book sales.

What the book fails to note is not only that the elements of the problem are inconsistent with the real-world facts of Amazon and its market but also that the conclusion is only knowable in retrospect in the light of what happened. It was not available to Amazon when it was making its decisions. The analysis would have been little help to the manager actually making the decisions in real life.

Other decision-making models

To their credit, this book does note at the outset at least the possibility of other decision-making models:

> "The model of satisficing behavior posits that the typical firm strives for a satisfactory level of performance rather than attempting to maximize its objective. Thus, a firm might aspire to a level of annual profit, say $40 million, and be satisfied with policies that achieve this benchmark.
>
> "A second behavioral model posits that the firm attempts to maximize total sales subject to achieving an acceptable level of profit… Top management's self-interest may lie as much in sales maximization as in value maximization.
>
> "A third issue centers on the social responsibility of business….. The objective of value maximization implies that management's primary responsibility is to the firm's shareholders. But the firm has other stakeholders as well: its customers, its workers, even the local community to which it might pay taxes….
>
> "Over the last 25 years, research in behavioral economics has shown that beyond economic motives, human actions are shaped by psychological factors, cognitive constraints, and altruistic and cooperative motives… (p.18)

But the alternative models, once mentioned, are quickly set aside, with the implicit suggestion that they are used by people who haven't grasped the true tools of economics. The rest of the book is devoted to pursuing shareholder value.

The world has changed and economics hasn't

Back in the real world, however, even some true-believers in the shareholder value theory have seen the light, including its leading exemplar, Jack Welch. On March 12, 2009, he gave an interview with the Financial Times and said, "On the face of it, shareholder value is the dumbest idea in the world. Shareholder value is a result, not a strategy… your main constituencies are your employees, your customers and your products. Managers and investors should not set share price increases as their overarching goal… Short-term profits should be allied with an increase in the long-term value of a company."

Why haven't these eminent professors in managerial economics cottoned on to Mr. Welch's insight? The professors are as intelligent and educated and as analytically sharp as any human beings on the planet. And yet here they are, teaching principles that are consistently leading to business disaster for the firms pursuing them and catastrophe for society as a whole. Why?

One of the reasons is that they are teaching principles that ***used to work*** in a fashion. Much of this thinking dates from a period at least sixty years ago when the American economy enjoyed a period of global domination and oligopolies ruled the marketplace. It was a predictable world in which the production function was stable and products were mostly commodities. Competition was limited to a few big firms. The customer was simply demand that had to be managed through advertising. If you spent enough money, customers could be persuaded that identical products were different.

This was a world in which the economics taught in these books made sense to a certain extent. Managers could safely concentrate on maximizing short-term profits without fear of any immediate adverse consequences. This world also offered the opportunity to present a neat and tidy analytic model of how businesses do and should operate. The intellectual elegance of these analytic models is awesome.

The problem is that this world is rapidly vanishing and, along with it, the relevance of these elegant analytic models. With globalization, no single nation dominates the marketplace. The hegemony of the oligopolies has largely gone. The production function is no longer stable. Products are increasingly not only differentiated but personalized. The customer is no longer simply demand that can be manipulated through advertising. Customers have reliable information as to what is available and can communicate with each other: as a result, power in the marketplace has shifted from seller to buyer. The customer is now in charge. Mature firms can be destroyed by unknown upstarts. Entire product lines and markets can be obliterated almost overnight as a result of "big bang disruption". Disrupters can come out of nowhere and go global at once. Disruption can happen so quickly and on such a large scale that it is hard to predict or defend against. Competitive advantage is becoming increasingly transient. The only way to survive is to build relationships and delight customers by constant innovation and strategic adaptation to the changing scene.

This new world requires a radically different kind of economics that must be re-thought from first principles, beginning with the purpose of a firm.

The new economics

The purpose of the 21st Century firm is not to maximize shareholder value. Seeking profits in the short-term does not automatically lead to long-term value. As Peter Drucker wrote in his 1973 book, *Management*,

> "There is only one valid definition of business purpose: to create a customer. . . . It is the customer who determines what a business is. It is the customer alone whose willingness to pay for a good or for a service converts economic resources into wealth, things into goods. . . . The customer is the foundation of a business and keeps it in existence."

The firm's goal that should underlie 21st Century economics is: creating value for customers. By creating value for customers, one secures the basis for long-term prosperity. The shifts involved are significant.

Category	The economics of maximizing shareholder value	The economics of radical management	
Goals	The goal of a firm is to maximize shareholder value.	The goal of a firm is to create a customer, as described by Peter Drucker in Management.	
	The task of a manager is to maximize profits.	The task of a manager is to continuously add value for customers while providing a reasonable return to the firm and its shareholders.	
	Innovation is optional, depending on specific	Continuous innovation is a requirement for survival	

	opportunities to secure profits.		
	Maximizing profits is the overall goal of the firm to which all other organizational sub-goals, such as the optimal price, the choice of technology, the choice of inputs, the responses to competitors, must be subordinated.	Delighting customers is the overall goal of the firm to which all other organizational sub-goals, such as the maximizing profits, optimal price, the choice of technology, the choice of inputs, the responses to competitors, must be subordinated.	
Measures	The principal measure of progress towards the achievement of the firm's goal is the amount of short-term profits.	The principal measure of progress towards the achievement of the firm's goal is the firm's absolute Net Promoter Score, as described by Fred Reichheld in *The Ultimate Question 2.0*	
	The progress of individuals and work units is measured by their contribution to the firm's profits.	The progress of individuals, teams and networks is measured by their contribution to the value that they add to customers.	
Prices	Most products and services are commodities in stable markets.	Increasingly, products and services are differentiated or personalized in highly dynamic markets	
	Most products and services have stable demand curves that can be readily ascertained and used for decision-making in	Increasingly, products have unstable demand curves that are rapidly shifting and changing in shape	
	Demand curves can be readily ascertained and used for decision-making	Increasingly, demand curves cannot be easily ascertained or used for decision-making.	
	Prices are set by finding and using stable demand curves.	Increasingly, prices are set by rapid experimentation with real customers, as described by Eric Ries in *The Lean Startup*.	
Profits and value	Short-term profits inevitably lead to long-term value for the firm and its shareholders.	Short-term profits are not assumed to lead to long-term value for the firm and its shareholders.	
	There is no such thing as "bad profits".	Bad profits must be searched for and rooted out of the organization.	
Offshoring	Offshoring is evaluated principally in terms of short-term profits based on elements such as the cost of labor or the ex-factory cost	Offshoring is evaluated in terms of of the total cost and risk of extended international supply chains, including the risk of the loss of knowledge and the impact on future capacity to compete..	
	Mission critical elements are routinely offshored if doing so lowers costs of production.	Mission-critical components are not offshored.	
Contribution to society	Firms only contribute to protecting the environment if it adds directly to the firm's bottom line.	Firms recognize a continuing responsibility as a corporate citizen to protect the environment.	
	Firms only invest in pools of skilled labor, supplier networks, an educated	As corporate citizens, firms make reasonable investments in pools of	

	populace, and physical and technical infrastructure, if it adds to the firm's own bottom line.	skilled labor, supplier networks, an educated populace, and physical and technical infrastructure to the extent that it promotes long term competitiveness.	

A new age of capitalism is emerging, focused on delighting those for whom the work is done and inspiring those doing the work. The new way of managing is much more profitable than the old. Organizations that embrace the new paradigm are moving the production frontier of what is possible.

The rudiments of the new economics are known, although the detailed mathematics, the graphical representation and the implications of the shift in foundational assumptions have still to be worked out in detail. The task is large. Much work remains to be done.

Signs of alternative thinking in economics

Of course, some of it has already begun. Not every economist is mindlessly following the shareholder value mythology. Exciting developments are occurring for example in behavioral economics, in game theory, in neuro-economics and in individual efforts like Joe Stiglitz's work on inequality.

But so far most of these developments are taking place within the analytic prison of profit maximization and shareholder value. Hardly any of it puts in question the fundamental focus on short-term profits and "wins" against competitors.

The idea that the entire intellectual edifice of modern economics no longer fits the world we live in has yet to enter the academic mainstream or to be accepted by the economic establishment. Those who do question the fundamental assumptions tend to be marginalized, so that the status quo can be maintained. This obviously has to change. The profession needs to get beyond further refinements of an increasingly irrelevant paradigm and instead reinvent the economics that we need for the new age.

The Copernican Revolution in managerial economics

The changes we are talking about are not minor. It is a revolution as profound as the Copernican Revolution in astronomy—the shift from the view that the Sun revolves around the stationary "center of the universe"—the Earth—to the view that the Earth is one of several planets revolving around the Sun.

As Joseph Bragdon wrote in *Profit for Life* *(2006):*

> "You might say that we are in the midst of a "Copernican Revolution" in conventional business thinking. We are finally waking to the fact corporations are not the center of our economic universe, with people and Nature orbiting around them. In fact the opposite is true."

The Copernican Revolution in managerial economics is a paradigm shift from the 20th Century view that customers are subservient to the stationary "center of the universe"—the value chain of the organization—to the view that the organization is one of many organizations revolving around the customer. The organization survives and thrives only so long as it is agile enough to meet the customer's shifting needs and desires. The future of the firm depends on how much value is being added. The job of the manager is, not to maximize short-term profits, but rather to continuously add value to customers with a reasonable level of profit.

Just as it took astronomy many decades to figure out all the detailed mathematics of the new view of the universe, the detailed economics of Copernican Revolution in management will also take some time.

The good news for open-minded economists

In one sense, all this is bad news for economists. They will have to rethink how they analyze problems and how they teach with fundamentally different assumptions and new analytic tools. Textbooks will have to be rewritten. New examples and problems will have to be developed. New mathematics and graphics will have to be invented. There will be widespread resistance from many who cannot bring themselves to reinvent what they have spent so much of their lives refining and teaching.

But surely, this is also good news for economists as well as the rest of society. In addition to economists becoming freshly relevant and helpful to business and society, economists can also do some good for themselves. Imagine if all the immense brain power currently devoted to developing further analytical refinements to the shareholder value model were devoted to spelling out the implications of the Copernican Revolution in managerial economics. A vast new path forward is opening up. The scope for winning many future Nobel Prizes in Economics is enormous!

And read also:

- The dumbest idea in the world: maximizing shareholder value
- The Copernican Revolution in management
- When will the world's dumbest idea die?
- How America lost the capacity to compete
- Seven lessons on offshoring that every CEO must learn
- The five surprises of radical management

Steve Denning's most recent book is: The Leader's Guide to Radical Management (Jossey-Bass, 2010).

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