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Managerial Short-Termism: an Integrative Perspective

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ABSTRACT

Due to the intangible nature and accounting treatment of marketing expenditures in the public corporation, such investments are prime candidates to being sacrificed on the altar of managerial short-termism. Usually termed *marketing myopia* or *myopic management* in general, the practice of underfunding marketing investments such as advertising has been linked to multiple negative outcomes in terms of firm performance and future firm value (Aaker 1991; Pauwels et. al 2004; Mizik and Jacobson 2007; Mizik 2010; Chapman and Steenburgh 2011). However, myopic management research in marketing suffers from numerous shortcomings. First, most authors focus on unique contexts under which myopic management is likely to occur. Second, extant studies overwhelmingly rely on accounting-statements based metrics to infer managerial myopia, usually by using deviations from normal or expected earnings or profitability measures, and contemporaneous changes in marketing investments (Mizik & Jacobson 2007; Chakravarty and Grewal 2011). Third, there is a lack of a unified understanding of intra-organizational processes and outside factors that contribute to myopic management and to overall managerial short-termism. To date, limited theoretical or empirical research has been conducted to investigate the factors influencing managerial short-termism in marketing decision making, beyond the impact of accounting and stock market drivers of such practices.

In an attempt to broaden our understanding of the factors affecting managerial short term oriented actions and marketing in the public firm, this article explores two related topics. First, an expanded framework integrating three literature streams, myopic management, and short-termism is developed and grounded in existing literature. The framework identifies and groups research from the domains of marketing, accounting and strategy and arranges the disparate streams of research into four main antecedents of managerial short-termism: 1) outside factors, 2) executives' incentives factors, 3) organizational factors, and 4) individual factors. The link between the first two and the latter two is theorized to occur through top executives' strategic decision frameworks and the degree of influence in the organization overall. The second purpose of the manuscript is to use the proposed framework to (1) identify the influence of outside and executive level factors on the temporal implications of managerial decision making at the organizational and individual levels, and (2) to develop a set of propositions which further explore these issues and to suggest how managerial short-termism impacts advertising, promotions, innovation and new product development initiatives.

ABOUT THE AUTHOR

Atanas Nik Nikolov graduated from the University of Georgia in 2016 with a PhD in Marketing, thus becoming a "double dawg" by holding two degrees from the college of business. He is currently an assistant professor of marketing and international business at Washington State University.