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STRATEGIC MYOPIA ON CORPORATE LONGEVITY: A COMPREHENSIVE ANALYSIS

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Abstract

The concept of strategic myopia which entails short term orientation at the cost of long term strategic objectives has been quite common in the business environment. The paper will bring out the concept of strategic myopia, investigate its causes and consequences on the survival of corporations. By evaluating available literature, case studies and empirical evidence, the paper highlights the notable threats strategic myopia has in terms of maintaining the ability of the firm to be able to sustain its operations, innovate as well as able to cope with competition over time. The paper finishes by making recommendations to organisations on ensuring strategic myopia by employing a more balanced and long term oriented method of strategic planning.

Keywords:

Strategic Myopia, *Corporate Longevity*, *Long-term Strategy*, *Short-termism*, *Organisational Sustainability*.

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1. Introduction

Organisations in the modern dynamic business world are under pressure to meet the financial demands of the business with long term sustainability. This pressure is usually associated with strategic myopia which is the emergence of priorities to immediate economic returns without prioritizing long term strategic goals. Strategic myopia is worldwide but as far as Nigerian organisations are concerned, it is highly influential in this cause. The rapid rate of change in the economic world, the issues of regulation alongside the uncertainties in market conditions and the positioning of an organisation to demonstrate performance to the shareholders can lead to a kind of short-run thinking that becomes a very real effect of the process of strategy.

The skill to perform strategic thinking regarding the performance of the firm and the long-term growth of the firm is one of the pillars of corporate success. Nevertheless, an even greater problem has emerged, which is so-called strategic myopia or obsessing with the immediate goals at the expense of the long-term sustainability. The threat of this phenomenon to corporate longevity arises by definition referring to the sustainability of a company to continue its operations, grow and remain competitive in the long run. Strategic myopia takes diverse forms like putting excessive emphasis on the sales per quarter, holding firm in the market share and short term cost saving measures that do not allow growth in the future. The given paper offers a thorough overview of strategic myopia, its manifestations, and the extensive impact it has on the sustainability of the company.

Strategic myopia has been an aspect that has received a lot of research in international business literature. Scholars have generally emphasised the idea that businesses, especially those that are publicly listed on the stock market, are likely to focus on short-term financial performance in an effort to appease the demands of the market at the cost of long-term expansion and innovation (Hambrick & Fredrickson, 2018; Jensen & Meckling, 2017). Long before, the scholars have posited that the complications of businesses should engage in sufficient competitiveness by trending towards a sustainable competitive advantage in which innovation, market positing and long term strategic considerations should be at the heart of pursuing an effective competitive advantage (Porter, 1980). However, the trend in the corporate strategy in the recent past has led to most organisations being drawn to short term financial performances that are even motivated by the pressure of proving investors and the market needs.

When combined with the peculiar issues of political instability and currency volatility, the absence of a strong regulatory environment in this case, as it relates to Nigeria, this trend is exacerbated by the fact that it is hard to engage in long-term strategic planning. In the case of Nigerians firms, especially those firms whose branches operate in the telecommunications field, the banking sector, and the manufacturing industry, their tendency to engage in short-term cost-cutting decisions and harsh marketing tactics have continued to rise in order to guarantee that they will be doing well easily. Although this has worked in a few instances, it has resulted in failure to innovate or keep up with technological development which puts these companies at the risk in cases of long-term degradation (Ajayi, 2021; Ogunyemi, 2020).

Whereas research measures abound on the topic of strategic myopia in the Western markets (Hambrick & Fredrickson, 2018; Harrison & Freeman, 2018), there is not much literature on how strategic myopia presents itself in developing markets such as Nigeria. Some of the areas that existing research on Nigerian businesses would tend to gravitate toward would include leadership style, corporate governance, and financial management (Ogunyemi, 2020; Egbunike, 2021). Although such studies give us significant insights on how corporations manage to make several decisions, they did little to capture the notion of strategic myopia, which could jeopardize the long term survival of corporations.

Besides that, the studies on Nigerian companies do not usually take into account the wider socio-political and economic parameters that distinctively precondition corporate strategies in the country. The necessity of a balanced, long run on strategy within Nigerian firms has been under discussed as there is a major gap both in the knowledge and practice within the academics as well as business.

The proposed paper is a pioneer attempt of exploring causes/consequences of strategic myopia in the context of Nigerian organisations, particularly the manner in which the local environment (political unrest, regulatory environment and market instability) tends to influence decisions making in an organisation. The present research contrasts with the literature related to the current research studies in that they view the question of Nigerian corporate strategy as a universal phenomenon isolated in its existence; we however place this contextual phenomenon in the domain of global strategic myopia discourse and the unique set of challenges that Nigerian companies face. One of the assumptions that drive this undertaking is the fact that it covers strategic myopia as an outcome of the internal organisational variable as well as a reaction to external forces that are unique to the Nigerian business scenario.

The identification of this gap enables the paper to address this issue, therefore aspiring to bring the entire picture of the phenomenon of the strategic myopia influence on the long-term sustainability of Nigerian businesses. It is also intended to provide viable suggestions on what can be done to curb this challenge, stressing that long term strategic frameworks have to be adopted with the understanding that in doing business in Nigeria, a business can improve its chances of success with recommendations taken into consideration.

External pressures usually influence organizations that focus more on short-term performance either because of shareholder pressures and quarterly reporting requirements and market pressures. Although these pressures are not illegitimate, they can lead companies to make decisions that can lead short-term profits but make companies not viable in the long term. The main issue that this paper intends to solve is the issue of long-term effects of strategic myopia on the sustainability and the innovation of a company.

Research Objectives

In light of the trends discussed, this paper aims to achieve the following objectives:

1. To explore the causes of strategic myopia in Nigerian organisations and how these causes align with global trends in corporate behaviour.
2. To assess the impact of strategic myopia on corporate longevity within Nigerian organisations, focusing on both financial and non-financial outcomes.
3. To propose strategic frameworks that can help mitigate the consequences of myopic decision-making in Nigerian firms.

2. Literature

The Concept of Strategic Myopia

Strategic myopia is a limited perspective where it is mainly inclined to address the short-term targets whose motive is to get the financial payoff at the cost of longer-term competence goals such as innovation, positioning and sustainability. It means an addiction to quarterly earnings, market share, and temporary financial results and failure to pay attention to long-term strategy setting and the changing nature of the market place. It has become particularly notable in those industries where technology develops dynamically as the organisations are forced to show an instant success partially at the expenses of a sustainable future.

Attributes of Strategic myopia

Short-termism: An orientation to reaping short-term results without looking in the long run about consequence of the decision.

Lack of innovation: This occurs when a firm refuses to invest in new technologies, research and development and market exploration.

Short-term cost-cutting: decreased costs and maximised profits without the long-term effect on organisational capacities.

Risk avoidance: This is a fear to take risks that are potentially long term benefits in deference to more conservative and short term actions.

Reasons of Strategic Myopia

1. Shareholders and Investors Pressure

Investors particularly those in the listed companies have a tendency to value returns in the short term rather than long-term growth. Companies may also be tempted to choose shorter-term financial benefit at the cost of long-term strategy due to the pressure to achieve quarterly earnings expectations, a phenomenon called strategic myopia. According to a research conducted by Harrison and Freeman (2018), such a factor as shareholder pressure contributes to the consideration of short-termism when it comes to corporate decision-making.

2. Management Incentives

Short term executive compensation schemes, which are dependent on quarterly profitability, stock prices, and bonus payout can super-charge managers day to day decision making even though it is detrimental to the long term prosperity of the firm. Jensen and Meckling (2017) note that one of the factors that contributes to myopic behaviours is that managerial incentives and stakeholder incentives are not aligned correctly.

3. Problems of Market Fluctuations and Competition

In dynamic markets, organizations may feel forced to concentrate on the short term revenues in order to remain competitive. A fast-changing technology, customer preferences and intense competition especially among the big corporations can create the feeling that things have to be done urgently and companies might as well fail to establish the essence of making proper long strategies.

4. Cultural Factors

Strategic priorities are vital in as far as corporate culture is concerned. Organisations that place emphasis on a bottom-line, profits-driven culture or those that reward short-term achievement might find themselves creating conditions that induce myopic decision-making. Cameron and Quinn (2016) confirm that firms that rely on financial performance with disproportional importance when compared to the rest of the strategic tasks are more prone to strategic myopia.

The implications of Strategic Myopia on Corporate survival

1. Fallen Competitiveness in the Market

When companies emphasize too much on the short term gains, they miss the long term innovation and differentiation skills. As an example, the research and development or changing of adaptation to the technologies may not be invested into, which will result in stagnation. The example of Kodak demonstrates that even a company that was the leader in the field of photography did not manage to add anything new to the emerging business avenue of digital cameras and lost as a result (Lucas & Goh, 2018).

2. Financial Instability

Short-term orientation can result in unsustainable treatment of funds, e.g. through excessive cost reduction and layoff or postponement of required investment. Though such measures can increase the short term profitability, it can hurt the financial health of a company in the long term. As an illustration, General Electric (GE) also suffered greatly as it attempted to maximise its short-term profits and ended up leaving out some key realms of its business which consequently resulted in a loss in its corporate status (Hastings&Henry, 2020).

3. Innovation unavailability

Strategic myopia tends to kill innovations by focusing on cost-cutting as well as short-term gain as the paramount instead of investing in new technologies, products and services in the long-term. The insufficientity of innovation undermines the competitiveness of a firm in the market, making it less able to react to any future challenge and opportunities. Another instance of why the inability or unwillingness to innovate despite the growing popularity of digital streaming services proves to be a risk that should not be taken is the case of Blockbuster (Johnson, 2021).

4. Employee Disengagement

Employee morale and disengagement may also stem down to short-term financial focus which may result in a poor performance coupled with the feeling of their interest in the long-term not being considered. In cases where companies do not spend money on training and development and organisational culture then their productivity and retention of employees declines. To some extent, the ethical insanity and moral decay of Enron can be attributed to an unhealthy corporate culture where short term returns were valued more than the long term ones, resulting in the failure of the Enron Corporation and left its employees bitterness (Murphy, 2019).

Mitigation strategies to Strategic Myopia

1. Strategic Long-Term planning

Organisations need to concentrate in making and implementing the long term strategies that consider their short and long objectives. The application of scenario planning and foresight analysis may assist companies to predict future challenges and take appropriate decisions that can be based on the short-term and long-term balancing issues.

2. Re-designing Executive Incentives

In order to realign the interests of the management and the long-term healthiness of the company, executive compensation packages have to be restructured. A connection between closing bonuses and stock options with long-term performance objectives, e.g. long-term growth development, innovation, and customer satisfaction as opposed to short-term financial performance measures can lessen the possibility of strategic myopia.

3. Encouraging Culture of Innovation

Adoption of a corporate culture where innovation and long term thinking is appreciable will help offset the impact of strategic myopia. Some of the strategies that are necessary to enhance innovation in an organisation are investing in research and development, adopting new technologies and also being adventurous in experiment.

4. Trade-off between Short and Long term Goals

Organisations ought to achieve an equilibrium within a framework that looks at short term performance and long-term growth. However organisations can easily overcome these dangers of strategic myopia by setting strategic long-term goals and aligning them to short-term milestones thereby gaining immediate results.

Conclusion

Strategic myopia poses a major challenge to the sustenance and life of a company. The overemphasis on the short term gains makes the businesses ignore long term investments, innovation, and planning essential to achieve success in the future. In this paper we will point out the root cause of strategic myopia and its effects on corporate longevity basing on case studies and literature available. In an endeavour to address the impacts of strategic myopia, organisations should embrace long-term strategic planning, align executives bonus with long-term growth, nurture innovation and develop corporate culture where short-term actions are well balanced with the long-term goals. With such initiatives, businesses should be able to be more competitive in the corporate environment.

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