

Essays on Managerial Myopia and Subject Positions in Companies with Different Governance Structures

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A-360



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HELSINKI SCHOOL OF ECONOMICS

ACTA UNIVERSITATIS OECONOMICAE HELSINGIENSIS

A-360

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Aalto University School of Economics

ISSN 1237-556X
ISBN 978-952-60-1005-2

E-version:
ISBN 978-952-60-1006-9

Aalto University School of Economics -
Aalto Print 2010

ABSTRACT

This doctoral dissertation examines managerial myopia and subject positions in companies with different governance structures. The study investigates how the use of time models is potentially related to myopia and how organisational controls are tied to the potential for myopia through time models. The time models, researched in the dissertation, are socially constructed mental models on time; more specifically, models that managers construct and use in order to function simultaneously in three periods, the past, the present, and the future. In addition, the study investigates how subject positions, with regard to action/inaction, differ between executives in a listed company and a non-listed company. The data consists of 42 interviews and archival data gathered in three companies in the financial services industry in Finland; one shareholder value oriented listed company, one mutual company and one coalition of independent savings banks. The dissertation consists of four essays. The first essay covers a general introduction to time models in a Foucauldian framework. The second essay, with the assistance of time models, extends towards solving the paradox of the twofold nature (short and long term orientation) of share price. The third essay explores how organisational controls (exemplified by company culture, share price, and the Balanced Scorecard) are tied to myopia and assist in influencing myopia, through time models. The fourth essay compares subject positions in a listed and non-listed company, partly explaining the time models presented in earlier essays.

The findings of the study are as follows. Shareholder value oriented, listed company executives focus on a present-based time model, and the form of rationality associated with it, whereby present efficiency and effectiveness are experienced as the base for future success; the model reflects thinking that is directed from the present towards the future. The time models of the actors in the non-listed company are found to be more flexible and variant than those of listed company executives. In non-listed companies, executives and managers construct and follow past-, present-, and/or future-based time models and their associated rationalities. In the past-based model, it is assumed that the past is the base on which it is possible to build the present and/or the

future (thinking is directed from the past towards the present and/or the future). In the future-based model, it is considered that future plans are the base on which present actions should be determined (thinking is directed from the future back and towards the present). Subject positions in a listed company are tied to present action, unlike those in a non-listed company, which are tied to inaction. The emphasis on action explains the wide popularity and diffusion of shareholder value.

Building on the extant literature, myopia is redefined to be a disproportionate concern for business matters which do not contribute to the long-term success of the focal company; it is revealed to be represented as an excessive focus on a given time base, without the orientation away from it, albeit implied as necessary by time models. In this regard, the listed shareholder value oriented company myopia presents itself as an excessive focus on action at present inside the present-based model. Non-listed company myopia is related to an extensive focus on the future or the past, in addition to the present, and a potential focus on inaction whenever present action would be in the long-term interests of the focal actors. Organisational control systems that focus on only one measure tend to highlight the myopic tendencies of that measure. In this regard, share price is shown to be connected with the present-based time model and reinforce its potential myopic tendencies. The paradox of simultaneous short and long time orientation of share price that has been revealed by the previous literature is partly resolved; share price is shown to be constructed as long-term by company executives and as short-term by outsiders who criticise the present-based time model. In the study, company culture is shown to be tied to the past-based time model, and the Balanced Scorecard, along with cybernetic systems more generally, to the future-based time model. In order to decrease myopia, organisational control systems need to be balanced, and designed according to the relevant context.

Keywords: time orientation, myopia, social construction, time model, shareholder value, subject position, organisational controls, share price, culture, Balanced Scorecard

Acknowledgements

It is naturally impossible to individually mention all those people who have provided assistance and guidance to me during this study. I owe you all. However, I would like to try to express my gratitude to several people who have assisted me in this endeavour.

First of all, I am grateful to Professor Seppo Ikäheimo for patient instruction during several years of study. Naturally, I am also grateful to the pre-examiners of my dissertation, Professor Jan Mouritsen and Professor John Roberts for their insightful comments. In addition, I am indebted to Professor Mouritsen for accepting the task of opponent.

I also express my gratitude to those members of the department of accounting and finance at Aalto University, School of Economics, who have assisted me in my studies; among them, more specifically, Juhani Vaivio, Teemu Malmi, Juha Kinnunen, Pontus Troberg, Katja Kolehmainen, Tuija Virtanen, Mikko Sandelin, Antti Miihkinen, Tapani Kykkänen, Hannu Ojala, Lasse Niemi, Jari Huikku, and Leena Kallonen. I also thank other academics; among them Trevor Hopper, Yves Gendron, Marja-Liisa Kakkuri-Knuuttila, Timo Salmi and Antti Rautiainen, as well as Sari Lounasmeri, Taru Rastas, Hanna Karlsson and Hanna Silvola. Tomi Seppälä has provided assistance particularly in the earlier stages of the project. I also thank Olivier Ratle for informing me about the sociology of time.

A special thank you is directed to those case company representatives who agreed to participate in this research and have provided their valuable time and resources in order for this dissertation to be successful. Without your help this dissertation would never have materialised and I owe you very much. Data availability was never a problem in three core case companies, whose three informants (Pekka Heikkilä, Jarmo Salonen and Pekka Killström) deserve a warm thank you. I would also like to thank the representatives of the other companies in which I gathered data (Tom Dahlström, Timo Ritakallio and Eero Hautaniemi). In the research presented in this dissertation the data

from these latter companies were not used as extensively as that from the other companies. This was because theoretical concerns pointed more towards those other companies. However, excellent data was still generously provided and I am certain this will provide a valuable source for future research. Naturally, I thank all interviewees in all the case companies.

The research project benefited from funding from the Centre for the Doctoral Program at Aalto University, School of Economics. I would sincerely like to thank the head of the Doctoral Centre, Pekka Korhonen, for providing funding and valuable guidance in research. With your help, I have understood the meaning of the word contribution and how it relates to specificity in an extremely thorough way. I would also like to thank Johanna Vesterinen, Jenni Sara, Mari Svahn and the rest of the crew in the Centre for the Doctoral Program for helping with numerous major and minor organisational issues.

I would also like to thank Leena Kostander for friendship and companionship and several researchers at the Centre for the Doctoral Program, among them Mirella Lähtenmäki, Timo-Jaakko Uotila, Tiina Ritvala, Johanna Vesterinen (see also above), Arno Kourula, Heidi Hirsto, Merja Porttikivi, Minna Mustonen, Rita Järventie-Thesleff, Kai Luotonen, Eeva-Katri Ahola, Sanni Bachmann, Niina Erkama, Kirsi Kommonen, Christa Uusi-Rauva, Leena Tanner, Esko Penttinen, Mari Huovinen, Susanna Kantelinen, Kari Kemppainen, Seppo Puro and Anne Sunikka, several of whom have taken the time to have a look at my writings from time to time.

The project has also benefitted from funding from the Academy of Finland, the Research Fund of Savings Banks, the Helsinki School of Economics Foundation, the Jenny and Antti Wihuri Foundation, and the OP-Pohjola Group Foundation. I would also like to thank James Collins for the countless hours he has spent perfecting my English.

Finally, I would like to thank my close ones for support and encouragement; my husband Stanislav for assistance and patience, and my children Anton and Alexander for their good sleeping habits and for teaching me lessons about life.

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¹ The essay is forthcoming in a strongly revised form in the journal “Qualitative Research in Accounting and Management”.

PART I

OVERVIEW OF THE DOCTORAL DISSERTATION

Introduction

Myopia has traditionally been defined as a focus on business matters that improve current period performance while, simultaneously, harm the long-term effectiveness of the company (Van der Stede, 2000). In other words, myopia has been perceived as a synonym for an overly short time orientation to the detriment of the holistic picture.

Causes of myopia have been stated to originate from stock market pressures (Jensen et al., 2004; Ezzamel et al., 2008; Aglietta & Rebérioux, 2005), inefficiencies and short time horizons that result from not being publicly quoted and thus possessing a truncated investment horizon (Ferrier & Porter, 1991), and excessively rigid performance measurement (Van der Stede, 2000). Myopia has been said to result in a lack of innovativeness (Merchant, 1990; Hitt et al., 1996) or inertia, in other words, an excessive concern with the past (Levinthal & March, 1993).

The notions of time orientation and myopia have typically relied on the views of outsiders, such as scholars and financial markets critics (see e.g. Van der Stede, 2000; Ding et al., 2008; Ezzamel et al., 2008). The basis for the construction of these concepts by the actors themselves within companies has not been studied. The current study fills this gap by investigating actors' mental models regarding time; it reveals how the narrower notion of myopia lies within the wider concept of time. In order to achieve this aim, the study draws on Latour (1987) and Giddens' (1990) notion of actor reflectivity and employs a social constructivist approach (Berger & Luckmann, 1966), as well as sociology of time (Emirbayer and Mische, 1998). The term "time model" refers to the form or inscription of how time is conceptualised, without the "real" actions that enact a given time model; a time model is a piece or collection of information, it is not a concrete model that can be touched, unlike the actions that are connected to it (Latour, 1987).

Critics of financial markets have drawn explicit attention to the harmful influences originating from these markets and shareholder value, not generally acknowledging that

executives would confront or fight these influences in any material way (Ezzamel et al., 2008; Jensen et al., 2004; Aglietta & Reberiou, 2005; Rappaport, 2005). However, the acknowledgement of actor reflectivity requires managerial experience to be considered (Giddens, 1990). This experience entails knowledge about how to defend the focal company against varying, and potentially harmful influences at least to a certain extent, and therefore experienced managers cannot be assumed to function solely as mindless fools and mere puppets of financial markets (McNamara et al., 2004). Experienced actors are able to reflect on their own practices and the environment surrounding them, and ultimately alter their behaviour accordingly, at least partly (Giddens, 1990). The plurality of forms of knowledge available to managers highlights the potential plurality of types of defences against the potentially harmful influences of financial markets (McNamara et al., 2004).

Actor time models are further elaborated upon in the dissertation as follows. Top managers especially, but also other company actors, are under pressures to simultaneously draw from the past, function effectively at present, and think about the future. In order to bridge the gap between the past, the present and the future, they construct time models. These models are linked to specific ways of rationalisation by which actors rationalise themselves as possessing an optimal relation to the concept of time. Rationalisation is defined as the pursuit of reason within public life (Townley et al., 2003). Rationality is consequently defined as the end product of a process of rationalisation.

Share price, a common measurement base in publicly quoted companies, has generated much discussion regarding its time orientation. It has been said to be either short-term (Espeland & Hirsch, 1990; Rappaport, 2005, Jensen et al., 2004) or long-term oriented (Puffer & Weintrop, 1991; Brickley et al., 1985; Fisher, 1965). In addition, the measure of earnings has been stated to be variously either short-term (Ittner et al., 2003) or long-term oriented (Demske et al., 2004). The dissertation makes reference to the literatures mentioned above in partly solving these paradoxes. It forms a critical reply to the demand

by the Financial Services Authority (UK; 09/15) for more long-term oriented measurement and compensation in the financial services sector.

Following Lazonick and O'Sullivan (2000), in this dissertation shareholder value is assumed to be an ideology. By studying the interplay between objectification and subjectification in a Foucauldian framework (Foucault, 1977), the dissertation examines and explains how this ideology is diffused within companies and the wider society. The discussion is tied to the literature on ideology diffusion (Wejnert, 2005; Neu and Ocampo, 2007; Spich, 1995) and to a more specific literature on the diffusion of shareholder value (Useem, 1993; Ding et al., 2008).

The first essay presents time models used by company management. The models are connected with subject positions that hold these models in place and emerge from an analysis of the interview and text data. The second essay employs two time models to analyse time orientation within share price. The third essay discusses how three time models and the myopia associated with them can be encouraged or discouraged through different organisational controls. The fourth essay explains a source of myopia for non-listed companies; this is achieved with the support of Foucauldian ideas concerning subject positions. The first essay represents a sociological perspective, albeit with a management accounting touch, whereas the second and third essays apply the time models developed in the first essay to issues related more clearly to the accounting and performance measurement literatures. The fourth essay does not specifically refer to time models, but rather, approaches the issues of myopia and action/inaction from the perspective of subjectification which is found in Foucauldian literature.

The dissertation focuses on the perspectives of company insiders, executives and management, on issues that have traditionally been the playing field of outsiders; financial market critics and corporate governance researchers (Van der Stede, 2000; Ding et al., 2008; Ezzamel et al., 2008). It is acknowledged, however, that the author, naturally, remains an outsider in relation to the subject of study, although, admittedly, an outsider with a project of describing the constructs of insiders.

The data used in the study consist of interview and archival data. These data have been gathered in three companies in the Finnish financial services industry during the period of 2007-2008. Altogether, interview data consist of 42 transcribed interviews with company managers, board members, analysts, journalists and competitors that follow the companies. Archival data are composed of data on performance measurement systems used in the companies, newspaper articles and other material about the companies, such as financial statements. The methodology sections of each essay provide a full description of data and methods.

The dissertation contributes in the following way. It presents evidence about specific types of time constructs; time models, which are constructed by company management in order to connect together the past, the present, and the future. Here time constructs are defined as any socially constructed notions related to how time is experienced by actors. *The past-based model* emphasises the importance of the past; either in terms of history or rules/routines. Any forms of strength created in the past function as a source of competitive advantage for the present and future periods. Actors assume that the base created in the past is durable enough to carry present and future actions. *The present-based model* emphasises actions that initially draw on the present. These actions, as long as they are effective and efficient, are assumed to lead to a successful future. Therefore, the future is experienced as an extension of the present. Planning is not perceived to be vital as long as present choices are otherwise made wisely. In *the future-based model*, future plans are the base of present actions. These actions are assumed to eventually form a pathway that inevitably leads to the realisation of these predetermined future plans. The future plans are thereby experienced as a guarantee behind the optimality of present actions: these actions are assumed to be necessarily, almost “automatically”, optimal and wise because they are based on well-prepared plans. All time models function either separately or in combination; different contexts call for the employment of different models.

The current study redefines the concept of myopia. Myopia is realised when actors using any of the time models are excessively focused on the given model base and they are unable to make the leap away from this base. For example, executives in the listed company employ subject positions according to which the present and the present-based time model are assumed to be vital, and the future forms the target of their thoughts. However, these subject positions are broken when the focus on the present becomes excessive; the future target is, in effect, discarded, and myopia results. Moreover, those managers using the past-based model can potentially become too concentrated on savouring the past, and unable to see present opportunities. They may attempt to use the strengths acquired in the past, without noticing that those strengths are no longer vital at present or in the future. Finally, users of the future-based model can excessively plan for the future, being unable to react quickly even in a context where fast reactions would lead to long-term benefits. They may assume that planning is automatically far-sighted, and consequently fail to pay an appropriate amount of attention to present opportunities. Myopia is redefined as *a disproportionate concern for business matters which do not contribute to the long-term success of the focal company*. This concept of myopia differs from the traditional concept in that it acknowledges the existence of myopia that originates from the past-based and future-based models, not only the present-based model on which the traditional literature has implicitly been focused (see e.g. Van der Stede, 2000). The concept of myopia has deliberately been widely formulated so that it also includes business matters implemented and elaborated upon in space, not only in time. This has been done in order for the concept to relate to the traditionally used notion of myopia that also includes business matters in space in addition to time, and in order to leave a wider scope for future research on myopia.

Technocratic and socio-ideological controls (Alvesson & Kärreman, 2004) can both be used to encourage time models. The form of socio-ideological control studied in the dissertation is that of company culture (Merchant & Van der Stede, 2007; Collier, 2005), and in the specific case described in the study it is found to be tied to the past-based time model. The technocratic controls analysed are share price (Hall & Liebman, 1998; Puffer & Weintrop, 1991; Brickley et al., 1985; Rappaport, 2005) and the Balanced Scorecard,

with earnings included (Kaplan & Norton, 1996; Otley, 1999). Of these, share price is demonstrated to be tied to the present-based time model, and the Balanced Scorecard, along with other cybernetic systems, to the future-based model.² If excessive emphasis is put on one control, any myopic tendency associated with the time model that is related to that control, is accentuated. Therefore, balance between controls decreases myopia. Moreover, it is beneficial to use controls that fit the environment of the company.

The study reveals one explanation for the paradox of share price being either short- or long-term oriented. Listed company executives construct share price as undoubtedly long-term oriented. However, they focus on the employment of the present-based time model and share price does not counter the myopic tendencies of that model. Those criticising the executives for myopia refer to the weaknesses that may be said to come about by the use of the present-based time model. Furthermore, the dissertation reveals that accounting measures such as earnings, previously identified as potentially short-term oriented, can also function as long-term oriented measures since they encourage detailed planning exercises and the use of the future-based time model, rather than a wishful and abstract thinking about the future. Earnings can also be used as a measure by non-listed companies, a group which does not have to be short-term oriented simply because they do not have access to share price as a measure.

The study reveals a novel basis for the historical diffusion of the ideology of shareholder value. Executive subject positions in a shareholder value oriented company are strengthened with the assistance of the objectification of executives in the financial markets. These subject positions tend to be directed towards action, unlike the subject positions in a non-listed company where executives lack financial markets as outside alleys. Action has a role in effectively spreading the ideology of shareholder value, and the implications of this role for abstract valuation models, command-and-control

² Cybernetic systems are tied to the future-based model because these systems are constructed with the future plan, to which present performance is thus related, initially in mind. To a lesser extent these systems can also be related to the past-based model since the measured (past) performance is the base for learning something novel and achieving success in the future. However, in the current dissertation the base on the past has been illustrated with a longer historical perspective since it more powerfully illustrates this base than the feedback related part of cybernetic systems.

governance structures, consideration of stakeholder interests, and decentralisation, are discussed. The moral grounds for this role as a basis for ideology diffusion are questioned. Furthermore, it is noted that inaction within a non-listed company is tied to myopia; action may not be encouraged in this company even if it would be in the long-term interests of the actors therein.

This overview is structured as follows. First, the theoretical underpinnings related to the dissertation are presented, together with the more general ontological and epistemological assumptions underlying the dissertation. Next, the method employed is explicated. After the method section, concise summaries of the essays are described, including the data used, the findings, and the contribution of each essay. The overview ends with a conclusions section.

Theoretical underpinnings

General ontological and epistemological assumptions

This dissertation is interpretive in the sense that it studies both the interpretations of actors, and the interpretations of the researcher regarding the actions and perspectives observed (Ahrens et al., 2008; Kakkuri-Knuuttila et al., 2008a; Burrell & Morgan, 1979). The study assumes that company management consists of experienced actors, not mere myopic puppets of financial markets, and therefore their interpretations are worthy of investigation. It is built on the social constructivist perspective (Berger & Luckmann, 1966; Gendron & Bédard, 2006; Searle, 1995). This perspective involves a distinction regarding objectivity and subjectivity, acknowledging that the conduct of completely either subjective or objective research is either an oxymoron or an unfruitful endeavour (Kakkuri-Knuuttila et al., 2008a). The dissertation addresses the subjective constructs of managers by a researcher with her own subjective world views, simultaneously linking the findings on these constructs to (epistemological) objectivities experienced as structures by actors (see e.g. McKinnon, 1988; Ahrens, 2008; Searle, 1995). This approach does not settle on solely describing the interpretations of actors; rather, it sets

these interpretations into a wider context and provides explanations for these interpretations, as well as some of their potential consequences (Kakkuri-Knuuttila et al., 2008a).

Although relying on a social constructivist framework, this dissertation is based on the proposition of Searle (1995) who assumes that a world completely independent of humans exists. The whole of reality of our universe is not assumed to be socially constructed.

Moreover, the approach in this dissertation acknowledges the importance of actor reflectivity (Gendron & Bédard, 2006, p. 212). Assuming actor reflectivity is vital for studying how actors make sense of notions such as time and a given performance measure, like that of share price (see Latour, 1987; Giddens, 1990; Gendron & Bédard, 2006). The assumptions underpinning the study are that reflective actors socially construct notions on time and performance measures, notions that thus become commonly understood, objectified, by the actors themselves (Berger & Luckmann, 1966).

Essays 1 and 4 are based on perspectives relating to power and subject positions described by Michel Foucault (1977, 1979, 1982, 1991). Kakkuri-Knuuttila et al. (2008b) question whether Foucauldian governmentality studies can be placed under the label of interpretive research. However, in this dissertation this issue is not considered as problematic since essay 1 explains actors' mental constructs unquestionably from an emic perspective committed to the interpretive approach, and subsequently uses the Foucauldian approach to clarify some of the origins and consequences of these mental constructs. Furthermore, essay 4 interprets actors' experiences of the forms of subjectification and objectification tied to these actors. Here the dissertation focuses solely on specific concepts put forward by Foucault and others inspired by him (e.g. Miller & Rose, 2008).

The study uses analytical generalisation whereby theory is developed by repeatedly testing theoretical propositions (Yin, 2003). This approach can also be called theory-

carried generalisation (Smaling, 2003), in which it is acknowledged that theory carries the results of the study forward. This type of generalisation is achieved through connecting the research to the level of general elements that are common to the studied setting and other settings where the results could potentially be extended (Lukka & Kasanen, 1995). Thereby, theory is extended by the invention of general frameworks with the assistance of cases (Lukka & Kasanen, 1995). In the current dissertation, the general elements involve the listed or non-listed status of companies mentioned above, as well as the ideology of shareholder value common to several companies and managers therein. The general frameworks presented are the time models and the framework of action/inaction. Furthermore, even if the potential for generalisation from case research is not explicitly acknowledged, the current study contributes by providing frameworks that are statistically testable (Lukka & Kasanen, 1995). For example, it is possible to test what kind of companies tend to apply a certain time model, or a given combination of time models, and under which circumstances.

Operational theoretical underpinnings

The dissertation draws on the literature on shareholder value, an ideology that has recently become increasingly common among listed company executives (Lazonick & O'Sullivan, 2000; Ding et al., 2008). In this ideology, shareholder value creation for the benefit of owners is assumed to be the most vital objective of management (Ezzamel et al., 2008). It is suggested that this leads to the eventual good of the whole of society and all stakeholders (Jensen, 2001; Friedman, 1970; Smith, 1776). Several authors have criticised this approach for being myopic (Ezzamel et al., 2008; Lazonick & O'Sullivan, 2000; Jensen et al., 2004; Aglietta & Reberioux, 2005).

Graham et al. (2005) provide empirical evidence that company executives would rather destroy real long-term value than fail to provide smooth earnings that meet the earnings forecasts prepared by analysts. Ding et al. (2008) claim that shareholder value oriented companies typically possess diffused shareholders with limited visibility to the inside workings of the company. These diffused shareholders are excessively focused on short-

term earnings and share price performance of a focal company, since they do not have access to other information (Ding et al., 2008). Lazonick and O'Sullivan (2000) analyse shareholder value and conclude that it holds onto a financial "downsize and distribute" ideology that is incapable of being associated with sustainability and the creation of long-term value. Moreover, claims have been made that shareholder value legitimates societal status quo in a short-term manner since it does not take into account the links between economy and democracy (Ezzamel et al., 2008; Aglietta & Rebérioux, 2005).

On the other hand, different concerns have been raised regarding companies that are not listed. The democratic principles applied in cooperatives can hinder efficiency because they cause problems for hierarchy and for strategic leadership (Williamson, 1985; Núñez-Nickel & Moyano-Fuentes, 2004).³ According to Ferrier and Porter (1991), cooperatives suffer from three types of inefficiency: technical inefficiency (e.g. high costs of control, the character of the benefits of principal monitoring as a public good), allocative inefficiency (e.g. optimal risk avoidance and ownership concentration are impossible), and scale inefficiency (represented by less than optimal scale of operations). Therefore, whether this non-listed governance structure possibly equipped with such inefficiencies can be optimal in the long run can be questioned. Ferrier and Porter (1991) also accuse cooperatives more directly of engaging in short-termism with regard to investments. According to these authors, the truncated investment horizon of cooperative patrons adversely affects the potential for long-term investment. Most of the issues above relate not only to cooperatives, but also to other types of non-listed companies.

Myopia has been related to the lack of innovation that requires a long time orientation for it to be successful (Ryan, 2007; Merchant, 1990; Narayanan, 1985).⁴ Rigid control can potentially focus management solely on achieving short-term targets (Van der Stede, 2000). Moreover, competitive strategy (whether the company is using a differentiation or

³ It is worth noting how the lack of links to democracy in listed companies, and the reliance for democracy in non-listed companies, have both been perceived as myopic based on two separate sets of literature. This issue attests to the multidimensional character of the concept of myopia.

⁴ It is notable that listed companies with widely dispersed ownership can favour long-term investment, compared to family controlled businesses (Anderson et al., 2009).

cost leadership strategy; see Porter, 1980) and previous profitability can potentially affect managerial time orientation (Van der Stede, 2000).

Traditionally, myopia has been considered as a negative phenomenon, although opposing views have also been proposed (van Rinsum & Hartmann, 2007). A short time orientation has a role to play in certain contexts; for example, when there is a sudden need to appear as reliable to a focal company's major stakeholders, or when a critical strategic change is on its way (Merchant & Manzoni, 1989, p. 552; van Rinsum & Hartmann, 2007).

The dissertation acknowledges that shareholder value is an ideology (Lazonick & O'Sullivan, 2000), and that several non-listed companies represent their own ideologies. For example, savings banks traditionally emphasise the ideologies of saving and of functioning in and serving local communities (Tiwari & Buse, 2006), and cooperatives emphasise the importance of the community and the principles of democracy (Tiwari & Buse, 2006; Powell & Steinberg 2006).

Ideologies diffuse through multiple mechanisms within society (Wejnert, 2005; Neu and Ocampo, 2007; Spich, 1995) and within individual companies (Useem, 1993; Harris and Crane, 2002). Agential action appears to be an important ingredient for this diffusion, for example, in the context of the spread of financial and accounting practices and an ideology associated with those practices (Neu & Ocampo, 2007), the ideology of globalisation (Spich, 1995), corporate greening (Harris & Crane, 2002), an ideology favouring economic development in a Chinese context (Ezzamel et al., 2007), and democracy (Wejnert, 2005). According to the literature, the ideology of shareholder value is extremely effective at mobilising action ("ideology for action", Useem, 1993, p. 223). For example, decentralisation appeared to remain as a subject of talk until it began to serve the interests of shareholder value, thus transforming into action (Useem, 1993). Moreover, multiple agential actions have been necessary for the extremely wide diffusion of shareholder value (Ding et al., 2008).

Within the sociology of time, there is space for both linear-quantitative (time is perceived as clock-time and seen as linear) and cyclic-qualitative tradition (time is conceptualised as social, and the past, the present and the future do not possess clear boundaries) (Hassard, 1999, 1990; Jaques, 1982). This dissertation is positioned within the cyclic-qualitative tradition because it focuses on how time is socially constructed by management. The past, the present and the future are linked together with time models, they are not perceived as a neat linear continuum where, for example, the past can no longer be experienced whenever the present is at hand. The dissertation relies on Emirbayer and Mische's (1998) sociological article on the temporal components of agency. This is relevant because the article demonstrates that the notions of time and actor temporality (such as time orientation) can be linked together. Emirbayer and Mische analytically divide agency into three components: iterational (the past), practical-evaluative (the present), and projective (the future). The iterational element refers to the activation of past thoughts and events, usually within routinised actions. However, this element is reflective; the activation of past thoughts is not automatic. Routines, habits and life histories relate to this component. The practical-evaluative element relates to the practical and normative judgments made by actors who have to respond to emerging situations in the present. The projective component refers to the formation of possibilities relating to future action. It is imaginative; current structures can be changed by it, as the hopes, fears, and desires of actors vary.

Each of the essays within the dissertation that discusses time models acknowledges the iterational, practical-evaluative and projective components proposed by Emirbayer and Mische (1998). However, it is particularly essay 2 that delves deeper into the constructs within two of these components. The essay analyses the deliberation inherent in the practical-evaluative component, and the symbolic recomposition inherent in the projective component (Emirbayer & Mische, 1998). Deliberation sets a wider stage for present concerns and implies that they can be considered in the light of potential future considerations. Symbolic recomposition refers to the potential to perceive the future imaginatively, separately from any ties to the present.

The work of Michel Foucault has formed a popular basis within accounting research (see e.g. Miller & O’Leary, 1987; Hopper & Macintosh, 1993; Cowton & Dopson, 2002; Roberts et al., 2006). Essays 1 and 4 draw on Foucault’s (1977, 1979, 1982, 1991) works for their theoretical underpinnings. Foucault perceives government as “the conduct of conduct” (Foucault, 1982, p. 220-221); any activity directed at impacting the actions of oneself or the actions of other persons (Foucault, 1982; Gordon, 1991; Roberts et al., 2006). Within government, there are programmes and rationalities by which reality is defined and made understandable (Miller & Rose, 2008). Moreover, there are technologies by which government and its rationalities are instrumentalised at a more practical level (Miller & Rose, 2008). Through government of self, actors that are subjected to power internalise this power and govern their own behaviour in order to adjust to it (Foucault, 1979, 1982; Roberts et al., 2006).

Discipline and visibility are Foucault’s (1979) terms and are referred to frequently in essays 1 and 4. Stock markets are filled with discipline, and this discipline can transform to the self government of company executives (Roberts et al., 2006). Discipline and its associated visibility are manifested by multiple constructs in the financial markets, constructs that are exemplified by normalisation, ranking and timetable. Normalisation refers to the rendering of individuals to a “normal”, disciplinary state (Foucault, 1979). In the stock markets, normalisation refers to, for example, the checking for “abnormal” earnings surprises compared with analysts’ consensus earnings forecasts. Ranking is also tied with discipline and visibility (Foucault, 1979; Hopper & Macintosh, 1993), and is represented in the financial markets by ranking companies on measures such as return figures and share price. The notion of timetable signifies that activities in the timetable should be continuously organised with maximum efficiency (Foucault, 1979; Hopper & Macintosh, 1993). In the stock markets, the timetable is exemplified by the visible annual and quarterly reporting cycles and by road show timetables.

Finally, Foucault (1979) refers to the issue that time should be continuously spent in activities deemed “useful”. Management is under continuous surveillance and visibility and not granted slots where it can do something not useful. A clear technology of

government within financial markets consists of the share price; it assists in forming ranks, it is always visible and it pinpoints the whole of the company as a continuously visible and disciplinary entity whose future, a notion usually perceived to be covered in mist, is continuously visible. Share price also enables normalisation; the scrutiny of normality of the level of share price.

Objects in discourse are formed through surfaces of emergence (institutions controlling a discourse), authorities of delimitation, and grids of specification (Foucault, 1977). On the other hand, subject positions are formed based on who are allowed to talk in a specific discourse, and in which kinds of institutional settings a given discourse is permitted to appear (Foucault, 1977). The relations between subjects and objects are regulated by discourse: transforming a certain group of persons into objects can assist in also transforming this group into subjects who have the permission to objectify others (Foucault, 1977).

For Foucault, power is formed as a relational production of subject positions, not only as a negative, repressive phenomenon (Roberts et al., 2006; Miller, 1987). The aim of discipline is the production of order within human multiplicities (Foucault, 1979, p. 218). When discipline is perceived in this way, it can be assumed to assist company management in the ordering of their own company and the human actors therein, for example, by more or less subtle organisational controls such as company culture (Roberts et al., 2006; Alvesson & Kärreman, 2004). Discipline is also tied to resistance, whereby actors perceive that they can be “freed”, or that they can turn discipline to their advantage.

Organisational controls have been defined in the literature to include those controls by which superiors can control subordinates in order to reach organisational goals (Langfield-Smith, 2008; Brown & Malmi, 2008; Chenhall, 2003). The dissertation draws on the separation of controls into technocratic (formal) and socio-ideological (informal) controls (Alvesson & Kärreman, 2008; Langfield-Smith, 2008; Collier, 2005; Otley, 1999). Regarding technocratic control, this research concentrates on output controls

(Ouchi, 1979; Eisenhardt, 1985; Langfield-Smith, 2008), in other words, results controls (Merchant & Van der Stede, 2007). This concerns the measurement of results (i.e. outputs) through performance measurement systems where performance targets are first determined and performance is then analysed based on these targets (Otley, 1999). The dissertation focuses on two output controls: share price, which is analysed in essays 2 and 3, and the Balanced Scorecard, analysed in essay 3.

The performance measurement in a shareholder value oriented company is often dominated by share price, a popular measure and basis for incentive schemes within publicly quoted companies (Fink 2004; Core et al. 2002; Hall & Liebman 1998). Share price has traditionally been implied to function as a form of reassurance against financial market related myopia due to its incorporation of all available information about the future (Fisher, 1965), and the fact that it has been claimed to be tied to performance measurement schemes aimed at measuring long-term (consistent) performance (Puffer & Weintrop, 1991; Brickley et al., 1985). More recently, share price has been perceived as an evidence of a twisted concept of short-term value (Espeland & Hirsch, 1990; Rappaport, 2005). Share price need not encourage action towards the long term if those subject to it believe that it is formed based on short-term information generated by financial market participants, and it reflects a short-term approach by these participants (Rappaport, 2005).

The Balanced Scorecard consists of four perspectives: customer, internal business process, learning and growth, and financial perspective, and each of these perspectives includes measures that are assumed to impact company performance within the given perspective (Kaplan & Norton, 1996). The Scorecard has been marketed as a long-term oriented system on the grounds that, unlike more traditional measurement systems, it includes non-financial measures (Kaplan & Norton, 1996). These measures thus function as leading indicators of future success (Banker et al., 2000).

Socio-ideological controls are typically informal controls related to company ideology, shared norms, beliefs, or values (Alvesson & Kärreman, 2004). Socio-ideological

controls, in other words social controls (Ouchi, 1979; Kennedy & Widener, 2008), typically relate to corporate culture (Collier, 2005; Alvesson & Kärreman, 2004). Socio-ideological controls and, more specifically, cultural controls are analysed in essay 3.

Cultural controls can be either formal (e.g. codes of conduct, physical and social arrangements) or informal (“tone at the top”, i.e. the messages delivered from the top management and board level to the rest of the organisation) (Merchant & Van der Stede, 2007). An informal “tone” can encourage organisational actors towards a certain culture; ownership culture (Sandelin, 2008; Merchant & Van der Stede, 2007), entrepreneur-centred culture (Collier, 2005), or achievement culture (Alvesson & Kärreman, 2004). Socio-ideological and technocratic controls are not independent of each other (Alvesson & Kärreman, 2004), and they touch executives as well as other levels of the organisation. For example, in order to maintain a given culture, executives have to act according to it (Merchant & Van der Stede, 2007).

Essays 2 and 3 explain how performance and accounting measures can potentially reflect and constitute the society that surrounds them (see Hopwood, 1985; Burchell et al., 1985; Macintosh et al., 2000). Accounting measures and concepts, which previous research has indicated have been influenced by their context, include goodwill accounting (Ding et al., 2008), value added accounting (Burchell et al., 1985), net assets and earnings per share (Mouck, 2004) and income and capital, as well as executive share options (Macintosh et al., 2000). Moreover, accounting has been shown to constitute its own context by aiding the construction of actors as governable and manageable (Miller & O’Leary, 1987), of a company as financially oriented (Espeland & Hirsch, 1990), and of a commercial view of company operations (Ezzamel et al., 2004). The processes by which the time orientation within the share price is constructed emerged from the data, and are termed linguistic and functional processes in essay 2. This draws on Searle (1995) who describes how both linguistics and functionality form essential building blocks in accounting for, and constructing, actors’ social reality.

Method

This qualitative, interpretive study is conducted primarily by semi-structured interviews of executives and managers, although archival data are also employed in the analysis. In addition to data on managers' constructs, data on constructs of other parties in the environment of the companies, such as board members of the companies, as well as competitors, analysts and journalists that follow the companies have also been gathered and analysed. The study concentrates on several companies rather than a single case. These are: one coalition of savings banks without clear outside ownership, one listed company with dispersed owners, and one mutual company with customer ownership. Moreover, discussion about the listed company by commentators working in a cooperative has been employed in the study. The resulting comparisons provide additional richness to the study.

All the companies in the study operate in the Finnish financial services industry. The companies studied in essays 1 and 4 are called the Listed Group and the Non-listed Group. In essay 2, the listed company is called Company A. Moreover, commentaries from its three non-listed competitors, Competitor Alpha, Beta and Gamma, as well as from analysts and journalists following Company A, have been used in the analysis. Essay 3 discusses three companies, Group A (non-listed), B (listed) and C (non-listed). Data on Competitor Alpha, the cooperative, is only present in essay 2: mostly this data is presented as a commentary on Company A and as some reflections on Competitor Alpha itself as an opposition to Company A. In order to provide clarity, Table 1 summarises the case companies in each of the essays and how the companies are labelled in these essays.

	Listed company	Coalition of savings banks	Mutual company	Cooperative
Essay 1	Listed Group	Non-listed Group		
Essay 2	Company A	Competitor Beta	Competitor Gamma	Competitor Alpha
Essay 3	Group B	Group A	Group C	
Essay 4	Listed Group	Non-listed Group		

Table 1. Case companies in four essays. If a case company is not present in an essay, the associated cell is left blank. Note that the data on the cooperative is used to a limited extent and only in essay two, and for that reason it does not constitute a full case company.

The case companies were selected on the following grounds. The listed company was selected because it is a company whose representatives openly claim it to be very shareholder value oriented. The other companies were selected because they represent a clear distinction from this shareholder value orientation, and possess ownership structures that are clearly separate from each other. Naturally, data availability also guided the selection of case companies.

The study is based on 42 interviews. The specific interview questions concern time related constructs of respondents, the performance measurement and compensation used for company management, and the relationships between the time related constructs and the owners as well as the other stakeholders of the companies. Interviews were conducted in 2007-2008, a period of relative economic stability. The turmoil of the financial crisis of 2008 did not impact the results, as almost all interviews were conducted before this crisis had been fully recognised in the financial services sector. The length of the interviews varied between 30 and 105 minutes. They were all face-to-face interviews, except for one that was conducted by telephone. Interviewees were asked for permission to record the interview, and all interviewees permitted this recording. All interviews were thus recorded and later transcribed. All interviewees were assured of the confidentiality of the discussion. The above measures were taken to encourage the sharing of

information during the interviews (Gendron & Bédard, 2006). A list of interviewees accompanies each essay.

It is possible in a qualitative study of this kind that interviewees conceal issues in order to convey a positive image of themselves to an outsider. However, this problem has not been judged to be applicable to the current study since most interviewees provided information that converged, and it was also possible to triangulate information provided in the interviews with that gathered in the form of archival data. A method that can be used either instead of or in addition to interviewing is observation. However, in this case observation was not considered to be a relevant method since it could not have provided data on the time related mental models of the research subjects. Furthermore, the strength (as well as the weakness - as referred to above) of the interview method lies in that it provides information that interviewees choose to provide. In other words, the method not only indicates the views held by interviewees, but the views they wish to convey to outsiders. In the study advantage was taken of this point when gathering data from managers who very eloquently (albeit civilly) compared their companies to their competitors and thereby informed the study in a useful manner by drawing out the important distinctions between companies, distinctions that were targeted in the study.

The necessary subjectivity that lies within every research project can potentially influence the project in an adverse manner. The most critical issue is that this subjectivity, in addition to influencing research topic and method selection, can influence the content of research findings (McKinnon, 1988). This can occur through the subjective viewpoints the researcher holds about (1) prior theory and (2) the research subjects (e.g. Glaser & Strauss, 1967). In order to protect the findings of the study from these two dangers, two measures were taken. First, in order to increase understanding of how executives conceptualise time (especially in terms of the short and long term) and ownership related issues in their work, as well as their performance measurement and compensation systems, interview questions were designed with a relatively wide objective in mind (Glaser & Strauss, 1967). The topic was later narrowed down as data were gathered and the importance of part of the data for contributing to theory was

detected. This measure decreases the potential for the findings to be excessively led by prior theory (Gendron & Bédard, 2006). Second, interviews were designed as semi-structured in order that the respondents were able to discuss the topic with their own meaning systems (Rubin & Rubin, 1995; Gendron & Bédard, 2006). This measure was implemented in order to decrease the potential for the researcher to influence the findings by influencing the research participants.

Before going to the field, the researcher acquainted herself broadly with prior theory on the topic in order to decide on the content of interview questions. Prior theory also guided interview questions in the sense that they were designed to draw out tensions between case companies, a method which has been suggested to provide good potential for theory construction (Ahrens & Dent, 1998; Vaivio, 2008).

Archival data were used in order to complement and triangulate the interview data with other type of corroborating empirical evidence (Vaivio, 2008). These archival data are composed of company compensation manuals (with a special emphasis on executive and managerial compensation), case company annual reports, and other relevant material that was gathered from company web sites in order to shed light on the case companies and their performance measurement and compensation systems. Newspaper articles, company histories, and a television documentary on one case company were also used. Archival data were gathered during interviews, from company websites, and from the financial press.

In the study, validity and reliability were enhanced by acknowledging the threats of observed-caused effects and subjective observer bias (McKinnon, 1988). Moreover, data access was spread as widely as possible in order to increase both the reliability and validity of the study (McKinnon, 1988). In other words, several different groups of persons, such as executives, managers outside the executive team, board members in different companies, as well as analysts and journalists were interviewed. When visiting the field and interviewing, notes were taken systematically and probing questions were used where appropriate (McKinnon, 1988).

Whenever the links between the data and theory indicated a need to gather more data, further data was subsequently gathered. For example, essay 2 was initially developed in order to focus on executive interviews, and it was later noted that data from outsider commentators would provide tensions that would be beneficial for the study. This outside data was thus gathered.

The data were analysed as follows. The analysis began immediately after the data gathering had commenced, and completed well after the data had been gathered. Existing data were reflected upon in the light of any new data and the theoretical implications were adjusted where appropriate. After the time models had been uncovered, a note was collated for each interviewee regarding which time model(s) had dominated in that interview, and which time model(s) had only received a passing reference. Organisational controls in each company were thereafter analysed from the point of view of the time models. Generally, tensions between case companies were uncovered and focused on in order to contribute to existing theory (Ahrens & Dent, 1998). For example, the distinction between two companies along the axis of action/inaction was focused upon after data provided strong evidence for that distinction. Theory was continuously kept in mind in order to identify the gaps where this dissertation could make a contribution (Ahrens & Chapman, 2006).

Essay summaries

Essay 1: Time related constructs in a listed and a non-listed company: Time rationalities and myopia

The essay is a comparative case study of two companies in the financial services industry. One of the companies is listed; the other is non-listed. In this essay the listed company representatives claim to be deeply committed to shareholder value and, consequently, previous literature would indicate that the company can potentially be subject to myopia originating from the financial markets (see e.g. Ezzamel et al. 2008).

The non-listed company, on the other hand, is clearly separated from the influences of the financial markets. The data consist of interview and archival data. Interviews were conducted with managers and board members in the two companies, and archival data consist of internal material concerning performance measurement and compensation, as well as external material gathered, for example, from company web sites and the financial press.

The empirical analysis indicates that, due to the normalising pressures from the financial markets, the listed company executives constructed time dominantly through the present-based time model whereby the present is conceived as the baseline of any reasoning, and the future as a mere extension of this all-encompassing present. The overemphasis on the present-based model, and the present inside it, forms a potential source of myopia. The subject position and the time model of listed company executives are formed based on a form of government of self whose breakdown, in the form of an extensive focus on the present, is witnessed by outsiders as myopia. The time models of the non-listed company managers are more flexible and shifting than that of the listed company executives; the non-listed company managers more freely hover between the past and the future. They use the past-based model (the past as the base of success now or in the future), the present-based model (present actions as the base of success in the future), and the future-based model (planned future actions as the base of acting in the present) interchangeably and freely.

The essay contributes to the literature on executive myopia associated with shareholder value maximisation and the status of the financial markets (Ezzamel et al. 2008; Ding et al. 2007; Aglietta & Rebérioux 2005; Lazonick & O'Sullivan 2000), by refining and redefining the concept of myopia. Myopia is placed into the wider context of specific time constructs, so called time models, and the study shows that myopia materialises whenever these time models are not fully used as they are intended by actors. The study also shows that in addition to an over concern on the present, myopia can present itself as an over concern on the past (Hannan & Freeman, 1984; Burgelman, 2002; Jermias, 2001; Levinthal & March, 1993) and the future (Mason, 1986; Mintzberg, 1994; Levinthal &

March, 1993). Myopia is therefore newly defined as *a disproportionate concern for business matters which do not contribute to the long-term success of the focal company*. These matters do not have to be in the present, they can be located in the future as well as in the past. This novel definition contrasts with the traditional definition whereby myopia has been typically defined as an excessively strong focus on business matters that affect short-term results (Van der Stede, 2000; Ding et al., 2008). This traditional definition closely refers to myopia as solely related to the present-based time model.

The essay explains how strict accountability requirements in the financial markets can trap management into an inescapable visibility that increases their concern for the present and the associated myopia (see e.g. Ebrahim, 2005). This finding is relevant for practice: strict financial reporting requirements can induce myopia (Van der Stede, 2000). In addition, understanding of Brunsson's (1982) discussion relating to action and decision rationalities is enriched by the use of time models: action rationality is shown to be tied to the present-based time model, and decision rationality to the future-based time model.

Essay 2: The time orientation of share price

This essay focuses on one publicly quoted company and data relating to this company has been gathered by way of interviews of its executives and in the form of archival data. The time model and rationality present within the company is contrasted with other data gathered in interviews with analysts and journalists, and with representatives of three other companies, a cooperative, a savings bank coalition, and a mutual company, which are all competitors of the focal company in some way. Archival data on the performance measurement and compensation in the focal company as well as press commentary on the company support the analysis.

The performance measurement and compensation in a shareholder value oriented company is typically tied to share price (Fink 2004; Core et al. 2002; Hall & Liebman 1998). Share price has traditionally been implied to function either as a form of reassurance against financial market related myopia (see e.g. Puffer & Weintrop 1991;

Brickley et al. 1985) due to its alleged long-term orientation, or, more recently, as evidence of a twisted short-term value concept (Espeland & Hirsch 1990; Rappaport 2005).

This essay contributes by revealing one basis for the dual perception on share price and by indicating from where both of the viewpoints mentioned above originate. The essay illustrates that share price is constructed by company executives as long-term oriented through three processes. The processes, termed linguistic, practical functional and elevated functional processes, are based on Searle (1995) who states that linguistics and functionality are essential for the social construction of reality. However, executives are shown to use a present-based time model and its associated rationality, and share price is illustrated to be strongly tied to this rationality. Two sources of myopia within this rationality, as shown by empirical data, are (1) the lack of setting the present into the wider framework of the future (related to the lack of deliberation; a term employed by Emirbayer and Mische, 1998), and (2) the impossibility of perceiving the future without any concern for the present (related to the lack of symbolic recomposition; also a term employed by Emirbayer and Mische, 1998). The study shows that share price does not successfully combat these sources of myopia.

Thus, this essay relies on the newly formulated concept of myopia provided in this dissertation (essay 1) and shows how the alleged power of the reassurance against myopia provided by the share price is unstable and shaky. Share price can tempt executives in listed companies towards a focus on the present with the following logic: if an automatically long-term oriented measure exists, why worry about planning for the future? The traditional assumption made by corporate governance researchers regarding the long-term nature of share price is questioned (see Fisher, 1965; Puffer & Weintrop, 1991; Brickley et al., 1985).

Essay 3: What is myopia, and how do organisational controls influence it?

This essay employs interview data from three companies in the financial services industry. These companies were chosen because each of them clearly illustrates one time model type: a past-based, present-based, and future-based model, and in each company organisational controls are in place that maintain these models for organisational actors. Archival data, particularly data collected from control system manuals, have been used in the essay. Interviews were conducted with managers and board members.

Both technocratic and socio-ideological controls (Alvesson & Kärreman, 2004) can be used to encourage the use of time models. The study illustrates the interrelationships between different time models and organisational controls. The controls studied are cultural controls (representing socio-ideological controls), as well as performance measurement with share price, and with cybernetic control systems, which are exemplified in this study by the Balanced Scorecard (representing technocratic controls). In the specific cases studied cultural controls are tied to the past-based time model, share price to the present-based time model, and cybernetic controls to the future-based time model.

The essay contributes to the literature on organisational controls (Alvesson & Kärreman, 2004; Merchant & Van der Stede, 2007; Chenhall, 2003; Langfield-Smith, 2008; Collier, 2005; Otley, 1999) by suggesting uses for controls in combating myopia. All of the time models constructed by actors possess favourable outcomes as well as unfavourable ones in terms of myopia, as do the controls. The situational excellence of actors is suggested to be the best defence against myopia. Situational and contextual factors affect the use of each time model and each type of control in each situation and area of operations. Drawing on one, allegedly “superior” control to combat myopia simply leads to the overemphasis of the myopic properties of that specific control.

In the essay share price is shown to be a highly contentious measure capable of inducing both long time orientation and myopia within the mindsets of actors (Puffer & Weintrop,

1991; Brickley et al., 1985; Espeland & Hirsch, 1990; Rappaport, 2005; Ding et al., 2008). The dual character of share price, either long-term or short-term oriented, is illuminated in the essay. Share price is shown to be long-term oriented since it effectively and continuously ties the future to the present. Simultaneously, share price has the potential to create myopia since, under its presence, the future can be conceived of ambiguously. Because the future is not clearly formulated, it may not matter to actors. This is paradoxical because, according to the present-based rationality, appreciating the future and decreasing myopia are vital.

Previous research has charged accounting measures, such as earnings, as being fixed on the past and more myopic than share price (Ittner et al., 2003). The essay shows that accounting based performance measures can be long-term oriented, even if they are measured only annually. These traditional measures force planning to take place within a focal company; detailed planning that implies a concern for specific situations ahead. This point also applies to the Balanced Scorecard; it appears to have been built to encourage planning (Kaplan & Norton, 1996). Problems related to the future-based time model are then caused when there are breaks between detailed plans and unanticipated present concerns.

In the previous literature, myopia has traditionally been implied to be associated with an excessively short planning horizon (Van der Stede, 2000). The study contributes by extending the previous literature: it acknowledges that it is not only the time period for which plans are made that matter, but also the extent of analysis and rigour that is devoted to these plans. An actor can possess a very abstract and ambiguous plan for the next ten years; another actor can have a well analysed, executable and implementable plan for the next year. Whether one of these approaches is myopic or not remains an empirical question; not one simply predetermined by the length of the planning horizon.

Essay 4: The role of action within subject positions tied to the ideology of shareholder value

This fourth essay uses both interview and archival data obtained in two companies; a listed and a non-listed company. Executives, managers outside the executive team, and board members were interviewed in both companies. Archival data consist of executive compensation manuals and other material relevant to the case companies, such as annual reports.

The executives in the listed company were objectified by the financial markets and the financial press. This objectification also caused these executives to be subjects in these arenas, and thereby assisted them in reinforcing their own subjectivity within their company. The moral imperative of these executives, shareholder value, was a given, but the executives were freed to take any measures needed to increase this value; action to increase it was perceived as important and legitimised within the company. The strength of subject positions was tied to this action. In contrast, the non-listed company executives were not objectified by outsiders as profoundly as their contemporaries in the listed company since the non-listed company was clearly more closed from outside ownership-related influences than the listed company. The subject positions of the non-listed company executives lacked strength and were thereby directed towards inaction. Paradoxically, although these executives were freed from outside pressures, they lacked legitimacy to act within their own organisation.

The essay contributes to the literature on subject positions (Roberts et al., 2006) by specifying a novel role for the formation of these positions within a focal company; the role of action. This role amplifies and instrumentalises the programme of shareholder value with the assistance of technologies such as share price (Miller & Rose, 2008; Useem, 1993). It also complements any technology of abstract representations of shareholder value (such as earnings and EVATM, ⁵): shareholder value demands action, and it finds blueprints for this action in the abstract valuation models (Roberts et al., 2006;

⁵ EVA equals Economic Value Added

Ezzamel et al., 2004; Cooper & Law, 1995). Clear command-and-control structures in listed companies become understandable: owners who demand that executives increase shareholder value have to establish a clear company structure that allows the executives to implement these increases (Useem, 1993). The multiple interests of stakeholders do not interfere with action, as might occur in non-listed companies (Hansmann & Kraakman, 2001; Fiss & Zajac, 2004). Decentralisation amplifies the possibilities for the creation of shareholder value, because it divides the roles of those who are subjectified (the executives), and those that are thus objectified (the subordinates) to effectively execute actions ordered by the executives (Useem, 1993).

The essay also contributes to the literature that considers the inefficiency and time horizon problems of non-listed companies (Ferrier & Porter, 1991; Williamson, 1985; Núñez-Nickel & Moyano-Fuentes, 2004; Hallsworth & Bell, 2003). Without major outside allies, executives in non-listed companies can become incapacitated and unable to implement certain difficult actions, even if these actions would be in the long-term interests of actors in these companies. In other words, due to the lack of outside influence from the financial markets, certain non-listed companies are not as focused on action at present as can be the case for certain listed companies. Non-listed company inefficiency appears as ineffectiveness in implementing change.

The essay explains, in a previously unconsidered manner, why the ideology of shareholder value has diffused so effectively and widely as it has. An ideology focusing on actions spreads more effectively than an ideology that does not encourage actions (Ding et al., 2008; Neu & Ocampo, 2007; Ezzamel et al., 2007; Wejnert, 2005; Harris & Crane, 2002; Spich, 1995; Useem, 1993; Festinger, 1957). Shareholder value emphasises action with its powerful subject positions, and due to this emphasis on action it spreads. It invites actors with a drive for action and a willingness to spread the ideology further. This explanation differs significantly from the traditional economist explanation for the diffusion of shareholder value. This traditional explanation holds that shareholder value leads to a socially preferred equilibrium when the “invisible hand” described by Adam

Smith is allowed to guide individual persons (Jensen, 2001; Friedman, 1970; Smith, 1776).

The essay raises an important question about the appropriate grounds for the diffusion of any ideology, and particularly that of the ideology of shareholder value. Is the simple emphasis on action a rightful basis for the diffusion of shareholder value? Does the emphasis on action fully describe the values and morals of humankind, according to which, presumably, the decisions on taking up an ideology or not, should be made?

Conclusions

The dissertation contributes as follows. It presents empirical evidence about time models that can assist management in tying together the past, the present, and the future. In so doing, the study redefines the concept of myopia. It provides evidence to show that myopia materialises when actors excessively concentrate on a given model base, and are unable to orient away from this base. This finding is uncovered by combining depth and wideness; by diving deeply into the wider context of time constructs. The finding thereby widens and respecifies the sphere of myopia, providing a solid basis for future studies on myopia.

Listed company myopia is represented by an excessive concern for the present-based time model and present actions within it; as illustrated in the first essay. The second essay divides this focus on the present into two parts: the lack of the ability to perceive the present in a wider framework with the future included (the lack of deliberation), and the inability to disconnect from the present when pondering on the future (the lack of symbolic recomposition). In essays 1 and 3, non-listed company myopia is presented as a potentially threefold issue: an excessive focus on the past, the present or the future. However, as the fourth essay suggests, a particular emphasis in non-listed company myopia appears to lie in the emphases on the past and the future, not on action at the present.

These sources of myopia are not, however, bound to the specific companies, and actors therein: actors within listed companies can also use future-based and past-based time models if necessitated by the context, and actors in non-listed companies can focus on a given model (even the present-based), when the situation so demands. Rather, the study uncovers certain modes of applying time models in specific contexts and it does not reject the appearance of these models in other contexts in different ways. The cases selected represent extreme cases and the findings cannot be automatically applied to any company without an appropriate understanding of the context.

The dissertation provides evidence that breaches in subject positions can be tied to myopia in listed companies. On the other hand, when these subject positions are developed to become powerful in these companies, they can permit action to materialise. This action can then potentially provide possibilities for long-term success, as opposed to inaction and passivity. In non-listed companies, if executive subject positions provide for inaction, actions do not materialise even if they would be in the actors' long-term interests.

The study of organisational controls provides results that are capable of extending existing theory. It is shown how share price can be both short and long-term oriented. Essay 2 illustrates how share price is constructed as long-term oriented by executives, but contains the seeds of myopia through its deep reliance on the present-based time model. Essay 3 provides a slightly different interpretation that is, however, related to that of essay 2. Essay 3 shows that share price can be perceived as long-term oriented since it ties the future to the present in a continuous way (a reflection of the view of executives described in essay 2). On the other hand, share price can be short-term oriented since it reflects continuous visibility at present and does not demand the existence of clear plans, supporting an ambiguous view on the future (a reflection of the risks of the present-based time model elaborated upon in essay 2).

Overall, controls, both technocratic and socio-ideological (Alvesson & Kärreman, 2004), are rich in their ability to influence time models and myopia. Share price is illustrated to

function as a present-based measure, the Balanced Scorecard, and cybernetic systems more generally, as a future-based measurement system, and cultural controls as a past-based control system. These functions are varied and based on context. A contextual and balanced view of controls is advocated by the dissertation.

Traditional research has focused on finding measures and organisational controls that encourage the long-term perspective, or, conversely, on warning against measures and controls that encourage the short term (Puffer & Weintrop, 1991; Brickley et al., 1985; Espeland & Hirsch, 1990; Rappaport, 2005; Ding et al., 2008; Ittner et al., 2003). Attempts to uncover and attach oneself to an allegedly “superior” control – the “most long-term” control – for example share price, seem to be typical of human nature, and similar to the hopeful and long-lasting search for the Holy Grail. Real practical contexts, however, set limits on any capabilities of any systems or controls, as even the desirability of a long or a short time horizon can be unclear (Merchant & Manzoni, 1989; van Rinsum & Hartmann, 2007). The current study claims that measures and controls are different for each individual and for each context. In other words, the Holy Grail of long-term organisational controls is contextual, not a spatial object waiting to be found by adept researchers.

In the financial services sector, the Financial Services Authority (UK) report 09/15, “Reforming remuneration practices in financial services”, explicitly demands forms of compensation (1) with a deferral mechanism, and (2) tied to risk-adjusted profit, measured as economic profit, rather than measures such as current year earnings. The dissertation questions the second part of this demand: economic profit appears to be close to financial markets and the present-based myopia dwelling there, whereas the measure of earnings can encourage planning.

The dissertation discusses time models at the levels of focal companies and actors. However, it also extends towards an investigation at the level of society by discussing the diffusion of ideologies. For the most part, the research refrains from any normative judgements. However, at the end of essay 3 certain normative suggestions about time

model management by company executives and board members are provided. Furthermore, in order to remain true to academic questioning, the dissertation questions certain beliefs, some more widely held than others. In essays 2 and 3, the issue of whether share-based compensation systems are always automatically long-term and earnings based compensation systems short-term is questioned. In essay 4, the role of action in diffusing the ideology of shareholder value is revealed, and the moral grounds of this basis for diffusion are questioned.

This dissertation relates time models and subject positions together in order to reveal two contrasting world views. The research illustrates how listed company executives focus on the present-base time model and how, simultaneously, the subject positions of these executives are powerful due to the level of strength the ideology of shareholder value hands to these executives. Thus, the executives in the listed company hold rather unequivocal positions on time constructs in addition to their unequivocal subject positions within their own organisation. The studies thereby indicate that these executives rely on unequivocality: for them, issues are relatively simple and straightforward and there is not a lot of uncertainty, self-questioning and self-searching needed. Their path is clearly set before them. However, a deeper probing indicates that this path is not as clear as these executives would prefer to see it. For example, the study shows that the dominant measure the executives use, share price, is not unquestionably always long-term oriented, but also contains seeds of myopia. Moreover, the strength of subject positions can be problematic if it leads to the ideology of shareholder value being spread with excessive strength before all of its implications have been studied. There is uncertainty, although it may be left unnoticed. Here the Foucauldian approach with its uncertain and multifaceted character of power can be used to shed light on the uncertainties not otherwise pictured (Miller & Rose, 2008).

In contrast to the listed company executives, the non-listed company executives and management necessarily do not appear to hold unequivocality as one of their core values. Time models and rationalities in these companies are typically flexible and shifting; they do not follow a consensus. In addition, non-listed company executive subject positions

are shown to be relatively weak; these executives do not possess a superior power to execute actions within their companies, a power similar to that of the executives in the listed company. For the representatives of non-listed companies in the study, the world is structured as unclear, uncertain and shifting. In the essays, they tend to problematise and question the world, and, rather than taking the straight path, follow the long and the winding road. For them, the process of travelling sometimes appears to be more important than the end point of the journey. The Foucauldian approach, in which power is seen as equivocal and its sources surprising, also strikes a cord here (Miller & Rose, 2008).

The reformulated concepts of myopia and time model form a novel solid basis for future research, in which time models and any associated myopia can be studied. Future research could study time models and myopia with reference to various actors in differing contexts. This research could be implemented with multiple methods. Continuing the tradition of the current dissertation, further research could rely on interviews in a similar manner as they have been employed in the current study. It would also be possible to use publicly available archival data on companies, such as the remarks made by Chief Executive Officers in financial statements and other public comments made by company representatives in order to make judgements on time models in these companies. Moreover, a potential method would be to design large-scale surveys in which time models are examined. A fruitful target for future studies would also be to combine the results shown by using the different methods together.

Time models can be studied locally, as has been done here, or globally, as could be achieved by employing survey instruments in several countries and settings. Time models can also be elaborated upon statically, as has been the purpose here in investigating time models held by actors at a point in time, or dynamically by studying changes in time models as well as the causes and implications of these changes. An example of a dynamic approach would be to study time models in connection with a change in top management of a company. Finally, time models could be studied in corporate settings, as has been done here, or in alternative settings, such as within the state administration, the third

sector, or in the case of individual actors located in, for example, a neighbourhood or a township.

Future research could also focus on studying organisational controls as a package, and revealing interconnections between different controls as a package, and time models. For example, share price has been shown to be connected with the present-based time model, but this connection can be potentially altered by the inclusion of differing company cultures. Another route by which to study the performance measure of share price would be to extend its study to other constituents influenced and touched by the measure; for example financial markets representatives, policy makers, and the general public.

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PART II

THE ESSAYS

Time related constructs in a listed and a non-listed company: Time rationalities and myopia

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Abstract

Previous research has indicated that listed company managers with an excessive focus on shareholder value can suffer from myopia. Employing Michel Foucault's analysis on government, a sociological conceptualisation of time, and in-depth case data gathered from managers in one listed company and one non-listed company, the current study investigates time related constructs of managers. The study also reveals how myopia can be conceptualised as a distortion in these constructs. Time is constructed by listed company management through present-based time rationality, whereby present actions are emphasised and these actions are assumed to automatically lead to future success. Within this rationality, the future is conceived as a rather shadowy concept. Listed company managers undertake a form of government of self in order to follow this rationality. What appears to outsiders as myopia is a breach in this form of government: excessive emphasis on the present-based rationality and on the present within this rationality. In contrast, non-listed company managers appear to hover more "freely" between (1) the past-based, (2) the present-based, and (3) the future-based rationalities: they acknowledge (1) the importance of the past as a basis for the present and the future, (2) the importance of present actions in shaping the future, and (3) the importance of future plans as a basis for present actions. In addition to exposing a formation mechanism of listed company myopia within time constructs, the findings suggest other formation mechanisms of myopia. Myopia can result whenever the past, the present, or the future is overemphasised within a given time rationality.

Keywords: time, myopia, Foucault, government, social construction

1 Introduction

For several years, concerns have been raised that the continuous reporting requirements imposed on listed companies by financial markets would encourage management in these companies towards a state of alarming myopia (see e.g. Jensen, Murphy & Wruck, 2004; Ezzamel, Willmott & Worthington, 2008; Aglietta & Rebérioux, 2005). Traditionally, myopia has been conceptualised as a focus on business matters that improve current period performance while harming the long-term effectiveness of the company (Van der Stede, 2000). The specific concept of listed company myopia has taken several forms: it has, for example, been conceived as a preference for smooth earnings in the short term at the expense of long-term value-increasing investments (Graham, Harvey & Rajgopal, 2005), as an obsession with the level of short-term earnings performance (Ding, Richard & Stolowy, 2008; Rappaport, 2005), as a short-term decision-making orientation caused by a dominant financial view of companies as mere streams of assets (Espeland &

Hirsch, 1990) or as an emphasis on overvalued equity at the expense of long-term investment (Jensen et al., 2004).

The conceptualisations of myopia described above have typically been based on perceptions of corporate outsiders — financial market critics or corporate governance researchers — not those of managers themselves. Relying on a social constructivist framework (Berger & Luckmann, 1966; Gendron & Bédard, 2006), on the sociology of time (Emirbayer & Mische, 1998) and on Michel Foucault's (1979, 1982, 1991) analysis of government (see also Miller & Rose, 2008), discipline and power, the current paper investigates managers' mental models regarding the construct of time. Myopia, as seen by outsiders, is set into this wider context of time constructs. A type of formation mechanism of what appears to outsiders as myopia is uncovered as a potential structural flaw within these constructs.

This paper reports the findings of a comparative case study of two Finnish companies in the financial services industry; one listed and one non-listed. The listed company representatives claim to be deeply committed to shareholder value and, consequently, according to the literature, the company can be expected to exhibit a type of vulnerability to myopia, potentially dwelling on the financial markets (e.g. Ezzamel et al., 2008). The non-listed company has traditionally been perceived as a company clearly separated from the financial markets. The investigation was conducted via interviews of managers in the two companies, with archival data supporting the analysis. In addition to data on managements' constructs, additional data on the constructs of other actors associated with the companies, specifically the board members, have been gathered and analysed.

The paper contributes to the literature on myopia associated with shareholder value maximisation and the resurgence of the financial markets (Ezzamel et al., 2008; Ding et al., 2008; Aglietta & Rebérioux, 2005; Lazonick & O'Sullivan, 2000) by uncovering a formation mechanism for what appears to outsiders as myopia. Part of this contribution is achieved by using the sociology of time (see Emirbayer & Mische, 1998) in order to relate the notion of time to the concepts of time orientation and myopia. The paper also brings new insights to the literature on myopia by analysing seeds of myopia rendered visible by acknowledging the ties between constant discipline, surveillance, government, and subject/managers' selves (Foucault 1979, 1982, 1991; Roberts, Sanderson, Barker & Hendry, 2006; Miller & Rose, 2008). The role of share price as a technology of government in inducing myopia is acknowledged.

The empirical analysis shows that time is predominantly constructed by listed company managers through present-based time rationality, whereby present actions are conceived as the basis for success in the future, and the future is conceived as a somewhat shadowy extension of these all-encompassing present actions. The excessive emphasis on present-based rationality contains at least one potential source of myopia that is rendered visible by an examination of the non-listed company in this study. The time rationality of the non-listed company managers is a more flexible and shifting concept than the time rationality of listed company managers. Managers in the non-listed company appear to more "freely" hover between past-based time rationality (whereby the past is constructed

as a base on which to build the present and/or the future), present-based rationality (as described above) and future-based rationality (whereby the future is planned first and present tasks are derived from future plans). Listed company managers, on the other hand, are tied to the normalising discipline in the financial markets (Foucault, 1979). They remain tightly focused on the all-encompassing present-based rationality and on the present within it. These managers attempt to circumvent and adjust to the power directed at them by the disciplinary technologies of the financial markets by governing themselves with mental models of time. However, these mental models are broken if management is unable to shift away from the prioritisation of present concerns towards the future. Myopia, as it appears to outsiders, can occur when this breach of the mental model contorts the form of government of the self.

Finally, the study concludes that a wider conceptualisation of myopia is needed. While, in the listed company case of this study, myopia can present itself as an overemphasis of the present and an inability to move towards the future, it is conceivable that either the future or the past could be overemphasised in other cases. As the data on the non-listed company demonstrates, these forms of overemphasis also exist.

The paper is structured as follows. First, the theoretical underpinnings underlying the empirical work are presented. This is followed by the description of the method employed and descriptions of the case companies. The time rationalities and their formation within the case companies are then demonstrated by reference to the data. Thereafter, the paper discusses how government in the financial markets ties with manager time rationality. The last section presents the conclusions of the study.

2 Theoretical underpinnings

2.1 Shareholder value and myopia

This study is founded on the assumption that “reality” is socially constructed (Berger & Luckmann, 1966; Gendron & Bédard, 2006; Searle, 1995). The social constructivist position contends that understanding of the nature of a multifaceted concept such as time can be furthered if it is studied as constructed within its own context.

The shareholder value approach has gained increased popularity in the Western hemisphere during recent years (Lazonick & O’Sullivan, 2000; Ding et al., 2008). According to this approach, the creation of shareholder value to owners is naturalised and reinvigorated as the foremost objective and overriding goal of company management (Ezzamel et al., 2008). The approach has recently been extensively criticised for its myopic tendencies (see e.g. Ezzamel et al., 2008; Lazonick & O’Sullivan, 2000; Jensen et al., 2004; Aglietta & Rebérioux, 2005).

Myopia has been conceptualised in the literature as a focus on business matters that improve current period performance while, simultaneously, harm the long-term effectiveness of the company (Van der Stede, 2000). Myopia has, therefore, been presented as an antithesis of rationality. The specific concept of myopia within the

shareholder value paradigm has taken varying forms in the literature (see e.g. Graham et al., 2005; Rappaport, 2005; Jensen et al., 2004). More specifically, Lazonick and O'Sullivan (2000) have warned against the lack of sustainability inherent in the prevailing financially oriented "downsize and distribute" ideology, contrasting it with an earlier industrially oriented "retain and reinvest" approach on which much of the current (American) economic wealth has been built. Ezzamel et al. (2008) and Aglietta and Rebérioux (2005) also warn against the shareholder value approach, specifically against the short-termism inherent within its emphasis on the legitimacy of the status quo. Ding et al. (2008) are concerned that because diffused shareholders possess less visibility over a focal company's future than, for example, committed owner-managers and banks as owners, they are likely to be excessively focused on the short-term performance of the focal company.

Attempts to define myopia by referring to objective measures constructed by outsiders *ex post* can, however, be problematic since, *ex ante*, the future is always unknown: an action that initially appears myopic can turn out to be something else later on. Reductions in long-term investments implemented by a manager can appear myopic. However, it is demanding even for an insider, let alone an outsider, to tell the difference between projects that would solely have consumed the resources of an organisation without ever benefiting it or its customers, and between projects that would, in fact, have created long-term value, whenever that value would have been materialised. In addition, it is questionable to *ex post* shift the blame onto actors who had, in principle, acted wisely, but who did not foresee an unusual event, and thereby letting others, who rode on luck, escape without blame. Sufficiently large quantitative data sets could, in principle, be used to provide indications of myopic actions (Graham et al., 2005). However, these data sets benefit from studies that incorporate contextual aspects of the practices and techniques behind the observed parameters (Hopwood, 2002). To complement and encourage these quantitative studies, the current paper examines time related issues from the perspective of managers themselves (see e.g. Graham et al., 2005).

The study follows Latour (1987) in that managers are not conceptualised as mere puppets of financial markets, but experienced actors creating mental models whose purpose is to combat any myopic influences. The study indicates that seeds of myopia potentially lie even within these models. It uncovers systematically problematic tendencies within the models, and the concomitant twists within managers' government of the self.

Time in sociology

In the study of the sociology of time, a twofold meaning of time has been explicitly recognised. Time has been characterised as linear-quantitative (clock-time) and cyclic-qualitative (social time) (Hassard, 1999, 1990). The linear-quantitative tradition perceives time as essentially linear, distinguishing clearly between the past, the present, and the future. In this tradition, time is equated with value, it is objective and measurable. On the other hand, the cyclic-qualitative tradition recognises the socially constructed as well as subjective meanings of time (Hassard, 1999). In this tradition, the past, the present and the future are fused together (Jaques, 1982). The current study is positioned within the

cyclic-qualitative tradition; it investigates how time is socially constructed for managers and interlinks the past, the present and the future with time models.

Emirbayer and Mische's (1998) seminal sociological essay on the temporal components of agency effectively demonstrates that the concepts of time and the temporality of actors (including time orientation) can be interlinked. Emirbayer and Mische analytically divide agency by time into three component elements, called three chords of agency – iterational (the past), practical-evaluative (the present), and projective (the future). The iterational element is formed around the reflective activation of past actions and thoughts, usually within routinised practical actions. It sustains stability and reproduces continuity to identities and institutions. Emirbayer and Mische focus on routines and habits in defining this component, although they also acknowledge the importance of life histories. The practical-evaluative element refers to the practical and normative judgments by actors, responding to current and emerging situations. Within this element, the emphasis is on actions and contemplations in the present. The projective component refers to the imaginative generation of future possibilities for action whereby existing structures can be changed depending on the hopes, fears, and desires of the actors.

2.2 Foucauldian perspective on the discipline in the stock markets

The work of Michel Foucault has been extensively explored in the accounting literature (see e.g. Miller & O'Leary, 1987; Hopper & Macintosh, 1993; Cowton & Dopson, 2002; Roberts et al., 2006). For Foucault, government involves "the conduct of conduct" (Foucault, 1982, p. 220-221), a wide-ranging term implying any activity that is directed at impacting either the activity of oneself or that of other person or persons (Foucault, 1982; Gordon, 1991; Roberts et al., 2006). Foucault explicitly recognises the inseparability of power and knowledge within forms of government. Specifically, he sees power as an all-encompassing phenomenon extending indefinitely at a given time, gathering surprising allies and releasing forces of resistance on its path. Knowledge, for Foucault, is tied to forms of visibility that are achieved e.g. through disciplines of science. Government involves the multiplication of programmes and rationalities by which reality is made thinkable and organisable, as well as the interlinking of these programmes and rationalities with the more specific technologies by which government is instrumentalised (Miller & Rose, 2008). The sovereign form of power dominant in the Middle Ages has been replaced, in the modern age, by a form of governmental power with multiple centres, these centres also being ambivalent at times. This kind of power can tie itself with the government of the self whereby those subject to power internalise its effects and attempt to govern their own behaviour in order to resist the power, multiply its effects, and/or adjust to it (Foucault, 1979, 1982; Roberts et al., 2006).

There are an infinite number of programmes, rationalities, and technologies of government at work in the financial markets alone during a given time period (Miller & Rose, 2008). The following discussion is therefore not intended to be an overarching discussion of every possible form of government inherent within the stock market. Rather, the text draws out those issues contributing most distinctively to the government

of corporate managers, especially to their government of self, through visibility and discipline.

Foucault (1979) uses “the prison” as a metaphor to sensitise readers to the multiple forms of surveillance extended upon those living in modern society, a “disciplinary society”, a society increasingly affected by surveillance, visibility and discipline (Miller 1987, p. 196). In the literature, stock markets and the shareholder value paradigm within these markets have been illustrated to influence managers extensively (Ezzamel et al., 2008; Roberts et al., 2006; Espeland & Hirsch, 1990; Rappaport, 2005; Graham et al., 2005). In their discussion concerning the capability of meetings with fund managers to shape executive subjectivity, Roberts et al. (2006) indicate that stock markets form a part of the “disciplinary society”. According to their analysis, financial market surveillance can potentially become internalised within the company: executives begin to “watch themselves” and become even more zealous supporters of shareholder value than the fund managers who represent the shareholders (Roberts et al., 2006).

Although Roberts et al. (2006) focus on meetings, their analysis can be extended to also cover the more continuous surveillance of companies and company managers in the stock market. Distance can be expressed in either time or space (Quattrone & Hopper, 2005). Even in cases where physical distances are great, distances in time have been shortened in the modern world. The extent of surveillance is increasingly evident within a modern world of more integrated time/space between countries across widely dispersed time zones (Quattrone & Hopper, 2005). Eager investors are willing and able to continuously gather data with the assistance of the ever-available internet.

Normalisation, the rendering of individuals to a “normal”, disciplinary state, is one of the aims and means of discipline (Foucault, 1979). Within the stock markets, normalisation is conveniently achieved, for example, by comparing company earnings with analysts’ consensus earnings forecasts and by checking for any “abnormal” earnings surprises. Being non-normal is problematised and actors are encouraged to build themselves as moral subjects by way of normalising themselves.

Foucault’s (1979) spatial discipline can be effectively characterised by the panopticon designed by Jeremy Bentham. This is a prison structure with a watchtower at the centre and a peripheral building with cells, a structure which permits perfect visibility to all cells by a supervisor in the watchtower (Foucault, 1979). Ranking is a necessary part of spatial discipline and visibility as described by Foucault (Hopper & Macintosh, 1993). Rank refers to a cell or a slot allotted to an individual, and defines actors in a hierarchy in such a way that their performance can be compared in an apparently objective manner. The ease with which listed companies can be ranked on measures such as returns, share prices, and analysts’ earnings estimates exemplifies the possibilities for ranking, not solely in a pure hierarchical setting but also within the visibility of stock markets.

As a partial contrast to spatial discipline, Foucault (1979) also acknowledges the discipline of time (Hopper & Macintosh, 1993). The concept of the timetable underlines how efficiency should, optimally, be constantly applied to the exercise of the activities

within the timetable (Foucault, 1979; Hopper & Macintosh, 1993). The timetable allows for the continuous and constant surveillance and visibility of time in addition to spatial visibility. The examples of the timetable within the stock markets are the annual and quarterly reporting cycles as well as the timetables of road shows. They provide the “normalisation” of managers’ timetables by outsiders such as analysts.

In addition to the above, the concept of the exhaustiveness of time characterises the disciplinary forces directed towards time (Foucault, 1979; Hopper & Macintosh, 1993). By exhaustiveness of time, Foucault refers to the assurance that time is continuously spent in activities deemed “useful”. Continuous discipline allows for the possibility of continuous surveillance and visibility of the usefulness of time spent by company managers.

Foucault does not perceive power as a solely negative phenomenon – he also perceives it in positive terms as a relational production of subjectivities (Roberts et al., 2006; Miller, 1987). The subject positions thereby created permit the possibility for those in these positions to function as subjects (Roberts et al., 2006). Therefore, the power directed at managers in a listed company is not always suppressive and it can also be productive. The purpose of discipline is the ordering of human multiplicities (Foucault, 1979, p. 218): this kind of discipline can potentially serve a purpose for those whose responsibility is to bring order to the potential chaos of their own company; namely, company managers (Roberts et al., 2006). Discipline can also bring about forms of resistance that are meant to extricate managers from the pressures related to visibility.

The share price as a technology of government

Share price is the key to performance measurement in a shareholder value oriented company (Fink, 2004; Core, Guay & Kothari, 2002; Hall & Liebman, 1998). Share price has traditionally been implied to function as a form of reassurance against financial market related myopia due to its “long-term” orientation (see e.g. Puffer & Weintrop, 1991; Brickley, Bhagat & Lease, 1985). It has been claimed that share price is a long-term measure since it reflects all available information on the future cash flows of the focal company (Fisher, 1965) and since compensation plans based on share price are typically designed so that compensation is based on performance over a longer period of time than one year (Brickley et al., 1985). More recently, share price has also been seen as evidence of a twisted notion of short-term value (Espeland & Hirsch, 1990; Rappaport, 2005). Espeland and Hirsch (1990) argue that share price, a symbol of a twisted value system, reinforces the short-term oriented financial model of the firm – a model which Espeland and Hirsch (1990) claim to be devoid of meaning. According to Rappaport (2005), the protection of the share price would be effective in the case of discounted cash flow valuation of company stock by financial markets – however, share-based compensation does not lengthen manager time orientation if management believes that share prices are determined by short-term considerations (Rappaport, 2005; Ding et al., 2008).

Share price is the core measure by which managers in a shareholder value oriented company predominantly judge their own effectiveness and efficiency (see e.g. Core et al., 2002), and therefore the fundamental determinant of success for them. Consequently, it forms an effective technology of government directed at the managers. Share price can be seen as the extension of the continuousness of the disciplinary power on managers as perceived by Foucault: the simplicity of share price as the embodiment of the company allows easy surveillance to be continuously directed, albeit indirectly, towards the complex entity itself. Manager subjectivity is shaped precisely because share price as a measure allows an easy access to this subjectivity. Distance in time and space between the surveillants and those surveilled can be shortened by the apparent simplicity of the share price and by the existence of analysts and institutional investors commenting on that share price. Share price allows for optimal visibility: it is a measure that purportedly indicates all the consequences of the current and future actions of the totality of a company, and simultaneously is a measure that is always visible. Ranking is conveniently achieved by the use of share price compared with a standard, such as the share price performance of the other companies in the industry. Share price also enables normalisation; analysts and investors are continuously on the lookout for answers to questions such as: Is the share price or P/E ratio⁶ at abnormal levels? Has the development of the company's share price been as expected? Is the share price correct when compared to the industry of the focal company?

In non-listed companies, using the share price as a basis for compensation is not an option that is usually available. This makes any continuousness of outside performance measurement of non-listed companies impossible. Outside performance measurement in these companies is necessarily based on earnings and other measures calculated and provided solely at discrete points in time.

3 Method

As indicated earlier, this research uses a social constructivist approach to gathering data on constructs of time. Data has been gathered in two case companies, termed here the Listed Group and the Non-listed Group. Both companies operate in the financial services industry but represent different governance structures; see Appendix A for the organisation charts of the companies. The key features of each Group are outlined below. The paper relies on empirical evidence gathered by semi-structured interviews and in the form of archival data.

The interview data consists of interview transcripts. The interviews took place in 2007-08. In total 21 individuals were interviewed, 9 in the Listed Group and 12 in the Non-listed Group. The interviews in the Listed Group were mostly undertaken with Group executives. Importantly, the researcher was granted access to the majority of executives within the Listed Group. In addition to executives, board members were also interviewed. The interviews in the Non-listed Group were undertaken with bank managers, with managers and executives in the central unit (called the Association; see description of the

⁶ Price/earnings ratio, i.e. the ratio between the share price and current earnings

company below), and with board members. The researcher was also granted access to the key employees of the Non-listed Group.

The Listed Group executives were selected as participants of the study because they have publicly claimed to be deeply connected to the shareholder value paradigm and to the financial markets. They represent an extreme case where the shareholder value paradigm's ties with manager time rationality are most effectively illuminated. Interviewing lower level executives in the Group would have vitiated the impacts of financial markets with other issues relating to e.g. product markets. The Non-listed Group management, on the other hand, represent an extreme case of lack of financial market contacts and an anti-financial market mentality. In addition, the Non-listed Group management also represents an extreme case in the sense of the exceptionally wide variety of time models: the past-based, the present-based, and the future-based model are all noticeable within the Group. Board members were interviewed in order to also include more encompassing views from the wider constellation enveloping the Groups.

As a point of wider interest, this study is based on a larger research project in which 48 interviews were carried out in five different companies. The two selected participant companies provide an excellent contrast because they represent distinct types of governance and of perceptions about temporality. For that reason these companies have been selected from among the participant companies in the larger research project. All 48 interviews in the larger research project represent evidence of the use of time models and time rationalities.

The length of the interviews varied between 30 and 100 minutes. All interviews were carried out by the researcher. With one exception, all were face-to-face meetings (the exception was carried out by telephone). All interviews were recorded, and interview data was carefully transcribed and coded. A list of interviewees is attached as Appendix B together with the sources of archival data. Appendix C outlines the themes employed in the interviews.

It is possible that the points of view of the interviewees were stated in order to provide a certain picture of the issues to an outside interviewer. This risk is always present within any interview study, although it can be alleviated by including extensive observation time in the field. However, it would have demanded a lengthy period to spend with each manager or executive in order to completely penetrate their mental models regarding time. Such an extended period was judged to be not possible within the confines of this study – particularly considering that this period would need to be extended to all participants in the study. Furthermore, as time related issues are usually hidden within the confines of our minds, interviews rather than extensive observation were judged to constitute the most favoured method, because they provide an opportunity for interviewees to reflect and speak up on the specific issues.

In order to overcome the possible reluctance to provide information (Gendron & Bédard, 2006), each interviewee was asked for permission to record the interview, and all were assured of the absolute confidentiality of the viewpoints stated.

According to several authors within the domain of qualitative research, the investigation was begun with a relatively broad objective in mind (e.g. Glaser & Strauss, 1967) – to increase understanding on the constructs of time, time orientation and performance measures of managers (Gendron & Bédard, 2006). The interviews were semi-structured in order to allow the respondents to provide information relevant to their own meanings and experiences (Rubin & Rubin, 1995; Gendron & Bédard, 2006). More specific interview questions can be received on request from the author, from the address specified above.

Archival data composed of compensation manuals, case company annual reports, and other material relevant for performance measurement was gathered from company web sites and during company visits. In addition, newspaper articles and internal material on both Groups, Non-listed Group histories, and a documentary on the Non-listed Group were used. The archival data sources are listed in Appendix B.

The data were analysed in the following manner. During data gathering, interview data were continuously perused, and notes taken on issues related to time. It was soon observed that similar notes tended to reappear several times, whereas other notes, although expected, appeared irregularly. Within this initial coding scheme, certain themes begun to reappear and they were confirmed by the critical, repeated and careful reading and analysis of the transcripts. The data gathered were analysed and coded in a theoretically informed manner in order to contribute to theory (Ahrens & Chapman, 2006). Any underlying tensions were drawn out (Ahrens & Dent, 1998).

Some features of the Listed Group

The Listed Group is a company in the financial services industry. Its managers, particularly top managers, openly promote the fact that the company is very focused on shareholder value. The company consists of a holding company and two subsidiaries, a major subsidiary (accounting for about 61% of company revenue) and a minor subsidiary (accounting for about 39% of company revenue). The company has a widely divergent customer base, ranging from large corporations to individuals and households. In order to reach respondents with maximum exposure to the financial markets, the interviews were mostly carried out in the holding company of the Group.

The performance of the company has been relatively stable in recent years; return on equity has been above 20% during the two years preceding the study. The operating revenue of the company at the time of the study was over € 2.2 billion and its number of employees was over 6800. More than 20 years prior to the study the company had converted from a mutual to a listed company. Table 1 presents the ownership structure of the Listed Group at the time of the study.

Owner group	Ownership (%)
Foreign owners (mostly institutions)	53.3
Domestic owners (mostly institutions)	30.5
Finnish state	14.1
CEO (Chief Executive Officer) of the Listed Group	2.1

Table 1. Ownership structure of the Listed Group (as of 31st of December, 2008)

The Listed Group is known for its fast moves in the mergers and acquisitions sphere. The Group had, several years previously, divested its ownership in one of its major businesses. It bought back full ownership of this business unit quite soon after its sale. In retrospect the actions, taken as a combination, had appeared to outsiders as contradictory and potentially myopic.

Recently the Listed Group had sold its ownership in another major business unit. The major contribution of this move was to increase the share price “here and now”. The unit concerned was a bank that continued to function as a distribution channel for some of the products of other divisions of the Group. After the sale, problems relating to the systems integration of the business unit to the other units in its new parent company surfaced. These problems led to a sizable loss of customers within the sold unit and, due to the role of the unit as a distribution pipeline for many of the Listed Group products, also to significant troubles within the remaining divisions of the Listed Group. The sale of this major business unit also has the potential to appear myopic to outsiders.

Some features of the Non-listed Group

The Non-listed Group is a coalition of 38 independent regional banks and related central organisations, the most prominent of these being called the Non-listed Group Association. The Non-listed Group is committed to an ideological basis that supports saving. Its customers are mostly individuals, small- to medium-sized businesses or farms. At the time of the study its return on equity was 12%, having been around 10% in the previous two years. The number of employees in 2007 totalled 1178 and operating revenue was over € 200 million.

The governance model of the Non-listed Group is elaborated below in more detail as it is divergent from the norm found in listed companies’ governance models. Group banks are, for the most part, not owned by any actor, and the Non-listed Group has often been referred to as an “ownerless” company. Few of the banks are organised as limited-liability companies, but even in these banks, it is funds committed to the same ideology as the banks themselves that hold the shares. The assets of the banks have been accumulated from proceeds over centuries of operation; they are not financed by investors of any kind.

The Group banks are independent in the sense that the Association is not a formal headquarters for the Group and cannot release orders that would absolutely tie the banks. The highest formal governance authority in each bank lies with the trustees, i.e. the

representatives of customers, although in practice the authority is located with the boards (one for each bank) and, particularly, with managing directors of the independent banks. The boards of directors of the individual banks normally consist of local decision-makers. These boards are elected by a group of 30 - 50 trustees in each bank, although it is often the case that managing director of the bank strongly influences the election process. New trustees are formally elected by old trustees and by representatives of savers (customers) in an annual meeting of savers. Usually, less than 10 savers participate in these meetings in each bank, the participants often being former employees of the bank. In principle, since old trustees often select new trustees and because of the strong practical influence of the managing directors, the governance system is not prone to an outside influence. This governance model has been designed in order to avoid coups and promote stability, an important characteristic in the sphere of banking. For example, in the 1960s and 1970s leftists expressed some thoughts about taking over certain savings banks and merging them with local working-class savings banks, if the governance model allowed that.

The supervisory board of the Association consists of the individual banks' board members or trustees, and the board of the Association is composed of individual banks' managing directors. There are no outsiders in the governance of the Association.

The dramatic history of the Non-listed Group impacts time rationalities within it, as will be explored later in more detail, and for that reason the history of the Group is covered here in greater detail than that for the Listed Group. The description below is based on the interviews, on the histories of the Group and on a documentary about the Group. The Non-listed Group is the oldest bank in Finland, the first Non-listed Group bank having been established in 1822. Until the 1990s, the Non-listed Group grew aggressively, and it was one of the dominant financial institutions in the Finnish financial services industry. However, in the 1990s the financial services industry was plunged into deep recession as a result of which the Non-listed Group, at the time one of the most troubled institutions in the field, was dissolved and the healthiest part of its business absorbed by its major competitors by the order of the state. Only banks that had decided to stay outside what was the official coalition of the Non-listed Group at that time, the so called independent banks, thereby survive to form the current Group structure.

The demise of the earlier Non-listed Group was to a great extent brought about by the aggressive risk taking of its central banking organisation that had been, at the time of the crisis, listed. As the risk taking activity of the Non-listed Group was predominantly blamed, by the Finnish State and the Finnish Central Bank, as the cause of the whole crisis, managers and board members of the Non-listed Group were also sued for considerable damages and underwent multiple court trials with regard to their actions. In addition to the operational management, board members, who had not always been aware on the exact company operations or had begun their board membership after the major mistakes had been implemented, were also often sued for substantial damages. Non-listed Group managers felt that the sale of the Non-listed Group was unfair since the crisis could have been resolved in another manner, by e.g. the state taking control of the listed banks and selling their shares with a profit once the situation had improved.

4 Empirical investigation

4.1 Time rationality in the Listed Group

Top managers in the Listed Group strongly argued, by the use of financial market rhetoric, that they were not myopic. The analysis of the interviews suggests that the discourse that the Listed Group executives use reflects the following: the requirements by financial markets can, in the best case, cause an actor to perform tasks efficiently, which leads to a long-term benefit. Respondents contrasted this approach to performing tasks not so efficiently, which results in problems in the long term. According to the prevalent discourse in the Listed Group, the appropriate focus on the present by top managers leads to “wise”, long-term oriented actions. For example, one executive was so immersed in the dominance of the present that he doubted the validity of a time orientation in company management - although he did otherwise recognise and even promote as moral the validity of “farsightedness” as an optimal time orientation:

“All decisions have to be good all the time, no bad decisions. This is no question of a time orientation.” (Executive, the Listed Group)

The executives continually stressed the importance of “doing the right things right now” efficiently and effectively, and also provided practical examples of this. One of the executives recalled how the lack of grand plans was actually an efficient and, in the long term, beneficial approach for his department.

“[Our superior] wanted to make the reporting work, but we decided, because we did not know how the structure would develop, to make a ‘quick & dirty’ solution, and we are still in that ‘quick & dirty’ solution. And I have many times been relieved that we did not start any kind of large projects where you have to go outside your own responsibility area and environment... they are difficult. But with hindsight it is possible to say that as we did not do [the large projects], we have fared well without them, and have saved a lot of money.” (Executive, the Listed Group)

According to the underlying reasoning of the respondents, the future was, however, not subordinated to “doing the right things right now”. Rather, the meaning of the “right things” was conceived of within the framework of the (somewhat ambiguously conceived) future to which this present efficiency and effectiveness would lead. The future was claimed to be firmly entangled with the present.

The executives complained that even some of the financial market actors, let alone other outsiders, had not previously appreciated their speed and capability to perform fast moves when necessary. However, executives perceived that more recently the situation had changed. This was because the company had achieved major value increase within the business unit where the contradictory actions had taken place, and financial market actors had thereby been “taught” by the top management to acknowledge the benefits from fast moves. The following quote indicates this change.

“Earlier, there was talk regarding [a major business] acquisition, that [our superior] flip-flopped unexpectedly. That was what caused a lot of confusion. Now it is sort of expected of us that we have got a chance to flip-flop on attractive opportunities.” (Executive, the Listed Group)

Some executives commented on the episode of the apparently self-contradictory actions, described above. All those actions had been perceived by the top management as rational at the time of their execution. A board member also argued for the good sense of the contradictory actions described earlier, saying that they had been the manner in which it had been possible to take advantage, in terms of profit, of current situations. The sale of the major business unit was generally rationalised by the top managers by referring to the monetary worth of the offer received and the profit and increased value thereby gained. Regardless of any possible future visions regarding this business unit, or the potential scale advantages resulting from using it as a distribution channel for other related products, the top managers had been willing to divest it with little regret as soon as an opportunity arose “here and now”. Respondents typically blamed the acquiring company, not themselves, for the subsequent problems that affected the subsidiaries of the Listed Group.

As the section above describes, executives talked about the earlier episode of contradictory actions. However, they did so in order to explicate their approach, not to base their success on the strengths acquired in the past. They did not consider that there would be a reason to discuss their more distant past as a mutual company. The analysis indicates that this would not have fitted their financial market rhetoric.

The CEO emphasised that the company’s most salient target was maximisation of shareholder value (share price) and that the operations were mere tools for the achievement of this target. This was echoed by other respondents who shared the argument that this target was itself far-sighted and enduring. However, as the following illustrates, the maximisation of value was not necessarily executed with great visions:

“It does not matter whether this [shareholder] wealth is accumulated by doing something that increases amounts that are quite close to the future or far into the future, since through the discount factor they are projected back to the only meaningful issue, the value of the company, the shareholder wealth.” (Executive, the Listed Group)

Executives agreed that it was vital that meaningful opportunities were seized at the moment they became available. This was not a mere form of rhetoric for the respondents but, as the previous examples indicate, they actively executed this mantra.

The analysis suggests that the respondents constructed their time rationality with an exclusive emphasis on the present-based time rationality. According to the discourse of the critics of the financial markets (Ezzamel et al., 2008; Jensen et al., 2004), the emphasis on the present is potentially entangled with an underdeveloped emphasis on the

future. When Emirbayer and Mische's (1998) practical-evaluative element is emphasised, the projective element is given less explicit attention. This was also seen in the responses by the management: as explicated earlier, the managers emphasised the importance of seizing present opportunities and improving present abilities for cutting costs, while they played down the importance of extensive plans. The respondents were interested in the NPV ("net present value") of the company and its investments, with the word "present" receiving heightened attention.

Respondents reasoned that performing the correct tasks with optimal efficiency right now would lead to optimal performance in the future. This was a line of reasoning encouraged by the power of the financial markets and the quarterly reporting standards – it appeared to be a manner by which the respondents made sense of their own situation and reasoned their own rationality as "farsighted". This is illustrated below.

Executives argued that the added exposure to the financial market actors is beneficial for the whole company in the long-term; not only for its owners but also its customers and other stakeholders. This exposure was claimed to provide unprecedented transparency and additional assurance to the stakeholders about the reliability and continuity of the business. The following quote illustrates this view.

"When you prepare financial statements once a year... even in one year terribly much can happen ... It is the benefit of owners, investors and customers that the reporting frequency is so tight, that we have to do [reports] every quarter... you see if things begin to go wrong."
(Executive, the Listed Group)

In the Listed Group, some of the interviewees complained about the lack of "peace" in order to effectively plan or prepare for the future. They frequently perceived a pressing urgency derived from the need to perform quarterly reporting and to effectively respond to the financial markets – however, an urgency not predominantly perceived negatively. One executive said the following:

"If we think about [our company], because foreign ownership is growing, we have a lot of owners in different time zones. That means that [the feeling of being continuously pressed on time and in a hurry] can increase. At least it will not become easier, there is no way for us to go back to a reporting of the 'old'. ... I don't think that there is a return to any 'good old world' where we had time to think of certain issues."
(Executive, the Listed Group)

This executive was not particularly bothered by this development; indeed he took it for granted. After all, in order to manage the power directed at him, he could apply his time model, relying on the importance of the present. Another executive claimed that the advantages of transparency in quarterly reporting outweigh any personal costs to the executives:

“Work life would be easier [without the quarterly reporting], but, it would not be good from the point of view of stock markets that they would not receive information with sufficient frequency. It is to the advantage of owners, investors and customers that the reporting rhythm is so tight, that we have to do [reporting] quarterly.” (Executive, the Listed Group)

The need for “peace to plan”, often emphasised in the public rhetoric voiced against financial markets and listed companies within them, relates to a need for Emirbayer and Mische’s (1998) projective element. Executives in the Listed Group clearly did not subscribe to projectivity. Rather, they acknowledged that to give undue emphasis to the future and to the neglect of the present would result in problems: unnecessarily “grand” future plans would overshadow the importance of the continuous practicality of “doing the right things right now”. One executive of the Listed Group equated discourse on an excessively “long-term” approach with immorality; claiming that managers in companies that have been unsuccessful for several quarters in a row tend to use “farsightedness” as an excuse to hide serious mistakes. He claimed that long-term planning is a futile exercise since the environment changes with such speed that if a manager makes far-reaching plans, time will soon make obsolete these plans. Another top manager emphasised that in order to be successful in the long term a manager also has to work hard every day in the short term. He claimed that there is an unfortunate misunderstanding among some critics of financial markets: a conflation of doing work badly initially and subsequently, after some years, improving, with a long-term approach. A true long-term approach for him was that in which capable actions every day also produce good results in the longer term.

The board members of the Listed Group mostly supported the time model promoted by the Listed Group executives. For example, one board member stated that the short term provided a basis for the long term.

“Sustainable long-term performance and success is based on the issue that in the short term, affairs develop in the right direction.” (Board member, the Listed Group)

The board member strongly argued for shareholder value and share based compensation, and emphasised the importance of connecting the short term (present) and the long term (future) in an effective manner. He emphasised the attributes of visibility, effectiveness and controllability as virtues of listed companies, as opposed to those in other, non-listed companies representing what he called “weaker” governance structures.

The respondents in the Listed Group emphasised present-based rationality, and particularly the present within this rationality. In emphasising the present, they drew on various disciplinary practices of financial markets. They felt that visibility and potential for surveillance were tied with the quarterly reporting practices, efficiency with timetables and with pressures related to the exhaustiveness of time, and controllability with normalisation and ranking. Simultaneously, visibility, surveillance, timetables, and normalisation were driving their focus on the present.

The respondents did not perceive a need for far-reaching plans. They focused on actions that appeared beneficial at a given moment. This approach potentially explains their actions which could appear to outsiders as myopic.

4.2 Time rationalities in the Non-listed Group

The history of the Non-listed Group was a powerful survival story for many involved: both a source of resentment and pride. The perceived unfairness of the sale of the Non-listed Group had caused substantial resentment particularly within the Association of the Group and among the representatives of the banks that had been sold, and these feelings were still retained, to some extent, to this day. Resentment was based on the perceived unfair treatment of the Non-listed Group during the banking crisis of the 1990s and on the mistakes, related mostly to risk management, made by the Non-listed Group managers (particularly in its listed central bank) before and during the crisis. Pride originated from the long history of the Non-listed Group and its century-long influence in Finnish economic life, as well as from the survival of the Non-listed Group employees in the face of hardships. Representatives of the independent banks also felt pride because they had been able to exhibit the best performance out of the whole Group even during the banking crisis and, as a result of the demise of the Group, had been able to attract customers and employees from the banks that had been dissolved, thereby gaining both influence and volume.

Respondents at the Non-listed Group consistently argued that the past was a form of strength and a basis on which to build. Interviewees also tended to emphasise the length of their whole past as an opposition and a counterforce to mistakes made in the more recent past of the Non-listed Group: the emphasis appeared to be a manner in which they dealt with these mistakes. Several interviewees readily presented printed histories of the whole Group or those of its independent banks.

Some respondents believed that as the Non-listed Group had been in the market for a long time, it was necessarily far-sighted. For example, one manager stated that since the Group had been in existence for over one hundred years, and was intending to be in existence for one hundred more, it had to be farsighted. Others formulated far-sightedness as a function of the past in a different manner: they claimed that due to the long past, the Non-listed Group was able to credibly appeal to its (potential) customers' needs for security and stability, a far-sighted strategy at present. For example, one manager in the Non-listed Group Association explained how the long history meant that the Group was not always running after new and extraordinary, but eccentric trends, but was able to stick to its own policies. An executive of the Association felt that the lengthy history underlined attributes such as trustworthiness and responsibility in a stronger and more meaningful way than in companies with a shorter history. Another respondent maintained that the history could "free" him in his operations.

“[The history] is a factor that frees us precisely because it creates credibility and strengthens our brand in our own area of operations.”
(Bank managing director, the Non-listed Group)

One respondent described the legacy of the customers as a force that had assisted the Non-listed Group banks through the difficult times of the 1990s:

“We have here in our main customer base a lot of old, time-honoured farms... and there [in those farms] this Non-listed Group customership has often been inherited from the old generations to the new generations and it is strength and an important issue.” (Bank managing director, the Non-listed Group)

One board member illustrated the interaction of the history and the Group in the following way. He perceived that the Group was involved in an extended relay, where managers, executives, and bank boards hold the baton in turn for a limited time. The respondent felt that the most important target for him is that the baton (the Group) can be passed on to the next runner in a better condition than that in which he received it. This also means passing on a certain culture and legacy, as if it was a family business.

Respondents felt a strong connection with the iterational element described by Emirbayer and Mische (1998), claiming that the lengthy past was a basis on which to build. Interviewees were not, however, living in the past. They also considered future plans to be decisively important and that present tasks should be completed as successfully as possible.

Many respondents indicated that they concentrated on the future first and derived the short-term targets and present actions from these future plans and visions. A managing director of one of the Non-listed Group banks described how he saw every long-term target eventually transforming into concrete, short-term actions. Another managing director of a Non-listed Group bank (and board member of the Association) eloquently described how his bank and his own thinking followed “a long-term development path”, “a strategic choice”. This choice was made first and shorter-term actions were decided so that they drew the bank towards that choice. He commented:

“If [short- and long-term objectives] do not support each other, we can never attain the long-term objectives. It is part of the practical management then that we have to see to it that we are moving towards the correct [long-term] targets.” (Bank managing director, the Non-listed Group)

The managing director was, however, also willing to follow present concerns if they indicated a breach in the strategic logic. In that case, the strategy should be reformulated based on present concerns.

“When we make such a strategic choice, that... we want to go that way and this is the path we will take, then, of course, along the way appear certain tests that tempt us to jump somewhere else, and then we have to check the strategy, to check if there really has been a change that really influences so that we have to make a new [strategic] choice, or is it only a digression from which we have to abstain.” (Bank managing director, the Non-listed Group)

As described above, respondents also expressed the need to perform in the present, and present performance was seen as an important lead to a successful future. This attitude also had a negative connotation in the sense that some respondents felt that some of the smaller banks within the Group were overly “living in the present”, in other words not planning for the future and not seeing megatrends. On the other hand, these smaller banks were also perceived as very long-term oriented, in the sense that they operated today in a very traditional manner and with a traditional customer base and planned for this traditionalism to continue far into the future. However, respondents expressed concerns of whether the managers’ way of thinking in these smaller banks really represented the “right” type of long-term orientation. These banks were blamed for an inability to respond to important current challenges (bank mergers, selling of advanced financial instruments) and for an excessive faith that the operating environment will always remain exactly as it has been before. Therefore, the emphasis on the present was potentially tied to inertia and to an emphasis on the past in these banks.

When elaborating on the importance of the present, many respondents expressed a vivid interaction between the present and the future. For example, one respondent explained:

“It is very fundamental to [have] an ability to foresee. That you think every day about those things that will only affect [your company] sometime in the future, perhaps in a year, perhaps further.” (Bank managing director, the Non-listed Group)

Respondents felt that they had a lot of freedom compared to listed companies, and this freedom was seen in the multiple ways in which they saw the interaction of the past, the present, and the future. Very often this freedom was perceived as the possession of “peace to plan” without the reporting pressures of listed companies. Time models were not formulated as tied to the power originating from the financial markets.

“[Not being listed] indeed gives freedom, absolutely, freedom to develop the bank forward in the long term, that’s what I’ve said many times.” (Bank managing director, the Non-listed Group)

“Nowhere [here] is there an... owner who would bang a wallet on the table and demand that now you run to that direction because the owner says so. So, we have time to stop... to ask, how the customers will react to this.” (Association executive, the Non-listed Group)

Compared to the listed company discourse which is based on financial market rhetoric, the discourse of non-listed company interviewees was based on “anti financial market” rhetoric. Respondents indicated that the combination of the time rationality constructs elucidated above would not have been possible in a listed company. The non-listed character of the Group appeared to enable the simultaneous existence of all of the constructs.

Respondents tended to emphasise “freedom”, seeing it as a counterforce to the discipline, visibility and surveillance that reigns in the financial markets. As they were not under normalising and ranking pressures from the financial markets, they felt they were better able to concentrate on the pressures arising from their own product markets. On the other hand, their government of self related to time was much less focused than that of the Listed Group management, as they employed several time models rather than focusing on one.

4.3 Synthesised time model

Both listed and non-listed company managers face a dilemma: they are forced to live under pressures to perform at present and simultaneously to be farsighted. They appear to need an approach by which they can achieve both targets and a manner in which they can rationalise the use of that approach. The concept of a time model in this study forms such an approach, being the basis for rationalisation. The synthesised time model presented below is a synthesis of time models as explicated by respondents.

In order to elaborate on the synthesised model, several new definitions are provided here. Time base is defined as the starting point of actor thinking. The study illustrates three types of time bases: the base on the past, on the present, and on the future. Time base is the period in which action is usually defined quite extensively and concretely. Time bases are not mutually exclusive but can exist simultaneously. For example, the Non-listed Group respondents exhibited all time models with their associated rationalities: past-, present-, and future-based. However, it is also possible that sometimes one type of model with its associated rationality emerges as dominant, as was the case in the Listed Group.

Time target is the time period towards which thinking is oriented from the initial base. From each base, actors can orient themselves towards two other periods. For example, from the past it is possible to orient oneself towards the present or towards the future. However, in modern corporations, each direction is not necessarily equally likely. Orientation from the present or from the future towards the past would mean that managers would plan the future or work efficiently in the present in order to succeed in the past. This kind of activity is unlikely and it was not witnessed in either of the case companies. Therefore, the past orientation is excluded from further study as irrelevant within the context of the case companies.

Together, time base and time target form the time model. This model underlies time rationality; a manner in which time is comprehended and its use rationalised. It is worth emphasising that the time models are based on the ordering of time periods in different

sequences. These models conceptualise which time period should be the first focus and which time period is planned to be the focus after the first period.

Within the past-based time rationality, the past of a company (for example, in the form of its history) is acknowledged to be the base of effective and efficient actions now (target being the present) or in the future (target being the future). This rationality refers to a form of reasoning whereby the past is prioritised first and the present and the future are seen as its extensions. The past-based model is possible if there is an imposing history or appreciated rules or routines on which to build the present and/or the future.

When following the present-based time rationality, it is claimed that effective and efficient present actions lead to benefits in the future. This rationality entails a form of reasoning whereby actors' present judgments are first prioritised. Thus, the present is perceived as the foundation of the future, and optimal "long-term" actions are constructed as natural extensions of present, practical and responsive judgments. Imagination is employed within the present context rather than as a route to the creative visualisation of the future. The present-based model could be utilised by companies that operate in highly unpredictable environments where the preparation of elaborate plans is useless or even counterproductive.

Within the future-based time rationality, it is assumed that elaborate future plans lead to effective and efficient present actions. This rationality refers to a form of reasoning whereby the future is envisaged with creative imagination and the present is then given meaning as the present extension of this future vision. Thus, the future is constructed as the foundation of time constructs and the present is derived from the future as its natural extension. This is the traditional model in normative business literature where companies have typically been instructed to first make extensive plans and then formulate their current actions so as to fit with and implement these plans (Ansoff, 1987; Mason, 1986).

Actors applying the past- and the present-based models could be seen as myopic by outsiders due to their lack of immediate concern for the future. For that reason the past- and the present-based models are tied with a form of rationalisation where the initial focus on the past or the present is reasoned as not myopic. Those applying the future-based model are not easily perceived as myopic – rather, they could be considered to be overemphasising their plans. Therefore, the future-based model is tied to a different form of rationalisation: those applying the future-based model reason that, despite the future focus, they are also able to implement issues in the present.

Figure 1 presents the complete set of time models and time rationalities uncovered in the empirical data. Within the time models, time base is the bottom of each arrow, and time target is the end point of the arrow. The quotes in the figure are analytical quotes representing each type of time rationality that emerged from the data. Naturally, it is conceivable to picture a present-based model that would be oriented towards the present, a future-based model directed towards the future, and a past-based model oriented towards the past. However, these models do not support the tying together of distant time periods and are therefore excluded.

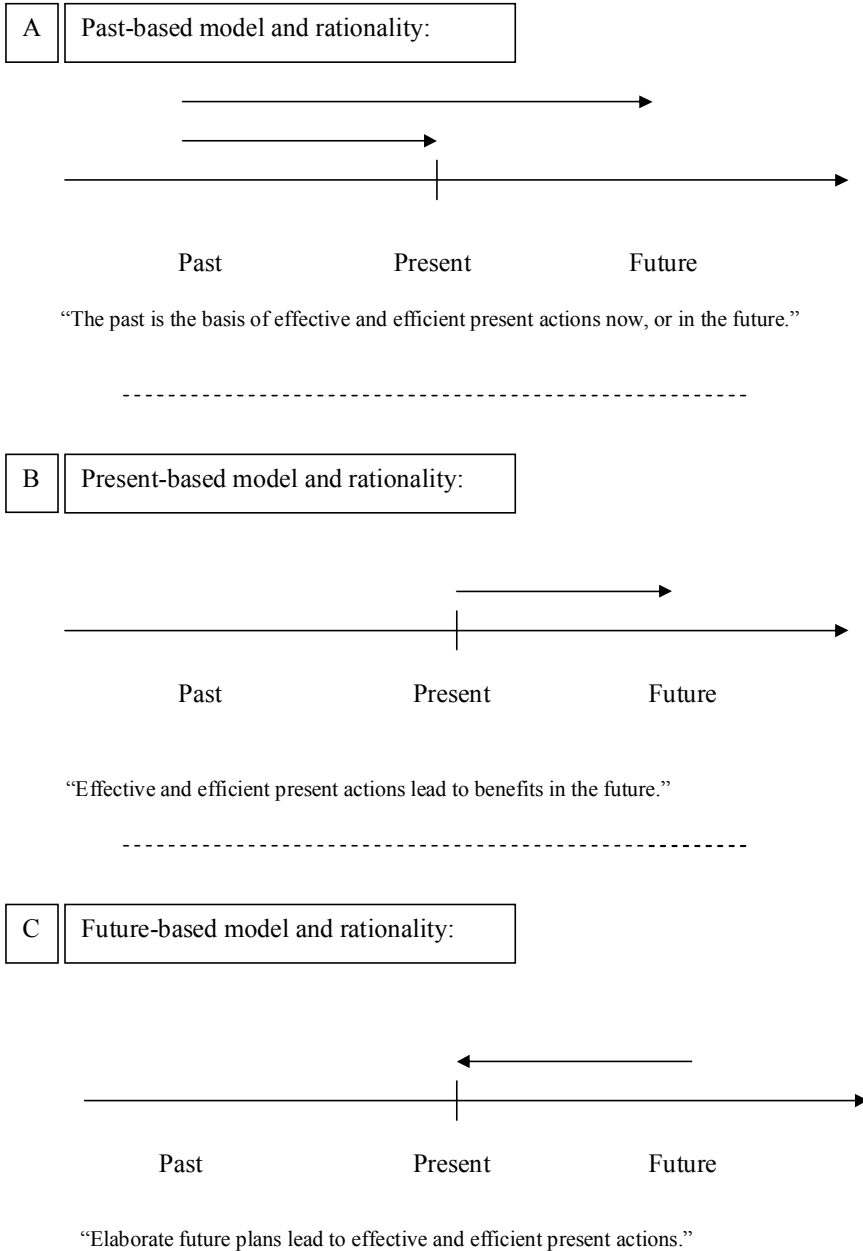


Figure 1. Present-, future, and past-based time rationalities. Arrows depict the consecutive mental and verbal emphases by respondents. Quotes are analytical quotes illustrating empirical rationalities.

The discourse emphasising present-based rationality can be related to Brunsson's (1982) concept of action rationality whereby decisions are made based on the assumption that action will be taken after the decision is made, and the rationality of those decisions is based on their action rationality. The discourse also reflects emergent strategies (Mintzberg & Waters 1985): sometimes strategies are not planned, they emerge. The discourse on future-based rationality follows the logic of deliberate strategies (Mintzberg & Waters, 1985) and decision rationality (Brunsson, 1982), being based on extensive planning.

5 Discussion

In a "disciplinary society", continuous spatial and temporal visibility and surveillance is powerfully exemplified by the stock market. The stock markets exhibit several traces of discipline as discussed by Foucault (1979): tendencies towards ranking, normalisation, constant visibility, continuous surveillance, and "panopticism". In the stock markets, visibility can become a trap (Foucault, 1979, p. 200).

Time rationality in a listed company is potentially limited towards both the future and the past. Hovering between different rationalities and shifting the direction of rationalities are not seen as acceptable tasks for the managers. The future-based rationality and its associated construct "peace to plan" are subordinated to the present-based rationality, and the present inside it; both have the potential to become extremely pervasive. The discipline is both spatial and temporal: it is notable that although the timetable accounts for activities both at present and in the future, it is the constant pressure "right here, right now" associated with it that shifts the time emphasis of managers towards the present.

The analysis above echoes that by Hopper and Macintosh (1993) who eloquently describe the overarching discipline of Harold Geneen, the former CEO of International Telephone and Telegraph (a listed company). A considerable part of his discipline formed the focus on the current year, while long-range, qualitative, strategic plans were left relatively unattended.

According to the analysis, managers use the acknowledgement that their behaviour is disciplined by the financial markets in order to defend their own time model and rationalise this model so it is oriented toward the long term. They openly acknowledge that it is pressures and the continuous surveillance on which they rely and which encourage them towards the present-based time rationality. This rationality does not appear to be explicitly selected by managers among several alternative rationalities, but, rather, it is encouraged by the stock market as the most preferred and the only reasonable option among rationalities.

Managers, under the continuous surveillance of the financial markets, have begun to "watch themselves" and appear, at first sight, to have become "prisoners" of their present-based time rationality (Foucault, 1979; Roberts et al., 2006; Cowton & Dopson, 2002). However, the power directed at managers is tied to the power of resistance; these

managers attempt to redirect the power to their own advantage by promoting a certain type of time model and rationality. The assembly of forces directed at management is therefore partly altered, redirected and even amplified by response and resistance. However, resistance by managers is rendered single-faceted when one form of rationality is foreclosed for them. The accepted rationality form becomes normative in defining the correct, disciplined behaviour as well as the type of resistance to the power originating from the financial markets (McKinlay & Starkey, 1998).

The results of the study indicate that the space/time division (Quattrone & Hopper, 2005) can be extended to cover the stock markets in the following way. Within companies listed in the stock market, the discipline of time has become more pronounced than that of space: it appears that while the spatial “freedom” of managers has increased with the assistance of technology such as e-mail and teleconferencing and the current relative ease of air transport, the “freedom” of time has been cut. However, this decreased “freedom” is associated with forces that also emancipate managers by allowing them a subject position as executors of the present-based rationality.

The form of governmentality associated with the stock exchange has emerged within the Listed Group management as an individualised notion of self government of time, with its associated rationalities and technologies (Foucault, 1991; Miller & Rose, 2008). Time rationalities are rationalities of self government on the humble level of single managers, built by these managers at the suggestion of the forms of government faced by them in the financial markets. Time models are paralleled by technologies, such as the share price, used to instrumentalise this form of self government. By these rationalities and technologies of self government, discipline is tied into a form of production of subjectivity that underlines the salience of the present for the subject/managers. When an appearance of myopia surfaces, the present-based form of self government and the present-based manager subject position have potentially undergone a distortion that was not intended within the confines of the original time technology. The focus on the all-encompassing present and the lack of orientation away from it form a potential source and formation mechanism of myopia, as seen by outsiders.

The rationalities and technologies underlined above are employed at the level of individual persons, or singularities, within certain companies; however, they possess the potential to be also used in other locales. Eventually, by tying these locales together, these rationalities and technologies and the associated form of government can be seen as something more than singularities (Miller & Rose, 2008).

6 Conclusions

The top managers within the Listed Group draw on the present-based time rationality. This rationality is born from the interlinking ties between the power originating from the financial markets and the associated response of the managers. The future-based rationality, the associated construct “peace to plan”, and the past-based rationality, are all subordinated to the present-based rationality and this can become extremely pervasive. The subject/managers of the listed company, under the continuous normalising

surveillance of the financial markets, begin to “watch themselves”, and sovereign power gives way to the government of self (Roberts et al., 2006). The emphasis on present-based rationality, and, more specifically, the pervasiveness of the present within that rationality, can be claimed to underlie myopia if future visions are subordinated to present concerns. The time rationality of the Non-listed Group managers is a more flexible and shifting concept than the time rationality of the Listed Group top managers. Multiple time rationalities, and multiple time periods inside these rationalities, are perceived as acceptable within the Non-listed Group.

In previous research, claims have been made that listed companies are myopic by nature due to their emphasis on shareholder value (see e.g. Ezzamel et al., 2008; Ding et al., 2008; Aglietta & Rebérioux, 2005; Jensen et al., 2004). The current study has shed further light on this view by revealing how the construct of myopia can be set into a wider context of mental models regarding the construct of time, and by grounding the appearance of myopia to a systematically problematic factor within this wider construct. The technologies of government within the financial markets, such as the share price, instil in the managers a need to combat myopia, but in a manner which potentially augments the effects of the original government technologies. Managers attempt to turn myopic influences to their advantage by building a model of far-sightedness, but this model-building is realised in a way that can provide unexpected consequences and even result in the failure of the model. The very government of self, which is meant to produce positive manager subjectivity in the face of financial markets pressures, risks breaking down when the model is not built as a complete whole and when its future period component is seen as a mere extension of the present. It is no wonder that previous research has warned against the all too potent myopic influences directed towards listed company managers (Ezzamel et al., 2008; Aglietta & Rebérioux, 2005).

The never-satiated appetite for information of financial market actors, fed by the corporate governance requirements induced on stock markets after the Enron and WorldCom scandals, traps managers into inescapable visibility; a kind of panopticon. Based on the findings of this study, it appears that the new requirements amplify myopia instead of providing improved corporate governance in the form of diminished myopia. These effects are also discussed in Ebrahim (2005), in which accountability is seen to result in myopia when such accountability is limited to a dominant party (e.g. the financial markets) and when short-term outputs and efficiency, rather than wider social development, form the focus of accountability.

The seeds of myopia in this study have been tied to the dominance of the present at the expense of the future. With the conceptual tools introduced in the study, it is now possible to explicitly address the issue of other formation mechanisms of myopia. It is possible that in other companies and in other circumstances, the future or the past may dominate, contributing to another type of failure within time models and within any associated forms of government of self.

In the case of actors who use the future-based model, somewhat paradoxically, myopia can appear as the result of an overemphasis of the future. The future can be very clearly

defined, but this clear vision can lead to the “content” of the present to be predetermined by this vision; if a new unexpected direction presents itself, it is neglected if it is not in line with the vision even if changing the plan in the present would be in the actors’ long-term interests. In this case, the present is not appreciated for all of its possible nuances. The strategic planning literature has acknowledged limitations to feed-back oriented planning culture (Mason, 1986; Mintzberg, 1994). These limitations have also led to alternative strategy formulations, such as that of emergent strategy (Mintzberg & Waters, 1985). Levinthal and March (1993) tie myopia to problems that are caused by the development of knowledge inventories (which are filled with action repertoires acquired prior to their use) to which organisations commit without being able to draw from there optimal responses to acute problems.

The myopia related weakness of the future-based model was illustrated in this study by a comment of one of the Non-listed Group’s bank managing directors. He explained that despite a strong strategy and powerful vision, sometimes it is necessary to critically observe the operating environment in order to judge if an environmental change would necessitate a shift in the strategic direction. Ignoring a profound change in the environment would undermine the potential for long-term success of the Group.

The past-based model is not automatically myopic – it can simply mean an effective use of the resources whose origin is in the past. However, actors can base their thinking on the benchmark of the past so exclusively and restrictedly that they are subsequently unable to orient themselves away from this base. What has happened in the past becomes a guideline for future plans and present actions even though circumstances might have changed. This issue can be linked with previous research on inertia in which tendencies of resistance are embedded within company structures and practices (Hannan & Freeman, 1984; Burgelman, 2002; Jermias, 2001). As explained by Levinthal and March (1993), this kind of myopia is also seen in the case of organisational actors that value the skills acquired in the past (and having been effective in the past) rather than skills needed in the present. Similarly, since the time of Lewin (1951), change management and managing resistance to change have been widely discussed topics. The dilemma of change in the face of institutional pressures thoroughly conditioning individuals’ existing rationalities is a well-documented phenomenon (Seo & Creed, 2002; Barley & Tolbert, 1997; Holm, 1995; Giddens, 1984).

The myopia within the past-based model has been illustrated in the current study by the comments of some of the respondents of the Non-listed Group about doubting the time orientation of smaller banks within the Group. Respondents were concerned that the banks were suffering from inertia, being managed in practically the same manner today as one hundred years ago. The past could form an overly emphasised benchmark for these banks.

In order for each of the mental time models to function, it is necessary that all of the components of that model are fully employed and conceptualised as complete entities. Otherwise, in addition to the break-down of the model, the associated rationality and self government can also malfunction. Within the myopia related examples of the past-,

present-, and future-based models, the target period in the models was typically not conceptualised as complete as it could be, but rather as a partial entity - an extension of the direction from which it was looked at. When the appearance of myopia materialises, the model base determines the manner in which the target period is conceptualised. Mental models restrictively based on the past, the present or the future, appear to outsiders as myopic. Far-sightedness presents itself as the capability to rid oneself from the initial base position, and to produce a form of government of self without a breach.

Prior research has traditionally defined the concept of myopia as a disproportionately strong management focus on business matters affecting short-term results (Van der Stede, 2000; Ding et al., 2008). This way of defining myopia appears to be effectively based on the myopia resulting from an overemphasis on the present-based model; an approach whereby action at present is prioritised and future plans are left relatively ambiguous. However, this paper has provided detailed grounds for the concerns raised by van Rinsum and Hartmann (2007) that it is not obvious that a long time orientation, measured as work time devoted to issues in the future, is always superior to a short time orientation. In addition to seeds of myopia originating from the use of the present-based time model, there are seeds of myopia originating from past-based and future-based time models.

Based on the above, a new definition of myopia is proposed. Myopia is thereby defined as **a disproportionate concern for business matters which do not contribute to the long-term success of the focal company**. This conceptualisation does not exclude the possibility that excessive emphasis on future planning and on past concerns can disable current actions even when these actions would have been in the long-term interests of the focal actors.

The concept of time rationality has been shown to be researchable by the current study. In addition to the governance model of the Non-listed Group, there are a myriad of other forms of non-listed companies, such as cooperatives, family businesses, and companies run by entrepreneurs. The manner in which the actors within these various non-listed companies construct their own time rationality would be an interesting target for future studies. In addition, it would be desirable to investigate how the time rationality of new employees interacts with the time rationality prevalent within a company. This can be implemented by investigating, for example, whether a new CEO (or other change in company management) brings a new type of time rationality in to wider use in a company. It would also be useful to research the phenomenon of time rationality from a global perspective. This could be carried out by examining the company board or CEO review section within company reports in order to investigate which types of companies (e.g. by industry, size and governance structure) openly promote which types of rationalities. Within these lines of study, the seeds of myopia originating from past- and future-based rationalities would be a particularly fruitful target of further research.

Finally, the study has touched on the point of how discipline is problematised in a discourse (in this case, in the Non-listed Group), and how this problematisation is used to create time rationalities and technologies by which “freedom” can be offered as a “solution” aimed for this specific problematisation. It would be interesting to investigate

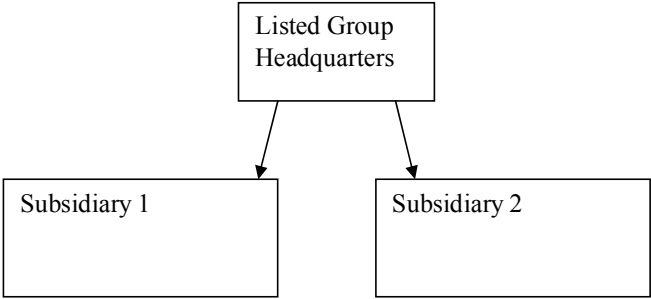
in further research how this problematisation is formed, who is responsible for it, what ends is it intended to serve, and what kind of subject positions are possible for its proponents.

Acknowledgements

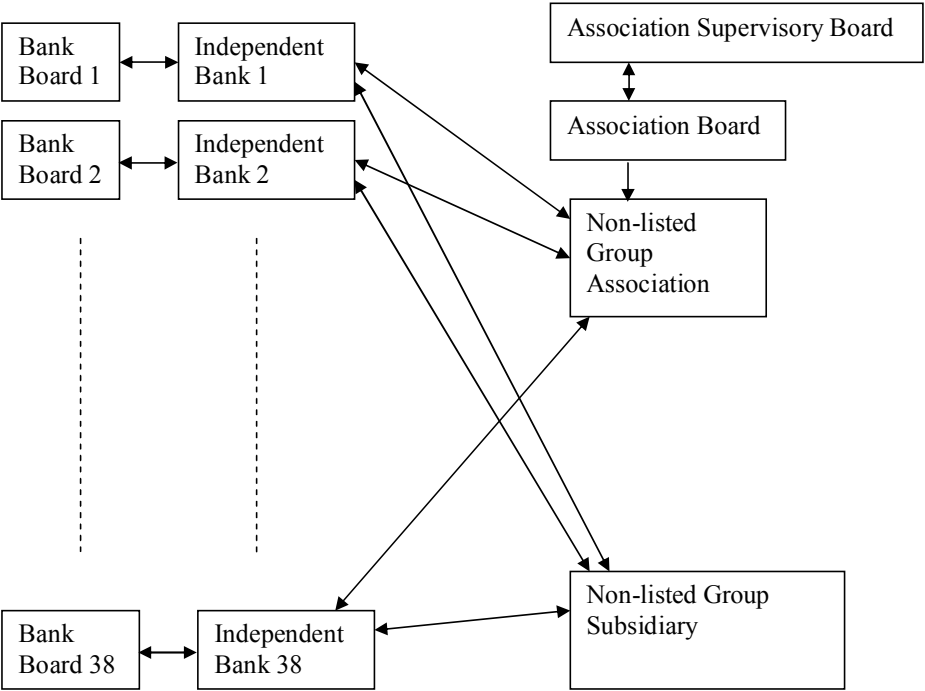
The author wishes to thank the Jenny and Antti Wihuri Foundation and the OP-Pohjola Group Foundation for their funding of the research on which this paper is based. The author would also like to thank Seppo Ikäheimo, Juhani Vaivio and Teemu Malmi, the participants of the 5th Workshop on Corporate Governance in Brussels, 2008, and the participants of the Doctoral Tutorial in Vaasa, 2008, for their helpful comments on earlier drafts of this paper. A special thank you is directed to the case company representatives who agreed to contribute their valuable time to the research project on which this study is based.

Appendix A: Organisation structures of the case companies

Organisation structure of the Listed Group



Organisation structure of the Non-listed Group



Arrows indicate predominant directions of influence.

Appendix B: Data sources

Interviews:

Listed Group, Head of Investor Relations	18.6.2007	1 hour 30 min
Listed Group, Group CFO	18.6.2007	1 hour 30 min
Listed Group, Chief Investment Officer	19.6.2007	35 min
Listed Group, Human Resources Manager	10.8.2007	1 hour
Listed Group, Subsidiary CEO	21.8.2007	1 hour
Listed Group, Group CEO	29.8.2007	1 hour
Listed Group, Board member 1	31.10.2007	1 hour 30 min
Listed Group, Board member 2	25.2.2008	50 min
Listed Group, former Subsidiary CEO	10.10.2008	30 min
Non-listed Group, Association Senior Lawyer	28.11.2007	1 hour 15 min
Non-listed Group, Association Human Resources Manager	21.1.2008	1 hour 30 min
Non-listed Group, Association CEO	26.2.2008	1 hour 15 min
Non-listed Group, Managing director of Bank 1	3.3.2008	1 hour 40 min
Non-listed Group, Managing director of Bank 2	13.3.2008	52 min
Non-listed Group, Managing director of Bank 3 and Chairman of the Association board	7.4.2008	45 min
Non-listed Group, CEO of a subsidiary	16.5.2008	1 hour 30 min
Non-listed Group, Chairman of the Association supervisory board	19.5.2008	1 hour
Non-listed Group, Member of the Association supervisory board 1	30.5.2008	1 hour
Non-listed Group, Managing director of Bank 4	2.6.2008	1 hour
Non-listed Group, Member of the Association supervisory board 2	13.6.2008	1 hour 30 min
Non-listed Group, Association Development Executive	17.6.2008	1 hour 20 min

Archival data sources:

Articles in the financial press about the Listed Group

Information booklets “The stock-based long-term incentive scheme for the top executives of the Listed Group”, years 2004, 2005 and 2006

Internet site of the Listed Group: The compensation system of top executives

Internet site of the Listed Group: Representation of financials

Annual report of the Listed Group

Articles in the financial press about the Non-listed Group

Documentary about Non-listed Group in the depression of the 1990s: ”Lama ja oikeus” (Economic depression and justice, translation by TC), presented on the Finnish television channel TV1, 20.1.2008

Compensation system manuals of the Non-listed group and its banks

History of the Non-listed Group

History of the Non-listed Group Association

Histories of two Non-listed Group banks

Internal personnel magazine and client magazine of the Non-listed Group

Client magazine of one Non-listed Group bank

Strategy manual of one Non-listed Group bank

Internet site of the Non-listed Group: Governance model

Internet site of the Non-listed Group: Representation of financials

Annual reports of the Non-listed Group banks

Annual report of the Non-listed Group

Appendix C: Interview themes

Introduction: targets, goals, motives

The background of the interviewee (education, previous work)

Current work and work-related targets for different time periods

Company targets for different time periods

Contradictions between personal and company targets

Time frames (short-term and long-term) at work, in the company's business, and in personal life, as well as satisfaction with these time frames and the order of importance between different time frames

Personal motivation

Performance measurement and compensation

Performance measurement systems, both formal and informal, their motivational impact and their time frame

Compensation systems, both formal and informal, their motivational impact and their time frame

Relations towards stakeholders

Stakeholders' time frames and the time frames they support the interviewee towards, for each stakeholder group listed below (go through one by one):

- company owners / investors
- the board
- analysts
- competitors
- the media
- other relevant stakeholders (outside the company)
- other relevant individuals (inside the company)

Conclusion

The impact of company governance structure on time frame at work, especially listed and non-listed status

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Figures:

Figure 1. Present-, future, and past-based time rationalities. Arrows depict the consecutive mental and verbal emphases by respondents. Quotes are analytical quotes illustrating empirical rationalities.

Tables:

Table 1. Ownership structure of the Listed Group (as of 31st of December, 2008)

The time orientation of share price

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Aalto University
School of Economics

Abstract

Purpose – The study examines the in-depth grounds for the dual temporality of share price, long-term oriented or myopic, discussed in previous literature.

Design/methodology/approach – The study employs a social constructivist approach and incorporates the sociology of time in the analysis of case data focused on a listed company. Data drawn from outsider commentators provides additional focus.

Findings – Listed company executives construct share price as long-term oriented through three processes: linguistic, practical functional and elevated functional. However, time is constructed by these executives through a present-based rationality, with effective and efficient present actions assumed to form the basis of successful future. Outside commentators indicate two myopia-related risks in this rationality: (1) presently pressing issues are not deliberated upon in a wider framework of long-term plans, and (2) it is not possible to let go of the present and focus only on the future, free from present concerns. Share price temporality is constructed by executives as instrumental through processes that are tied to the present-based rationality with its associated myopic tendencies.

Research limitations/implications – Perceptions of other constituencies, such as investors, academics, and policy makers, on the time orientation of share price, constitute a subject for future studies.

Practical implications – The study provides guidance on avoiding myopia in the design of control systems that are tied to share price.

Originality/value – The study contributes to the performance measurement and corporate governance literatures by analysing, for the first time, share price from the viewpoint of executives themselves, in addition to the views of outsider commentators. Moreover, an original in-depth analysis of both groups' perspectives is carried out.

Keywords – Share price, time orientation, myopia, social construction

Paper type - Research paper

1 Introduction

Performance measurement in a publicly quoted company is often based on share price, among other potential measures (Fink, 2004; Core *et al.*, 2002; Hall and Liebman, 1998). Previous literature has raised concerns that several features of the financial markets would drive executives in publicly quoted companies towards myopia (see e.g. Jensen *et al.*, 2004; Ezzamel *et al.*, 2008; Aglietta and Rebérioux, 2005)[1]. Share price has been

implied to function in two conflicting ways regarding this financial market myopia. Firstly it has been suggested to be a form of reassurance against this myopia (see e.g. Puffer and Weintrop, 1991; Brickley *et al.*, 1985). Secondly, and conversely, it has also been claimed to form an illustration of a twisted short-term value concept, in other words, to amplify myopia (Espeland and Hirsch, 1990; Rappaport, 2005).

The two types of links between share price and time orientation, referred to above, have usually been based on the conceptualisations of corporate outsiders, such as critical researchers, not on the perceptions of insiders, the executives themselves. Relying on Latour's (1987) notion of actor reflectivity, on social constructivism (Berger and Luckmann, 1966; Gendron and Bédard, 2006) and on the sociology of time (Emirbayer and Mische, 1998), this explorative paper analyses how executives construct the time orientation within share price, as well as the wider notion of time. It is acknowledged that executives' (both in listed and non-listed companies) mental models on time, so called time models, represent certain rationalities by which executives reason that their approach to time is optimal in the context they face. Potential structural or logical flaws tied to myopia within listed company executives' time-related mental model and rationality, in other words, the seeds of what outsiders would term myopic behaviour, are revealed and examined. The paper analyses the role of share price in constructing and reflecting this time-related mental model, its rationality and its myopic tendencies, in addition to the alleged power of reassurance of share price against myopia. The essay thus provides an in-depth explanation of the two conflicting views on share price previously offered, and a few concrete solutions to addressing potential share price-related myopia.

The paper contributes to the literature on the time orientation of share price (Puffer and Weintrop, 1991; Brickley *et al.*, 1985; Espeland and Hirsch, 1990; Rappaport, 2005) by providing significant groundwork for solving the paradox of whether share price is long-term oriented or a myopic measure. The contribution is achieved by using the sociology of time (see Emirbayer and Mische, 1998) in order to relate the notion of time to the concepts of actor temporality and myopia. The paper follows the lead of Gendron and Bédard (2006) by acknowledging actor reflectivity (Latour, 1987; Giddens, 1990) within the corporate governance literature. The paper also answers the call by Brennan and Solomon (2008) for more interpretative research in corporate governance.

This paper focuses on one publicly quoted Finnish company, herein called Company A. This company claims to be deeply committed to shareholder value and, consequently, uses share price extensively in its executive compensation schemes. Due to its connection to the financial markets, the company can be vulnerable to the potential myopia of these markets (see e.g. Ezzamel *et al.*, 2008), and public concerns have been raised against the company and its potential for myopia. In this regard it forms an extreme case in Finland and therefore a worthy case for examination. The data was gathered via interviews of executives and board members in this company as well as through the collection of archival data. In addition to this data gathered within the company itself, perceptions by outsiders, such as analysts and journalists that follow the company and representatives of three non-listed competitors have been gathered and analysed.

The empirical analysis shows that the publicly quoted company executives construct share price as long-term oriented through three processes: linguistic, practical functional, and elevated functional processes. This division, although emerging from the empirical data, partly relies on Searle (1995), who confirms that linguistics and functionality assist in accounting for or constructing social reality. Time is constructed by publicly quoted company executives predominantly through the present-based rationality, in which present efficient and effective actions are rationalised as a basis that leads to future success; the future being conceived somewhat ambiguously. Outsider commentators point to two sources of myopia within this rationality. First, the application of the rationality involves a continuous iterative deliberation process that is cognitively challenging, and a failure in its implementation results in a lack of acknowledgement of the vital future implications of given present concerns, in other words, myopia. Second, the ability to use creative imagination of the future and to momentarily free oneself from present concerns is not encouraged within this rationality. Outsiders contrast the present-based rationality with one that is future-based whereby the future is planned first and present actions are constructed as subsequent steps from the future plans. This future-based rationality is claimed, by outsiders, to be able to circumvent the risks outlined above. Share price both reflects and constitutes the dominant present-based rationality with its two myopia-related risks. Therefore, the current paper challenges the assumption about the protectively anti-myopic nature of share price.

The paper is structured as follows. In the following section the theoretical underpinnings of the empirical work are presented. The method employed is thereafter described. The paper then describes how the share-based compensation systems in Company A are constructed as long-term through three categories of processes. Subsequently, the two perspectives, that of outsider commentators, and that of insiders (executives), are contrasted and it is shown how share price is interpenetrated by the present-based rationality and myopia. The final section presents conclusions.

2 Theoretical underpinnings

2.1 Social constructivism and actor reflectivity

The study relies on the assumption the reality is socially constructed (Berger and Luckmann, 1966; Gendron and Bédard, 2006; Stein, 2008; Searle, 1995). In line with the social constructivist position, the study claims that understanding of a complex notion, such as time, can be increased if this notion is studied as being constructed in its own, complex and multifaceted, context.

The study answers the call made by Gendron and Bédard (2006, p. 212), according to whom “actors’ reflectivity especially is a neglected theme in corporate governance literature”. The paper contends that the perceptions of focal actors assist in making sense on the existence of a given temporality within a specific company or a given performance measure (see Latour, 1987; Gendron and Bédard, 2006). This is because these actors are involved in the processes of constructing meanings on time and those measures. Actor

reflectivity is therefore tied to the construction of social reality of actors (Gendron and Bédard, 2006; Schutz, 1972). In addition, Giddens (1990) emphasises the importance of actor reflectivity; for Giddens it represents an actor's capability to continually analyse and even alter social practices when novel information about those same practices emerges. Actor reflectivity regarding the features of time and performance measures is fully appreciated when the socially constructed character of time and these measures is acknowledged.

2.2 The time orientation within shareholder value and share price

Traditionally, myopia has been defined as a focus on business matters that increase current period performance while, simultaneously, cause potential harm to the long-term effectiveness of the focal company (Van der Stede, 2000). Myopia has usually been perceived as a negative phenomenon, although there are also views according to which it could be conceptualised as positive (van Rinsum and Hartmann, 2007). Myopia, or short time orientation, can be necessary in some situations when otherwise there could be no long term. This can be the case, for example, when a company has to appear as reliable to its major stakeholders, or during a critical strategic change (Merchant and Manzoni, 1989, p. 552; van Rinsum and Hartmann, 2007). However, the notion of myopia usually has a negative connotation and if the positive consequences of this concept are underlined, it is usually called "potential to react" or "speed" rather than "myopia".

The shareholder value approach or ideology has diffused extensively especially in the Western hemisphere during recent years (Lazonick and O'Sullivan, 2000; Ding *et al.*, 2008). Within this approach, the creation of value to shareholders is perceived to be the foremost objective of management, and assumed to lead to the greater good of society in which the "invisible hand" described by Adam Smith guides actors to an equilibrium where all stakeholders eventually are claimed to benefit (Jensen, 2001; Friedman, 1970; Smith, 1776). However, this approach is not without its drawbacks: it has recently been extensively criticised by several authors, especially regarding its inherent myopic tendencies (see e.g. Ezzamel *et al.*, 2008; Lazonick and O'Sullivan, 2000; Jensen *et al.*, 2004; Aglietta and Rebérioux, 2005).

Myopia within the financial markets has been explained in a multitude of ways (see e.g. Graham *et al.*, 2005; Rappaport, 2005; Jensen *et al.*, 2004). Jensen *et al.* (2004) warn that when the equity of companies becomes overvalued compared to the underlying real value of the company, executives perceive that they have to hide this real value since a reduction in company value would seriously adversely affect both their compensation and personal careers. These measures to hide the real value tend to destroy any real value remaining, resulting in short-sighted share price maximisation. Graham *et al.* (2005) indicate that company executives are willing to destroy real long-term value in order to provide smooth earnings that reach the forecasts of analysts functioning in the financial markets. Moreover, Lazonick and O'Sullivan (2000) claim that the recently dominant financially oriented "downsize and distribute" ideology is unsustainable in the long run, resulting in the destruction of value. Ezzamel *et al.* (2008) and Aglietta and Rebérioux (2005) claim that the shareholder value approach legitimates the status quo within society

and bypasses the necessary links between economy and democracy, resulting in a short-term approach. Ding *et al.* (2008) draw attention to the issue that diffused shareholders possess limited visibility over the future of publicly quoted companies and are therefore necessarily focused on the short-term share price and earnings performance of these companies. Finally, shareholder value-related myopia can be tied to the more general tendency of present work life to represent itself as hectic and short-term oriented (see e.g. Hardy, 2008).

Attempts to construct myopia with reference to the views of outsiders, researchers and other critics, can, however, be complemented with other types of studies. Reductions in investments can appear myopic to outsiders. But, it is demanding even for an insider to divide projects to those that solely consume organisational resources, and to those that eventually create long-term value. Sufficiently large quantitative data sets can be used to provide indications of myopia, counting out random occurrences (Graham *et al.*, 2005). However, understanding of the findings of studies based on large data sets is enhanced by studies that incorporate contextual aspects of the practices and techniques behind the observed parameters (Hopwood, 2002).

Share price is a popular basis for executive compensation in publicly quoted companies (Fink, 2004; Core *et al.*, 2002; Hall and Liebman, 1998). The share price is firmly tied into a shareholder value oriented company's core. In the literature, share price has been perceived in two conflicting ways. It has been seen for several decades as a forward-looking measure that is capable of incorporating all available information about the future of a company (Puffer and Weintrop, 1991; Brickley *et al.*, 1985; Fisher, 1965). This incorporation of information is achieved because share price and company value are traditionally conceptualised as a calculation whereby all future cash flows of a company are discounted to the present (Brealey and Myers, 2003). Share price has also been perceived as a long-term measure because it has been claimed to be tied to performance measurement schemes which account for consistent performance in the long term (Puffer and Weintrop, 1991; Brickley *et al.*, 1985). These schemes are typically organised so that executives are given shares that they have to retain for an extended period of time or so that these executives are only given shares or cash after share price performance has been favourable for an extended period of time.

On the other hand, share price has been perceived as a symbol of a twisted value system, reinforcing the short-term oriented financial model of the firm (Espeland and Hirsch, 1990). In this model, the firm is assumed to consist of a bundle of assets that have to be put to their best use in such a way that financial markets appreciate this use and the share price is raised. An industrial logic whereby new long-term value is created is left in the background. Rappaport (2005) has indicated that share price does not encourage thinking towards the long term if executives generally believe that it is formed based on short-term information generated by analysts.

2.3 The social nature of performance measurement and compensation[2]

Accounting and performance measures both reflect and constitute the society surrounding them (see Hopwood, 1985; Burchell *et al.*, 1985; Hines, 1988; Macintosh *et al.*, 2000). Share price, in particular, is used within publicly quoted shareholder value oriented companies as an objectified base for compensation. The processes of construction of the time orientation within the share price can, however, forcefully reflect, construct or counter the prevalent time rationality due to the powerful influence of this core measure, as further elucidated below.

In the literature, accounting and performance measures and concepts have been demonstrated to reflect the overtones inherent in the rest of society. The shareholder value discourse and other conceptualisations of shareholders have affected goodwill accounting (Ding *et al.*, 2008). Mouck (2004) has indicated that certain accounting concepts do not have an objective and real basis for their existence. They focus on serving selected functions, such as acting as indicators of (shareholder) wealth. Burchell *et al.* (1985) demonstrate that value added accounting has been given meanings derived from the constellation surrounding this practice, meanings whose connection with the actual empirical referent is not very strong. Finally, Macintosh *et al.* (2000) indicate that accounting concepts do not have to refer to an underlying reality. Instead, they can circulate in a hyperreality. The studies outlined above form testimony of the proposition that performance measures such as share price can be employed with considerable emphasis on their linguistic element[3].

“Objectified” measurement and compensation systems are not only socially constructed but they also exhibit a certain potential to constitute the very context in which they operate (Berger and Luckmann, 1966; Hines, 1988; Burchell *et al.*, 1985; Chua, 1995). Accounting can assist in the construction of actors as governable and manageable entities (Miller and O’Leary, 1987), the construction of a company as a financial rather than as a productive entity (Espeland and Hirsch, 1990), and the construction of a certain view of operations of a company, that of the “commercial” view (Ezzamel *et al.*, 2004). These outcomes form testimony to the issue that performance measurement systems tied to compensation do possess an ability to constitute entities external to the specific measurement domain, entities such as time.

2.4 The sociology of time

In the study of the sociology of time, the notion of time has been analysed either as linear-quantitative (clock-time) or cyclic-qualitative (social time) (Hassard, 1999, 1990). The first tradition perceives time as linear and subject to objective measurement. Clear boundaries between the past, the present, and the future are acknowledged (see e.g. Medlin, 2004). The second tradition acknowledges that time can be viewed as socially constructed and subjective meanings can be attached to it (Hassard, 1999; Landes, 1983). For example, in this tradition, Zerubavel (1985) has underlined how the determination of the length of the work week is a result of complex ethnocentric processes rather than some objective and given phenomenon underlying the whole of humanity in a similar

way. Even the development of standardised time zones has formed a process where multiple actors and interests have, often unexpectedly, contributed to the situation we experience today (Zerubavel, 1982).

The current study follows the cyclic-qualitative tradition. It takes a social constructivist approach and recognises inseparable linkages between the present and the future (Jaques, 1982). The study draws on Emirbayer and Mische (1998) because that seminal article interlinks the construct of time, actor reflectivity and actor temporality within the cyclic-qualitative tradition. Emirbayer and Mische (1998) recognise that actors can simultaneously live in the past, the present, and the future by altering their agential focus accordingly.

Emirbayer and Mische (1998) analytically divide agency into three component elements. These elements, the three chords of agency, they label; iterational (the past), practical-evaluative (the present) and projective (the future). The practical-evaluative and projective components are the focus in this study because they allow for the most reasoned categorization of the data gathered.

The iterational element sustains stability in institutions and identities, focusing on the use of past actions and thoughts within routinised practically oriented actions. Past lessons are activated for the use in current circumstances in the company, for example by reference to company past or routines within the company. The practical-evaluative element refers to the practical judgments of actors, who continuously respond to emerging situations in their environment. The emphasis within this element lies in actions and contemplations of the present, such as pressing concerns in the financial markets. The projective component refers to the imaginative creation of possibilities for future action. It acknowledges that existing structures can be changed depending on the hopes, fears, and desires of the actors. Within projectivity, the dominant tone is that of imagination and innovation – the ability to release the present for a moment in order to ponder the future without a direct link toward the future from the present. Planning provides the possibility for achieving projectivity at a company level. A tone that most clearly emphasises this quality of projectivity is that of symbolic recomposition whereby alternative means-end sequences can flexibly and innovatively spin out. The practical-evaluative element is connected to the element of projectivity by the tone of deliberation, which involves considering present choices against the backdrop of wider possibilities located in the future. In addition to the tones of deliberation and symbolic recomposition, Emirbayer and Mische present several other tones. The two tones focused on here were chosen because they most clearly underlined the issues that emerged from the empirical data.

3 Method

As described earlier, this paper uses a social constructivist approach to understanding the construction of time in general and time orientation within a performance measure. The focus is a single case company operating in the financial services industry, and termed Company A. It is a publicly quoted company, and therefore embraces the ideal of

shareholder value. The paper relies on empirical evidence gathered through semi-structured interviews and archival data. In addition to executives and board members of Company A, analysts and journalists that follow Company A and representatives of competitors of the company were interviewed in order to include outsider views from the wider group enveloping this company. A list of interviewees and archival data sources is reproduced in Appendix A.

Most of the interviews took place during 2007, with some additional interviews in 2008. In total 28 individuals (seven executives in Company A, two board members of Company A, two journalists, two analysts, and 15 representatives from competitor firms) were interviewed. The researcher was granted access to the majority of executives in Company A, which increases confidence in the findings. The interviews varied in length between 30 and 105 minutes, and all interviews were carried out by the researcher. The interviews were semi-structured in order that respondents would be allowed to freely talk and express themselves with their own meaning constructs (Rubin and Rubin, 1995; Gendron and Bédard, 2006). With the exception of one telephone interview, the interviews were face-to-face meetings. All participants were assured of confidentiality. A standard commentary on the confidentiality was provided at the commencement of the interview (Gendron and Bédard, 2006). With the participants' permission, all interviews were recorded. They were later fully transcribed.

Company A executives were selected as subjects of study due to the primary position that share price-related measurement holds in the company, and the associated unrelenting focus executives claim to possess towards the shareholder value approach. In addition, Company A and its operations have frequently sparked much public interest in Finland, especially related to the potential myopia and other phenomena tied to the financial markets. Board members were chosen to participate in order to complement and triangulate the data gathered from executives. Board members also possess a lot of knowledge on the focal company and are in a primary position to comment on its activities. Furthermore, it is the board members who have approved share-based compensation in the focal company. Journalists were selected as a participant group because they most closely represent a public view on notions such as myopia. According to Goffman (1986, p. 14), the public understanding of the world precedes any stories printed in the press, determining which stories journalists select as interesting and how the ones selected are told and understood. Therefore, data from journalists' interviews represent clarifying depictions that celebrate the public beliefs about the world, and in this case, about the concept of myopia. Analysts were selected in order to represent outsider interests because they carefully follow the business of Company A and have informed opinions about the company. The executives in the competing firms were chosen because they possess intimate views on the workings of Company A, as well as views on the connection between these workings and myopia. They were able to compare their own companies with Company A, thereby shedding additional light on the discourse about Company A.

As in any interview study, it is possible that the executives in the focal company stated certain issues simply to provide a polished picture to an outsider. However, the issues

stated were very consistent across executives and therefore this risk is not material. Observation was considered as a means to complement interview data and to avoid this risk. However, time-related issues are usually confined to the minds of actors and thus cannot be directly observed, thereby rendering this method redundant.

In order to triangulate and corroborate interview data and to widen the empirical sphere of the study, archival data was also used (Vaivio, 2008; Yin, 2003). The archival data consists of manuals for executive compensation, case company annual reports, and other material relevant to executive performance measurement and compensation gathered from Company A website. In addition, press coverage about the company was gathered in order to complement the outsiders' views.

Qualitative researchers should caution against theoretical foreclosure in their findings (Glaser and Strauss, 1967). For this reason the study was initiated with a relatively broad objective that was later narrowed down as empirical evidence accumulated and directed the endeavour (Glaser and Strauss, 1967). The initial, wider objective was to increase understanding on the constructs of time orientation, performance measures and compensation schemes of executives, and on the manner by which these constructs relate to each other (Gendron and Bédard, 2006). Following the first executive interviews additional interview data from outsiders was deemed to contribute to the study, and this data was subsequently gathered.

Data analysis was carried out as follows. Analysis of interview data was commenced as soon as the early interviews were completed. Special attention was given to time and share price-related issues. It was soon observed that share price was constructed solely as long-term in the case company, and the specific processes of this construction were then detected. Moreover, it was noted that similar notes related to the present-based rationality tended to reappear several times within Company A, whereas other notes, relating to a form of rationality contrary to the present-based rationality were observed solely in the interviews by outsiders. The data were used in a theoretically informed manner, so that this data were able to contribute to existing theory (Ahrens and Chapman, 2006). In the analysis, the researcher focused on drawing out certain underlying tensions evidenced by the data (Vaivio, 2008; Ahrens and Dent, 1998).

Some features of Company A

Company A is a publicly quoted company operating in the Finnish financial services industry. As indicated earlier, its representatives proudly promote the issue that the company takes shareholder value as an extremely dominant guiding force. The company has a holding company whose executives are the principal focus of this study, and two operating divisions, one of them accounting for about 61% of company revenue and another for about 39% of this revenue.

Following the trend of the whole industry, the performance of Company A has been relatively stable in recent preceding years. As measured by profitability, the company is one of the top performers in its industry. Its return on equity had been above 20% during

the two years before the study. The operating revenue of the company at the time of the study was over € 2.2 billion and it employed over 6800 people. A fact that comes under closer scrutiny later on is that a large percentage of the executives held a finance-related educational background.

Most of the shareholders of Company A were institutional investors, with 14% ownership by the Finnish State. The ownership of the Finnish state had been heavily decreasing during recent years, due to a change in the ownership policy of the state. The interviews indicate that this decrease in ownership has encouraged the respondents to increase their emphasis on institutional and foreign investors' needs since the executives have had to find owners for the shares sold by the state. The Chief Executive Officer (CEO) owned about 2% of all shares, a substantial ownership for one individual.

Within the sphere of Finnish business community, Company A has often been seen as a model company for its shareholder value approach - a model for better and for worse. It has been accused of exposure to myopia, but simultaneously it has exhibited a steady financial performance as measured by its share price. These features make it an interesting subject of study.

4 Construction of long time orientation within share price

4.1 Compensation based on share price

Within Company A, there were a few share-based systems in use. They were termed "long-term incentive systems" and a "share-based incentive system". Both systems originated in prior years and were still running. A summary of these systems follows.

Within the "long-term incentive system", payments were made under the term performance-related bonus. The executives had to purchase company shares with 20% of the bonus received. Executives were required to hold the shares for a minimum of two years. The amount of the payment was determined based on so called calculated bonus units. For example, relating to 2008, one bonus unit was calculated as the average price of a share during 10 days in autumn 2008, minus a predetermined price at the beginning of 2007. Any payments would be made in full, partly, or not at all depending on given thresholds of the margin of the larger business unit within the company.

In the "share-based incentive system", 50% of the compensation was made based on the share price and 50% based on the margin of the major business and/or ROE (return on equity) of the whole company[4]. The payment was made in shares, and executives were required to hold at least 40% of these shares for a minimum of two years. In principle, the board could also decide that the payments could be made in cash, but in that case the executives were required to use 40% of that cash to buy shares.

In practice, executives strongly associated both compensation plans with the share price. This was because of the historical connection between share price and the return measures in this company, and the label of the plan as "long-term". Executives typically

did not make a separation between the two plans, and for that reason within the study they are analysed as one plan. Although the plans permitted the sale of shares after a predetermined time, executives claimed to take pride in that they had not sold shares in the past and claimed that they did not have intentions to sell in the future.

It is worth noting that during the period preceding the interviews, due to the continuous rise in the company share price, executives had earned substantial amounts of money from these share-based plans. For example, in 2005, there had been three Company A executives among the 10 highest earning persons in Finland, two earning more than two million euro in salaries, bonuses and (mostly) options payments.

4.2 Long time orientation constructed within the share price

The purpose of this section is to detail the three forms of processes by which the company executives constructed share price as a long-term oriented measure.

The linguistic process

The analysis suggests that executives in Company A constructed share price and systems related to it inherently long-term due to the name attached to the systems: “long-term incentive systems”. The respondents did not desire to initiate an argument against this label. Share price was seen as a purely and inherently long-term measure of success, as the following quote indicates.

The most important thing is the long-term thing that we get the share price up, that's how we make money, salary is only used for consumption, it's what is used to buy presents for the children, used for going to the summer cottage etc. But it is clearly secondary; it's the way to buy food for the table. In other words, long-term success is the most important, in business and in personal life (Executive, Company A).

The executives strongly felt that the share price had an inherent long-term component within it. They tended to claim that share-based compensation was a necessary part of an incentive package due to this component. The long-term orientation of share price was often referred to as “more important” than the short-term and contrasted with the short term orientation of annual bonus plans, for example. Through these comparisons, executives made sense of the long-term orientation of share price. A natural base of comparison stems from the educational background of executives. Within this finance-related education, share price has often been contrasted with annual earnings and found to be more long-term oriented than earnings.

Executives also constructed share price through its technical features by referring to the time to expiration of the share-based compensation systems. As indicated earlier, several systems were built with an inherent assumption that the exact monetary benefit could be determined only after a certain period of time. Even after receiving the compensation, executives were required to hold company shares for years. Executives emphasised the length until the “time to maturity” of the incentive plan, as the following quote describes:

I think the best compensation system is that the incentives of executives are tied to share price... and then I think it is reasonable that at least with a part, a large part, of that compensation, the executive is required to buy shares and keep them for a certain time period. I think that is the correct compensation system, because there you necessarily get a length of 4-5 years, and I think that is a reasonable executive time horizon. Some 10 years is too long, we do not know how the world will be at that time, a year or two is too short, because then we are exposed to market disturbance and trade cycles (Executive, Company A).

Within dominant discounted cash flow valuation models, a company share price is formed as the sum of all the future information about the company (Fisher, 1965). For that reason, even without the potential to make comparisons – in a hypothetical situation where all compensation is based on share price – share price could potentially be considered an inherently long-term measure (see e.g. Rappaport, 2005). The financial background of the company executives forms a testimony of the potential significant influence of the valuation models employed in finance-related education. Their emphasis on the “time to maturity” also reflects the valuation models. Naturally, traditional valuation models do not typically embody adjustments for issues such as the past prejudices of investors and the present mental state of financial market participants, which also form a large part of any stock valuation (Rappaport, 2005).

In addition to the linguistic construction process of long time to expiration, the long time to expiration had functional elements through which the share price was also constructed as long-term oriented. These functional elements are next discussed.

The practical functional processes

Executives perceived several practical functional processes within the time orientation of share price. Through these processes, the share price essentially assisted the executives in the varying day-to-day business of the company, especially within the sphere of human resource management. The processes indicated by the interviewees were those of commitment/retention, recruitment, and, to a certain extent, motivation. These processes are termed here practical functional processes because within these processes the long time orientation within share price was assigned a function whose value for company management was clearly and unambiguously perceived and described by executives.

One of the processes through which share price was constructed as long-term was related to the issue of the measure assisting executives in their *commitment* to the organization. In addition to the issue of commitment from executive personal viewpoint, the executives also raised this issue from the perspective of the company and thereby called it the *retention* of key executives. Executive commitment was constructed by the respondents as the willingness of the executives to stay in a position for a certain, extended period of time. Retention was perceived by executives as the capability of the company to retain its key executives for a certain, and again extended, time period. Retention was seen as the logical consequence of executive commitment.

Commitment was often expressed in monetary terms: executives constructed commitment in terms of the money they expected if they stayed in their current position for a predetermined period of time. One executive talked about this in quite precise time-related terms:

Currently... we receive [Company A] shares, that we have to retain..., there is a clear financial commitment there. For example, I know that the first tranche of the share-based incentive plan has been, with the current share price development, clearly in the money... If I decided to leave due to my own reasons... I am already automatically retained here, due to that first tranche, until December next year. Financially I would make an expensive decision if I left [before that December] (Executive, Company A).

Executives also constructed the meaning of commitment as a feature originating from the values and culture of the company. They wanted to commit to the company, not purely because of the money they were expecting from compensation systems, but because the overall culture of the company emphasised the long term, share price and shareholder value. They thus recognised that their compensation system was not merely tied to monetary compensation. One executive recollected an episode from an earlier period in the company when achievements had been rewarded by methods other than money. He strongly criticised that period and its associated culture and expressed a strong commitment to the current culture.

Executives also constructed the long time orientation within the share price through *motivation* – they expressed a view that share price as a measure motivates them for the longer term. When a large part of their compensation only arrives after years, they reasoned that they were motivated by this long-term element to make sacrifices in the short term to achieve these substantial benefits accruing later on. As one executive noted, the compensation plan does motivate for the time period for which it has been constructed. Another executive stated that he was willing to work long hours each day in order to achieve something material in the longer term. However, he also admitted that it was not merely the material reward he was expecting that motivated him to work those long hours, but rather the culture that encouraged hard work and long time orientation. He was motivated by “doing the right thing”, as described below.

The fact that we are faster here and work slightly longer days, and are naturally compensated for that, it does not mean that, for example, from the point of view of the customer, who is the other powerhouse here in addition to the shareholder, that if we bring a product to the market faster than our competitors, which is good for the customer, that it would somehow make us more short-term oriented. I think the interests of owners and customers have to meet and they can meet (Executive, Company A).

However, respondents consistently stated that commitment and retention were much more important consequences of share price-related compensation than motivation. Executives claimed that it was demanding to be motivated towards achieving a goal set into a very distant future because, due to the rapidly changing operating environment, it was difficult to picture events so far in the future. In contrast, the amount of money expected after a certain time horizon was a much clearer factor in increasing their

commitment. The rules of that game were unambiguous for them: if they committed, they would receive the cash; if they failed to commit and left the company, they would not receive anything. In practice, it seemed that motivation did not effectively mediate between share price and long time horizon. For example, one executive explained that share price actually motivated the executives to work hard at present. The respondent assumed that executives were willing to work hard in order to achieve successful performance in the future, but the link between present work and future success was not explicitly elaborated upon by the respondent.

Executives also tended to mention one additional practical functional process for the long time orientation: that of *recruitment*. They perceived two functions for the long time orientation within the share price-related to recruitment: firstly, that of recruiting the most talented employees, which was in the long-term interest of the company, and secondly, that of recruiting employees capable of thinking about the long-term along the lines of the prevailing rationality within the company.

Respondents perceived that share price as a compensation base enabled a more successful recruitment of new executive talent, and that it therefore served as a medium for long-term success. Prospective employees who were attracted by share-based compensation were perceived as a highly qualified genre of employees and, as such, could not have been so effectively persuaded to work for the company if no share-based compensation was offered. It was thought such prospective employees would thus prefer a similar publicly quoted company with share-based compensation. The human resource manager particularly emphasised the importance of successful recruitment of the very top talent since this talent was becoming increasingly knowledgeable of its own value and expected to be paid based on contribution.

The long time orientation inherent in the share price was also perceived through the ability to recruit employees with the capability to take actions that, although perhaps difficult in the short term, would be seen as superior in the future. The human resource manager emphasised the importance of recruiting top executives who are, by nature, long-term oriented. Several executives emphasised a certain degree of courage of being prepared to make difficult and hard decisions now, knowing that they will lead to an improved state in the future. Executives claimed that outsiders such as analysts and other outsiders were not and could not be allowed to be a factor in their own decision processes. Respondents felt that executives had to possess the ability to make decisions against the possible short-term recommendations of these outsiders. Executives desired to recruit talented executives with opinions such as those described above.

The elevated functional process

The interviews further showed that executives also highly valued another type of functional process inherent within the share price. This process was not immediately helpful to the human resource management or any other sphere of company management. Rather, the process was often described in ambiguous, often moral terms. It is therefore termed here as the elevated functional process. The character of the construction of the

long time orientation by this process within the share price was twofold. The time orientation was firstly constructed as the mechanism by which the interests of owners and executives were merged, and secondly as the long-term beneficial impacts of this merger for the economy and society.

One executive termed the reliance on share price and the explicit consideration of the interests of the owners a moral imperative. It was generally acknowledged that the merger of executive and owner interests was essentially an opportunity to promote owner interests in the longer term. Executives perceived themselves as working in an "unselfish" manner toward the benefit of the owners who would thus receive the bulk of the fortunes thereby generated. This finding echoes that reported by Roberts et al. (2006) whereby selected executives conceived fund manager meetings partly in terms of the obligation of the executives to further the interests of owners.

Several executives emphasised the importance of particularly long-term (shareholder) value creation. One executive felt that having a long-term share-based compensation system in place urged executives to see it as their moral obligation to raise the share price, as the following quote illustrates.

You can see very concretely, if you have a reasonably structured long-term incentive plan, it does [this]: People begin to follow the share price, it becomes very important for them, [they begin thinking that] you are not allowed to do things that destroy the share price, and you have to do things that increase it (Executive, Company A).

Many executives claimed a commitment to an inner drive to work for the benefit of the economy and society, imposing meaning to their work with this form of rationalisation. The long time orientation within the share price was constructed as contributing to the ability to perform for the benefit of society in the long term and to follow the moral mandate associated with an executive position. Interviewees acknowledged that it would be immoral and even criminal to aim at increasing value only in the short term. This is supported by the following quote.

I put ethics and morality in first place, however, in a way that I also get money. However, you cannot make choices so that money would go ahead of ethics and morality; I've seen it quite close in [another company where I worked earlier] (Executive, Company A).

According to the analysis, although the practical functionality refers to processes whose meanings were immediately and unambiguously described by executives as part of the management of the company, the elevated functionality refers to processes that exhibited larger ambiguity. However, simultaneously, the elevated functionality was assigned a greater priority by the executives than the practical functionality. The practical functionality, with its functions by which the elevated functionality was to be achieved, was subordinated to the elevated functionality that provided executives with answers to the profound questions on the deeper meaning of executive work.

Motivation for the processes

The processes presented above have been divided based on how they appeared in the empirical data. However, a justification for the basis of this division also appears in Searle's (1995) text, in which he accounts for social reality. Searle discusses the power of linguistics in constructing reality. Each socially constituted phenomenon requires linguistic elements of the facts within that phenomenon. Language contains symbolic devices like words that represent something beyond themselves, and it is these devices that are consequential for the constitution of institutional facts. The symbolising features and any intentional capabilities derived from these features are, in fact, derived from human intentionality within the process of using the language.

According to Searle, the assignment of functions is an essential building block in accounting for social reality. Functions are not intrinsic to a physical phenomenon but are assigned by outsiders – conscious and reflective actors exhibiting value systems through which these functions are socially constructed. In the current study, functional processes have been divided into practical and elevated functional processes, based on the empirical data.

5 Construction of myopia within share price

5.1 Time constructs by insiders

This section discusses how insiders, the executives in Company A, constructed time. In the following section (5.2), this time construct is compared with the constructs of outsiders who comment on Company A and compare their own ways of thinking and operations to those of Company A.

Executives in the company forcefully argued that they were not behaving or thinking myopically. They believed that the fact that the company was listed made it more long-term oriented than if it was not so listed. This was because the financial markets set requirements that continuously drove company executives towards efficiency and effectiveness. They did not have time to focus on what they felt to be unnecessary issues. Instead, they were forced to concentrate on issues vital to the company at present. Without this focus, induced by the financial markets, the executives would not have been able to function as effectively and efficiently, their actions would have been less than optimal, and this would result in less success in the long term.

The executives felt that “doing the right things right now” efficiently and effectively was of the utmost importance to their work. They thus relied heavily on the practical-evaluative component described by Emirbayer and Mische (1998). They also demonstrated this approach with examples. An executive referred to how his unit had, several years previously, resorted to a “quick-and-dirty” reporting-related solution due to uncertainty in the company, and that his unit was still using that solution. He claimed he was relieved that they had not initiated a large, SAS or SAP project instead of the “quick-and-dirty” solution because he estimated these kinds of projects usually generate a lot of

problems and consume a considerable amount of money. Fast reactions to the environment are also demonstrated as the key to the company's success in the following quote:

It is the environment that shapes our action and direction; we have told everybody that we do not possess a strategy. We are very opportunistic, and react to the environment (Executive, Company A).

Several respondents felt that they were not provided a "peace to plan", a possibility or even a necessity to prepare or plan for the future in their work. For example, one executive explained how his work life had become very hectic especially due to quarterly reporting. Respondents claimed that they perceived a pressing urgency derived from the requirements of the financial markets: the need to continuously respond to financial market participants. The following quote from an executive illustrates the lack of the necessity for planning.

[In my own life and work] I do not plan a lot what I will do. [In my work] I have to have the capabilities for reacting. No such thing exists as a 'five-year-plan' in investing, that belongs to some other [form of economy] than the market economy, you cannot plan investments in that way. Every day is new, there are always new situations (Executive, Company A).

The manager took the situation for granted. He felt that it was inevitable and that he could not do anything but adjust. Another executive admitted that work life would clearly be easier for executives without quarterly reporting. On the other hand, this respondent stated that the advantages of quarterly reporting, above all the greater transparency associated with it, outweighed the personal costs to the executives themselves. Overall, executives did not feel that the urgency and continuous stress would be an especially negative issue for them. They felt that this urgency, the reporting requirements and the associated transparency were needed for the functioning of the financial markets. The quote below illustrates this.

You usually see if things begin to go really wrong... During half a year in the balance sheets of insurance companies, for example, major issues can happen On the assets side, if we consider the period 2001-2002, when the stock market was going down hard, for those who had a lot of investments in stocks, there were fierce changes in their assets and solvency situations, even within one quarter. Not to even mention those who only publicised the half-a-year figure (Executive, Company A).

Several executives expressed a strong dislike for visualising the future with abstract plans not connected with present concerns. Shareholder value was seen as an enduring target in itself, and respondents felt that it did not necessarily require great plans in order to support itself. They claimed that the preparation of any grand or detailed plans was counterproductive in their operating environment: a concern for these plans and their implementation would consume the time necessary for reacting to present, emergent opportunities. One executive claimed that executives that work in companies that have performed poorly in the past tend to attempt to hide their poor performance by claiming that they are "farsighted". This respondent felt that executives in poorly performing

companies typically said that they do not have to care about such “worldly” issues as current period performance, and that they prefer instead to concentrate on the important issue of visualising the future. In general, Company A executives felt that this approach had nothing to do with real long-term performance. For example, one executive explained that it is necessary to work hard every day and to be successful in the short term in order to reach real success in the long term. He claimed that initial bad performance and a subsequent improvement in performance had nothing to do with a long-term approach. He underlined that it was vital to perform wise actions continuously, both in the short term and subsequently, by implication, in the long term as well. Finally, an executive encapsulated the claims elaborated on by many executives as follows.

I believe it is a cheap way of defending yourself to say that these things are done with a long time horizon, so that the short horizon does not matter, when you, in actual fact, just do not want to present issues transparently and clearly... Even regarding those things you are building on a long time horizon, you can talk about those things, that there is nothing new to report right now (Executive, Company A).

The idea about the importance of being effective and smart in the present in order to succeed in the future also found understanding within the board. For example, one board member acknowledged that the short term forms a basis for the long term, as the following quote indicates.

Sustainable long-term performance and success is based on the issue that in the short term, affairs develop in the right direction (Board member, Company A).

Those respondents who were in closer contact with operations usually referred to a longer time horizon than those exclusively working for the holding company whose most extensive contacts were with the financial markets. For example, an executive with contact with the business stated that he possessed a time horizon of ten years, a horizon to which the holding company executives barely referred. Similarly, another executive who had previously worked in the company with contact with the business, stated:

For example the change of company culture is a task that takes years, and then it is good if you have an owner who supports that change. If your owner is a private equity company or, like in [Company A], the headquarters of [Company A], perhaps then the time horizon was not as long as I would have hoped for. Sometimes I felt a contradiction there in my work. ... There was no hundred percent commitment to the issue of whether the business is for sale or not within a few years... You manage a company in a very different way if you maximise a profit with a two-to-three-year horizon or with a ten year horizon. If you maximise it from a ten year horizon perspective, you should invest in Russia, for example, but if you maximise it from a private equity perspective, then you should absolutely not begin extending your operations to Russia, because in that case you usually begin receiving cash flow [from those operations] only after about five years (Former executive, Company A).

Several years previously, Company A had divested its ownership in one of its major businesses and bought back full ownership of this business unit relatively soon after the sale. Taken together, in retrospect the actions could have appeared to outsiders as self-

contradictory. Related to these actions, executives complained that they had often been misunderstood by outsiders, for example by analysts and other financial market participants. Executives felt that their actions, even if appearing self-contradictory, had been implemented in order to seize present opportunities. As indicated by executives, only recently had financial market participants understood that the company strength rested in creating value by fast reactions to emergent opportunities.

Several executives felt that all the self-contradictory actions had been rational at the exact time when they had been executed. A board member also echoed the views of the executives by claiming that the contradictory actions had been reasonable and rational: they had been implemented in order to increase profits by taking advantage of opportunities open at the time.

Company A had recently sold its ownership in one other major business unit. This sale was also rationalised with the measures of profit and value by the executives. Visions of the business unit as a continuing part of company operations had been cast aside when an opportunity arose.

Respondents appeared to follow present-based rationality, a way of thinking whereby it is assumed that as long as present concerns are managed in the most effective and efficient manner possible, a successful future will materialise almost automatically, and long-term plans are not always necessary for this success. Executives made sense of their own status as the subjects of financial markets by promoting this present-based rationality as the most far-sighted rationality available.

5.2 Time constructs by outsiders

The aim of this section is to provide an in-depth analysis on how outsiders construct the myopia potentially found in Company A and its related risks. It commences by describing the arguments that outsiders present in order to show that Company A is myopic, and underlining the assumptions, related to the importance of the future and planning, that underlie these myopia-related arguments by outsiders. It then proceeds to explain, based on these assumptions, how outsiders appear to perceive that time should be constructed in order to avoid myopia. Finally, it relies on empirical data to explore the myopia-related risks outsiders perceive in relying on the prevalent constructs in Company A rather than following the time constructs they themselves advocate.

Outsiders relate multiple grounds for claims that Company A could be myopic. Journalists often referred to the difference between the time horizon of “a quarter of a century” common to non-listed companies and that of “a quarter of a year” typically associated with publicly quoted companies such as Company A. Journalists attributed this difference in time horizons to differences in ownership, and argued that executives in publicly quoted companies were often obliged to shorten their time horizon due to the pressures of the financial markets. Moreover, press coverage about Company A typically referred to the surprisingly high operational efficiency of the company’s subsidiaries and the “investing game” played by its holding company.

Analysts considered executives in Company A to be myopic due to the contacts between executives of the company and representatives of the financial markets and the potential myopia of these markets related to quarterly reporting. Analysts noted that because the holding company was an investment house with minimal concerns for the continuity of the business, executives within this holding company were potentially drawn by the influences of the financial markets more “opportunistically” than executives in a company with an attachment to a specific business in the long term. Moreover, analysts indicated that the company had reorganised itself several times during recent years, resulting in uncertainty among its employees. Related to this, analysts perceived that the tendency of Company A to perform fast, and potentially self-contradictory, moves was a manifestation of myopia. The sale of the major business unit, referred to earlier, was also constructed as myopic by analysts because the major contribution of this move was to increase the share price “here and now”.

Competitor Alpha is a cooperative in which about one third of customers are owners, although it also includes a publicly quoted company within it, over half of which is owned by the cooperative (see Appendix B for a quantitative comparison of Competitor Alpha and the rest of the companies in the study). An Alpha executive claimed that pressures from analysts and quarterly reporting requirements might induce myopia in publicly quoted companies with controlling investors other than a cooperative. One representative of Alpha recollected difficulties by Company A employees who had struggled to serve their customers because the company executives switched their interests between customer groups unexpectedly and myopically. The following quote illustrates this issue.

Yes, we have received an advantage in the way that if sometimes the CEO [of Company A] says that we [Company A] are not at all interested in corporate customers, and...in the following year he says, that no, we are anyhow now interested in [corporate customers], but then he says that we are interested in ... savings, corporate customers do not interest us.... Well, then of course it helps us [Competitor Alpha].In Company A they did this, they changed their strategies many times. And corporate customers responded to it (Executive, Competitor Alpha).

Competitor Beta is a coalition of independent savings banks and central organisations, the most influential of which is called the Association (see Appendix B). The Company does not have formal owners, and its assets have been accumulated during years of operation. Several Beta representatives felt that parts of Company A were always for sale, and they contrasted this with their own company in which this was never the case. One representative of Beta recalled a similar phenomenon as the Alpha representative had described above: Because the executives of Company A had provided bold and possibly arrogant statements about certain customers groups, some of the members of these groups had switched to Beta. Moreover, another representative of Beta said that there are more short-term employment contracts in publicly quoted companies than in non-listed companies, claiming this to be a manifestation of myopia.

Competitor Gamma is a mutual company in the financial services industry; it is thus fully owned by its customers (see Appendix B). In a manner similar to the representatives of Beta, representatives of Gamma also stressed that Company A was myopic because any of its parts could be for sale; for example, one respondent referred to its “harvesting” mentality. One Gamma representative mentioned a greater speed of reaction in Company A than in Gamma.

Overall, outsider concern about myopia was often formulated by reference to the lack of care for the future and associated with this the lack of long-term planning. More specifically, multiple respondents at Competitors Alpha, Beta and Gamma referred to a rationality by which they reasoned that it would be important to first make far-reaching and visionary plans and only thereafter design current actions in accordance with these plans.

A respondent at Alpha presented the targets of his own unit, stating that they had several targets; the strategic goals were set far into the future (their exact time of implementation was not even specified), and more short-term targets were derived from these goals. Several respondents at Beta said that they focused on their future plans first and then derived the short-term targets and optimal present actions from these plans. One respondent at Beta indicated that he first made a strategic choice that was located on a long-term development path, and then linked this path to present actions. Another respondent at Beta perceived that optimally long-term targets should be transformed into concrete actions at present and in the short term.

Respondents at Gamma also described that they had strategic goals extending three years into the future. Their annual targets were then relatively strictly derived from these goals. These respondents heavily emphasised the importance of plans. Moreover, one of the Gamma representatives said that since their ownership was always consistent, they could make long-term plans. The future of the ownership of Company A was perceived by him as always unclear, making the personnel there worry about the future.

For us, it is easier to plan for the future, because ... ownership is so clear. No such changes [as in Company A] can occur within our ownership, and it enables us to be far-sighted (Board member, Competitor Gamma).

The discourse outlined above, with its continual emphasis on the future, extended time horizon and plans, favours Emirbayer and Mische’s (1998) projective element. This discourse represents a future-based rationality, with the future forming the baseline and the present constructing a mere, albeit vital, extension of the future. Interviewees expressed a favourable attitude towards the notion “peace to plan”. Implicit in this idea is the issue that these future plans, made thoroughly and carefully in peace, would optimally be translated into wise actions in the present.

Outsiders conceptualised two vital components of the future-based rationality that are not present in the present-based rationality favoured by the executives. The first and most obvious of these referred to the issue that the future would be first conceptualised and only then the present would be constructed. This would ensure that the present actions

were always seen in a wider framework where their future implications had also been analysed. These issues were often discussed by talking about continuity and sustainability. For example, one journalist perceived non-listed companies to be more long-term oriented because their business model contains an assumption about continuity, whereas parts of a publicly quoted business are always for sale if the price is right. With regard to sustainability, a representative of Beta also stressed that listed companies in general, and Company A in particular, tended to rely on one-sided advertising and other campaigns.

They go forward with only one type of campaign, until they have reached their targets or they notice that this is not a good way of doing things or not topical any more, and then they invent something else... We [Competitor Beta] aim, for example in pricing towards sustainability... If you have certain price-related campaigns, [those campaigns] gather customers who make their decisions based on price. And when that campaign has been implemented, slowly those customer relations are again dissolved. Those customer relations develop again, following some other offer, in other locale. And I think that it is myopic, because in the short term the campaign has perhaps generated a certain amount of customers and volume, but in the long term it maybe does not implement the original idea. On the contrary, we try to derive sustainability of customer relationships from qualitative factors and trust rather than from a basis on one factor only, for example price or some technological feature in a given product (Bank managing director, Competitor Beta).

As a second component, it appeared that the future-based rationality required a “leap into the unknown”. This was indicated as follows. One of the journalists referred to a tendency for short-term, stock market-related pressures to encourage fast innovation gimmickry at the expense of longer-term, structural innovations with the potential for in-depth changes in the focal company’s business. One journalist also referred to the more extensive “degrees of freedom” in the reporting and actions by non-listed companies, compared to their listed counterparts. Journalists explained how executives in cooperatives and mutual companies possessed true choices regarding their time horizon. Finally, one representative of Competitor Alpha described the approach he had taken on freeing himself from the present, concerning a unit of Alpha:

I begun this work in 1998, and in 1999 our market share... was $x\%$. And then we set the target that we grow it at half a percentage point annually in the near future, but then, in 1999,... we also set a strategic goal of $[three\ times\ x]\%$. You can guess that when I told this to the personnel and others, that now it is $x\%$... but over there, in the far, the goal is $[three\ times\ x]\%$, they said that we cannot go there, it’s impossible. Of course, the development after that has been such that, well, every year we have increased our market share, sometimes less, sometimes more, and now we are at $[2.7\ times\ x]\%$, and nobody has, any longer, for a long time questioned [that three times x goal], there has been only talk about what would be the speed with which it would be reached (Executive, Competitor Alpha).

The above commentaries refer to a tendency to free oneself from the chains of the present and to see the future with imagination. The “leap into the unknown” temporally preceded the first component, in the sense that in order to gain most from future-based rationality,

this courageous “leap” should first be made, after that visions and plans based on the “leap” should be identified, and finally present actions should be formulated according to the plans. It is slightly paradoxical that the first type of commentary underlines the need to connect the present to the future, and the second the need to disconnect the present and the future from each other so that the future can be seen in isolation with its full potential.

5.3 Seeds of myopia

This section discusses the seeds of myopia in the present-based rationality as perceived by outsiders. The analysis in section 5.1 suggests that the respondents within Company A rationalised that they were not myopic. This rationalisation was made with an emphasis on Emirbayer and Mische’s (1998) practical-evaluative element, following the present-based rationality construct. Consistent with this rationality, actors assumed that optimal actions at present eventually lead to benefits in the future and therefore tended to prioritise their present practical judgments in order to reach a successful future. They also perceived that the future was so deeply entangled within their daily affairs that it was difficult to separate the two. Imagination did not present itself as the creative visualisation of the future; rather, imagination was employed in the present in order to react in the most beneficial form to sudden opportunities. This approach meant functioning in a “quick-and-dirty” mode, whereby speed was the essence.

In section 5.2 a different type of rationality, a future-based rationality — based on the concept of projectivity — is presented. Within the future-based rationality, it is assumed that the preparation of extensive plans safeguards actors from myopia. When present actions are based on these future plans, these present actions are necessarily long-term oriented, the most optimal and effective. Imagination takes the form of creating imaginative future scenarios and plans about the desired state of a focal company after an extended period of time. This form of reasoning resembles models presented in the normative business literature where the advice has typically been to formulate plans and budgets and subsequently to implement these plans and budgets (Ansoff, 1987; Mason, 1986). This was the type of rationality that outsiders of Company A appeared to long for in their commentary about the company. Since the company was not functioning according to this rationality, outsiders were inclined to view it as myopic. Moreover, the notion of “peace to plan” is related to the future-based rationality. Figure 1 presents the distinction between the present-based rationality and the future-based rationality.

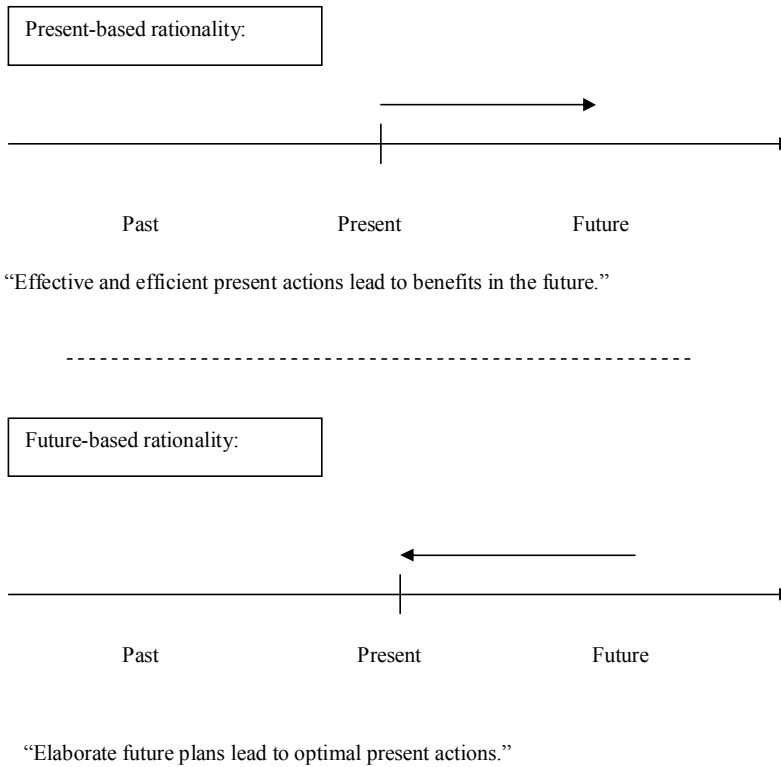


Figure 1. Present-based and future-based rationalities. Quotes are analytical quotes that represent empirically observed rationalities.

The concept of the present-based rationality relates to the notion of action rationality put forward by Brunsson (1982). Within action rationality, decisions are made so that action is enabled after the decision has, formally or informally, been made. The concept of decision rationality described by Brunsson (1982) is related to the notion of the future-based rationality. This decision rationality assumes that it is important to make decisions with care; action after the decisions is not prioritised. The present-based rationality also reflects emergent strategies (Mintzberg and Waters, 1985). These strategies are not necessarily planned; instead, they emerge from the organisation as a result of challenges in the operating environment. The future-based rationality, on the other hand, relates to deliberate strategies (Mintzberg and Waters, 1985) that are based on thorough planning.

The analysis has concentrated on the differences between the present-based and the future-based rationalities because along these two rationality types a rhetorical clash between the discourse used by executives and their critics can be identified. Any past-

based rationality relating to the notion of iterativeness (Emirbayer and Mische, 1998) cannot, within the data gathered, be used to draw out the most striking distinctions between the two types of rhetoric. Representatives of both sides of the argument can employ an excessive emphasis on the past, or inertia, within their own discourse against the other party. Inertia can manifest itself in multiple forms, and it is therefore an easy target for this kind of rhetoric (Van der Steen, 2009).

There are potential sources of myopia in the discourse of Company A executives, as indicated by the empirical data gathered from outsiders and by the theoretical insights provided by Emirbayer and Mische (1998). Within the practical-evaluative element related to the present, Emirbayer and Mische (1998) include the tone of deliberation, whereby responses to situational contingencies are set into the wider context of the future. The first potential seed of myopia relates to the implementation of this tone of deliberation. Outsiders referred to this issue when they discussed the necessary connection between the future and the present, whereby future plans are initially prepared and present actions should then be based on the plans.

When using the present-based rationality, enhanced cognitive capabilities are needed in order to distinguish between relevant actions to which future implications should be firmly connected, and irrelevant actions so mundane that they do not require future implications attached to them. As can be appreciated, attaching the future to every action at present is an unnecessarily elaborate task. However, the line between the mundane and the vital is not clear-cut. Decision-making between these requires the use of intuition within several extremely capable thought processes running in parallel – forming a recipe for errors. Moreover, the iterative processing as outlined by the executives requires a continuously alert consciousness about the future implications of each relevant action performed. As noted by Searle (2002), these intrinsically intentional thought processes are not automatic but have to be developed through experience; trial and, of course, error.

The errors occurring within the selection of tasks, and the failure to maintain the continuously alert consciousness about the future, result in myopia. Therefore, unless the present-based rationality is executed to its full potential by actors with superior cognitive capabilities, the use of this rationality is tied to myopia. Although Company A executives could be described as cognitively capable and experienced, their actions were not, naturally, without errors. As for errors, for example, their construction of long time orientation failed to accommodate the difficulties faced by their subordinates when the executives quickly switched their focuses (see the earlier quote from representative of Competitor Alpha). Could these difficulties be in the long-term interests of the company? It is conceivable that executives were not alert to these specific problems, and therefore failed to consider them to be of importance in the long term, although it is highly probable that these issues can potentially form a source of sustained problems regarding, for example, subordinate motivation.

Even if the present-based rationality is executed to its fullest potential, a second weakness within the rationality is present. Projectivity, as described by Emirbayer and Mische (1998), contains at its core the tone of symbolic recomposition, leading to temporal

projective imagination; the ability to analyse the future innovatively without immediate ties to the present. This specific form of temporal imagination is missing from the present-based rationality, since it, by definition, takes the present as its starting point. The “leap into the unknown” arguments related by outsiders support this lack of symbolic recomposition and the inability to disconnect any future plans from the present reality.

Executives within Company A did exhibit significant imagination within their manoeuvres. They were able to perform unexpected moves and free themselves from the chains of the past. However, due to the lack of projective imagination within the present-based rationality, it was difficult for the executives to detach themselves from the present and see the future with imagination. They considered the use of this temporal imagination a futile exercise and admitted the lack of interest in (possibly very costly) long-term development plans, instead preferring to maintain efficiency. This was shown, for example, in the statement of one of the executives of Company A regarding how the company had implemented a simple “quick-and-dirty” solution rather than a major structural project.

5.4 Interpenetration of the time rationality and share price

A counterforce to the present-based rationality would indicate that temporal imagination could potentially be employed after all. Share price could serve as this kind of counterforce due to its constructed long time orientation. Conversely, the coupling of share price with the present-based rationality would provide corroborating evidence for the pervasiveness of this rationality. It is also conceivable that executives in Company A implicitly acknowledge the importance of future-based rationality, but they do not see it as beneficial in their present situation. If they are ready to switch their emphasis towards another type of rationality, such as future-based rationality, as context changes, there should be memory traces of this other type of rationality in the organization. Share price could be a place where to look for these traces, since it is constructed as long-term.

Accounting research has traditionally argued that measures and compensation systems possess the capacity to both reflect and constitute selected features of wider society (see Hopwood, 1985; Burchell *et al.*, 1985). First, it is shown below how the dominant present-based rationality in Company A is reflected in the long time orientation within share price. Second, it is demonstrated how share price can constitute the rationality within the company.

The functional processes of construction highlight the instrumentality of the long time orientation within share price. This long time orientation is thereby constructed as a process towards a certain end. Specifically, the practically oriented functional process furnishes executives with means to, by the functionality inherent in the share price in the present, affect the future in relatively predetermined and controlled ways. The elevated functionality also provides means to affect the future, albeit in more uncontrolled and ambiguous ways. These forms of instrumentality are reflections of the present-based rationality: share price and its long time orientation, as employed in the present, is perceived by actors as instrumental in achieving optimal performance in the future.

The term “long time orientation” would, superficially, imply a powerful connection with the future-based rationality. However, the functional processes of the long time orientation within share price do not predominantly reflect the future-based rationality. This rationality implies a concern for the initial priority of the future with derivations of it seen in the present, whereas the functionality within the share price emphasises present judgments as the obligatory passage towards desired future states.

A question can be posed of whether all measures are, in fact, functional in that they all serve selected functions. For example, one-year earnings can be conceptualised as serving the function of motivating executives towards maximising earnings in one year. However, measures such as one-year earnings also possess other dimensions. They force planning and thinking ahead for one year. Share price, in its pure form, does not force planning, although, for competent managers, it does not exclude it either.

The linguistic process of construction is almost an obligatory one: language, regardless of context, constructs institutional reality in ways that humans are not necessarily conscious of (Searle, 1995). This social constructive element of language is not necessarily related to the present-based rationality. It potentially extends towards the future-based rationality by emphasising the long term, in other words, the future. However, the potential connection to the future-based rationality through the linguistic process deludes the superficial observer: this connection is limited since the linguistic process is not as concretely experienced by executives in company business as the practical functional processes, and the linguistic process is not similarly vital in moral terms to executives as the elevated functional process. In addition, because the symbolising features of language are essentially derived from human intentionality within the process of using the language (Searle, 1995, p. 61), human intentionality, and the instrumentality within it as observed in this case, still underlies the superficially objectified features of language. Therefore, the present-based rationality tends to dominate the future-based rationality, without any clear counterforce gained from the linguistic process.

Performance measures are by no means purely reflective instruments: they also constitute reality for actors (Hopwood, 1985; Burchell *et al.*, 1985; Macintosh *et al.*, 2000). In the following, the question of how an apparently and innocently “objective” performance measure can assist in constituting the present-based rationality is illuminated.

The way in which the time orientation within share price is constructed holds in its core the assumption that there is an inherent functionality within the long time orientation. The function of the “long-term” compensation system based on the “long-term” measure is constituted either as a practical, a human resources-related function enhancing the performance of the company, or as an elevated function contributing to the perceived well-being of society. Thus, the function of the long time orientation at present is constituted as the production of a favourable end result in the future, achieved by present actions. This instrumentalism can incrementally constitute the present-based rationality. Any possible creativity implicit in the release of the present in favour of the future is

depicted as limitedly legitimate under the constitutive capabilities of an influential measure and compensation base.

It is possible that planning was not perceived to be important by Company A executives because of share price. Executives constructed share price as “automatically” long-term oriented. It is suggested that this construction relieved them from pressures to prepare future plans; they potentially felt that because share price took care of the future, it was not that vital for them to plan. They had potentially “outsourced” part of their planning to analysts and other outsiders. Therefore, the linguistic process can contribute to the present-based rationality instead of forming a future-based opposition to it. The linguistics creates an illusion about share price being future-oriented, an illusion that is used to underline, in practice, the present-based rationality.

The analysis now proceeds to investigate share price and its connection with two tones described by Emirbayer and Mische (1998) and introduced in the theoretical section of this essay; symbolic recomposition and deliberation. There is no explicit connection with symbolic recomposition, the product of a real projective imagination and the core of the future-based rationality, and the long time orientation within share price (Emirbayer and Mische, 1998). Projection is designated only to reflective thought, not an ongoing action (Schutz, 1972). In contrast, the long time orientation within share price implies limited reflectivity devoid of concerns of the present. The present is not momentarily forgotten for the sake of the future; rather, the future can easily be forgotten since share price is, in any event, perceived as “automatically” long-term oriented. Planning free from present concerns is not perceived as an absolutely core activity.

Moreover, the tone of deliberation by which present concerns are set into the framework of the future is not perceived as vital. This is again because detailed planning, an activity capable of connecting the present and the future, is not highly appreciated. In actors’ minds, there may not even be a clear wider framework to which present concerns could be related. Actors feel that if they relate their day-to-day concerns to share price, an “automatically” long-term oriented measure, these concerns are set into a wider future-related framework. Similarly, actors can easily perceive that they can separate the mundane tasks from the tasks considered more important for the future by reference to the share price reaction to tasks; mundane tasks would thus be assumed as those to which the share price does not react, and important tasks those to which the share price has a potential reaction. However, these perceptions can be illusions if share price does not materially incorporate actors’ own concrete visions on the future. If share price truly reflects the future, these perceptions need not always be illusions; however, in any event, any blind belief by actors on the infallibility of share price in forecasting the future is unjustified, because, for example, these actors possess inside information compared to the financial market participants whose trading effectively determines the share price level.

For the reasons stated above, the long time orientation discourse only superficially touches the projective chord and does not penetrate into its core. “Peace to plan” is neither admitted to actors nor required by them. Naturally, the above claims merely concern the long time orientation within share price; the existence of other processes and

systems that encourage symbolic recomposition and deliberation is not denied. However, if the prevalent rationality of the long time orientation discourse is legitimated as grounded in the present, the execution and employment of any systems based on the future is very challenging. In certain circumstances, adding other measures that encourage planning to the control package, such as measures of earnings, might, however, provide a necessary balance.

The discussion above places share price into a frame of reference of the differences in time rationality between insiders and outsiders. This approach in the analysis of share price, and the conclusions thereby reached, can be justified by the empirical data. For example, in the following quote offered by one of the outsider commentators, a representative of a competitor directly claims that share price does not support the future-based rationality.

I have experiences in previous jobs where I have worked in listed companies. According to those experiences, [share price] is not a good measure in any case, because share prices are influenced by so many more issues than the company's most salient targets. For example, share prices do not [take into account] that, when a company sets long-term goals and works for them, [management] does not maximise a short term result, but, instead, looks further. On the contrary, share prices are measured daily (Bank managing director, Competitor Beta).

Outsiders were also directly asked how they constructed the time orientation within share price. However, these responses did not appear as theoretically interesting as the manner in which these outsiders constructed time, and the way in which share price was set into this time construct. Several outsider commentators simply either cited share price as inherently short-term or explained that the issue of time orientation of share price is such a context-dependent phenomenon that it is impossible to determine this time orientation without the exact knowledge and first-hand experience of the specific compensation program tied to share price. The outsiders did not possess this kind of experience, since they were not working for Company A.

It might have been possible to divide outsider rhetoric on share price to linguistic and elevated functional processes. However, these processes would have mostly reflected competitors' rhetoric about shareholder value oriented companies and how non-listed companies are, in the opinion of non-listed company executives, better than publicly quoted companies. It would not have left space for a discussion of wider relevance on the time orientation of share price. In addition, a practical functional process would have been missing, since time orientation within share price would hardly assist non-listed company executives in running their own company.

6 Conclusions

The findings of the study are concisely presented below. These findings assist in explaining the twofold arguments by accounting researchers: share price has been acknowledged potentially as a short-term (Rappaport, 2005; Espeland and Hirsch, 1990) or a long-term measure (Puffer and Weintrop, 1991; Brickley *et al.*, 1985). The current

study has shed light on these views by restructuring the concept of myopia. The executives within publicly quoted Company A construct the long-term in the share price by three processes: linguistic, practical functional, and elevated functional. Simultaneously, however, they draw on the present-based rationality that contains at least two sources of myopia. First, the continuous iterative process implied by the skilful use of present-based rationality is cognitively challenging to implement, and failure within this implementation appears to outsiders as myopia. In this event, presently vital issues are not deliberated enough in the light of important long-term concerns. Second, within the present-based rationality it is impossible to be released from the chains of the present and to employ symbolic recomposition to its fullest potential. Analysis of the data shows that in Company A, the processes of construction of the long time orientation within the share price simultaneously reflect and constitute the prevalent present-based rationality with its strengths and weaknesses. Therefore, according to the analysis, share price is incapable of reversing the weaknesses of the rationality.

Thus, at a company level, the commentaries on the long time orientation of the share price refer to the three categories of processes executives use to construct the time orientation of share price as long. Simultaneously, the comments of critics on the myopic nature of share price refer to the connection of share price to the present-based rationality. The twisted quality of share price is revealed: even the linguistic elements of share price are made to serve the present-based rationality in the following way. If an “automatically long-term” measure such as share price already exists, executives who are measured by that measure do not experience a pressing need to follow a future-based rationality and plan for the future; after all, they possess a measure that is always “long-term”. As a result they may be tempted to omit planning altogether.

The corporate governance of publicly quoted companies has traditionally been built on the assumption that share price serves the function of making executives long-term oriented (see Fisher, 1965; Puffer and Weintrop, 1991; Brickley *et al.*, 1985). Additional light has been shed on these systems by the study, which has followed the path demarcated by Stein (2008) in acknowledging the complications and uncertainties tied to corporate governance-related phenomena. The long time orientation within share price is only superficially grounded in the future-based rationality and, instead, firmly grounded in the present-based rationality that, according to outsiders, exhibits myopia-related weaknesses. The meaning of the long time orientation actually attached to share price appears to differ from that intended by the corporate governance system initiators. The study can be seen to have critically addressed some of the calls made by G-20 country leaders who, in their summit in April 2009, declared that they would like to see performance measurement and compensation to be clearly consistent with the timing of risks of companies and with sustainability. Share price does not always seem to be as sustainable as these leaders hope it to be. Similarly, with regard to the financial services sector, and in response to the G-20 communiqué, the report 09/15 by the Financial Services Authority in the United Kingdom demands compensation forms that are tied to risk-adjusted profit, measured, for example, as economic profit, instead of more traditional annual earnings. However, this economic profit lies close to the financial markets and any present-based form of myopia originating from this source. The study

has provided groundwork for policy makers concerning the two types of risks that share price and other shareholder value oriented measures can expose publicly quoted companies to; risks that may or may not materialise, but which should be guarded against.

A manner in which these risks can be addressed is by requiring concrete plans from companies. A part of these plans can be designed so that they are tied to the present competitive situation and indicate the links between the present concerns of the focal company and its long-term plans. Another part of these plans, clearly distinguishable from the first, could be implemented so that they include views about the future that are imagined separately from the present. However, a practical problem arises, because the existence of these kinds of plans has traditionally only been the sphere of company executives and classified from many others, especially outsiders to the company. If a regulatory agency obtains these kinds of plans, this agency is therefore required to follow the principles of absolute secrecy. In any event, this arrangement would require the finding of a balance between the need to keep business secrets and the need to combat myopia.

In previous research, claims have been raised that publicly quoted companies are myopic by nature due to their emphasis on shareholder value (see e.g. Ezzamel *et al.*, 2008; Ding *et al.*, 2008; Aglietta and Rebérioux, 2005; Jensen *et al.*, 2004). The future-based rationality and the notion of “peace to plan” associated with it are subordinated to the present-based rationality in Company A. The two subcomponents of myopia form a resistant basis for myopia-related criticism towards publicly quoted company executives. However, executives perceive themselves as wise in the long term. The study has thus reconciled two viewpoints: the accusations made towards publicly quoted company executives and the issue that financial market participants and executives themselves do not necessarily feel that they are overly myopic.

Graham *et al.* (2005) found that a certain amount of earnings management was ongoing in listed companies; listed company executives preferred stable earnings to variable ones, and the attainment of analysts’ earnings forecasts was perceived to be important. The outsiders in the current study, however, did not state these kinds of accusations concerning Company A. It is possible that the quantity of CEO’s stock holdings was so sizable that outsiders felt that the CEO would not compromise the future of the company by any devious deeds associated with earnings management. In addition, the performance record of the company had been so sustainable that outsiders possibly felt that it would have been impossible to hold it for a long period with deceit.

Some of the myopia-related confusion found in the literature comes about because of a confusing terminology traditionally used. This study has helped alleviate this problem. The use of the term “time orientation” implies that the direction, in time, towards which an actor orients herself, matters. However, every action, as such, is devoid of meaning apart from the project defining it (Schutz, 1972, p. 63). Therefore, every action contains an orientation towards the future (*ibid.*, p. 57). This study has challenged whether the basis, from which this time “orientation” originates, should not also matter: the

suggestion that executives follow a present-based rationality seems to offer plausible explanations for their actions.

Future research is needed to investigate the time orientation within share price from the point of view of other actors besides executives. Here, actors such as analysts, other financial market representatives, investors, university teachers, policy makers, and the general public can all offer important views. Another research path could investigate the origins of the long time orientation within share price, as constructed by actors. This issue is necessarily beyond the present study, as a deeper probing of the reasons for this construction would need an extensive analysis of the backgrounds of executives and their hidden systems of meaning based on their life experiences. Future research could also examine, for example, the exact manner in which outsiders and executives construct the share price of a company, not only its temporal components. Finally, a prominent question remains: with the layoffs, restructurings, stress levels, and other unfavourable issues for the individual resulting from value creation, do the abovementioned alignment of executive and owner interests and the existence of the present-based rationality within shareholder value oriented companies lead to the best result for society, as executives perceive? Answering this question would constitute an important, albeit an extremely complex research agenda.

Notes

1. These features of the financial markets include the preference for smooth short-term earnings at the expense of investments that truly increase long-term value (Graham *et al.*, 2005), analyst obsession with short-term earnings performance level (Rappaport, 2005), the existence of diffused shareholders possessing limited visibility and thereby an exaggerated interest on the short-term financial performance of a focal company (Ding *et al.*, 2008), a financial view of companies as consisting of mere collections of assets (Espeland and Hirsch, 1990), and an excessive focus on overvalued equity resulting in non-value-adding activities in the long term - as in Enron (Jensen *et al.*, 2004).
2. The author owes this concept to Ding *et al.* (2008). It is an adaptation of their term “the social nature of accounting”.
3. However, although the existence of a share price is an institutional fact and requires human institutions for its existence, judgments on share price are epistemically objective statements (Searle, 1995). Share price is collectively recognized as an empirical referent and it is therefore unquestionably part of the actor reality (Searle, 1995).
4. If an executive worked fully within the major business unit, most of the remaining 50% was based on the return of that business unit. In case an executive worked only partly or not at all within the major business, most of the remaining 50% was based on company ROE.

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Appendix A: Data sources

Interviews:

Company A, Head of Investor Relations	18.6.2007	1 hour 30 min
Company A, Group CFO	18.6.2007	1 hour 30 min
Company A, Chief Investment Officer	19.6.2007	35 min
Company A, Human Resources Manager	10.8.2007	1 hour
Company A, CEO of a business unit	21.8.2007	1 hour
Company A, Group CEO	29.8.2007	1 hour
Company A, Board member 1	31.10.2007	1 hour 30 min
Company A, Board member 2	25.2.2008	50 min
Company A, former subsidiary CEO	10.10.2008	30 min
Investment bank A, analyst	1.8.2007	1 hour
Investment bank B, analyst	21.8.2007	1 hour
Newspaper A, journalist	10.1.2008	1 hour 40 min
Newspaper B, journalist	16.1.2008	1 hour
Competitor Alpha, VP of a major subsidiary	30.11.2007	1 hour 45 min
Competitor Alpha, CEO	7.2.2008	53 min
Competitor Beta, Association Human Resources Manager	21.1.2008	1 hour 30 min
Competitor Beta, Managing director of Bank 1	3.3.2008	1 hour 40 min
Competitor Beta, Managing director of Bank 2	13.3.2008	52 min
Competitor Beta, Managing director of Bank 3 and Chairman of the Association board	7.4.2008	45 min
Competitor Beta, CEO of a subsidiary	16.5.2008	1 hour 30 min
Competitor Beta, Managing director of Bank 4	2.6.2008	1 hour
Competitor Gamma, Controller	18.10.2007	1 hour
Competitor Gamma, Board member, Director	18.2.2008	49 min
Competitor Gamma, Group CEO, Board chairman	19.2.2008	1 hour 5 min
Competitor Gamma, Board member, Director	26.2.2008	1 hour 30 min
Competitor Gamma, CEO of a business unit 1	4.3.2008	53 min
Competitor Gamma, Director, Finance and IT services	7.3.2008	1 hour
Competitor Gamma, CEO of a business unit 2	16.4.2008	1 hour

Archival data:

Information booklets “The stock-based long-term incentive scheme for the top executives of Company A”, years 2004, 2005 and 2006

Internet site of Company A: “The compensation system of top executives”

Internet site of Company A: Representation of financials

Articles in the financial press about Company A

Company A annual reports

Internet site of Competitor Alpha: Governance structure and representation of financials

Internet site of Competitor Beta: Governance structure and representation of financials

Internet site of Competitor Gamma: Governance structure and representation of financials

Finnish tax information for 2005, available at:
<http://www.aamulehti.fi/verot2005/SuomenTOP150.html>

Appendix B: Comparison between Company A and its competitors in the study

	Operating revenue	Number of employees
Company A	Over €2.2 billion	6 800
Competitor Alpha	Over €2.2 billion	12 400
Competitor Beta	Over €0.2 billion	1 200
Competitor Gamma	Over €2.8 billion	3 000

The figures were taken from the period of the study.

What is myopia, and how do organisational controls influence it?

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Abstract

The concept of myopia has been widely used in the literature, and has traditionally been based on the views of outsiders such as researchers, rather than those of actors themselves. Employing a social constructivist approach, prior sociological analysis on the temporality of agency, and in-depth case and interview data gathered from managers and board members within three companies in the financial services industry, this study clarifies the concept of myopia and the mechanisms by which myopia emerges. The study also offers solutions to the problem of myopia. Actors have constructed time models, outlined in the study, in order to bridge the gaps between the past, the present and the future. Within the past-based time model, it is assumed that past strengths of a company form the base of success now or in the future. In the present-based model, it is claimed that optimal present actions lead to benefits in the future. In the future-based model, it is assumed that elaborate future plans lead to optimal present actions. Myopia emerges when actors are excessively focussed on the time base within a given model. The study illustrates the interrelationships between each time model and organisational controls, indicating that both technocratic and socio-ideological controls [Alvesson, M., Kärreman, D., 2004. Interfaces of control. *Technocratic and socio-ideological control in a global management consultancy firm. Accounting, Organizations and Society* 29, 423-444] interact with time models. The controls studied are cultural controls (related to the past-based model), performance measurement with share price (related to the present-based model), and with cybernetic controls exemplified in the study by the Balanced Scorecard (related to the future-based model). The study shows that in combating myopia, no superior time model or organisational control exists, and balance between controls is desired; when using a single control, the myopic tendencies of that control are overemphasised.

Keywords: Myopia, organisational controls, social construction

1 Introduction

Time orientation and myopia have been widely explored in the literature in the context of innovation (Merchant, 1990), listed company myopia (Jensen et al., 2004; Ezzamel et al., 2008; Aglietta & Rebérioux, 2005), and performance measurement (Van der Stede, 2000). Myopia has typically been conceptualised as a focus on business matters that improve current period performance while, simultaneously, harm the long-term effectiveness of the company (Van der Stede, 2000). Causes of myopia have been found within stock market pressures (Jensen et al., 2004; Ezzamel et al., 2008; Aglietta & Rebérioux, 2005), inefficiencies resulting from not being listed (Ferrier & Porter, 1991), and rigid performance measurement systems (Van der Stede, 2000). The effects of myopia or an overly short time orientation, on the other hand, have been related, for example, to the potential lack of innovativeness (Merchant, 1990; Hitt et al., 1996).

The concepts of time orientation and myopia have traditionally been based on the viewpoints of outsiders, not on the constructs and perceptions of actors themselves. Relying on Latour (1987) and Giddens (1990) on actor reflectivity, and employing a social constructivist approach (Berger & Luckmann, 1966) and the sociology of time (Emirbayer & Mische, 1998), the study investigates actors' mental models regarding the concept of time. The paper contributes to the literature on myopia (e.g. Van der Stede, 2000; Aglietta & Rebérioux, 2005; Lazonick & O'Sullivan, 2000) by revealing formation mechanisms of myopia. In addition, the study contributes to the literature on organisational controls (Alvesson & Kärreman, 2004; Merchant & Van der Stede, 2007; Chenhall, 2003; Langfield-Smith, 2008) by offering control-related solutions to myopia. These solutions are based on technocratic and socio-ideological controls (Alvesson & Kärreman, 2004) and the way in which these controls relate to the time models of actors (Ding et al., 2008; Chua, 1995; Burchell et al., 1985). It is also acknowledged that, just to have predetermined controls in place is not enough; these controls have to be employed contextually and in balance.

The data consist of interview and archival data. The interview data were gathered by interviewing management and board members in three companies in the Finnish financial services industry. Top managers were chosen as subjects of the study, because, in their work, the difficulties of combining the pressures for present efficiency and effectiveness with the pressures for visioning the far future and for learning from past mistakes are accentuated. Board members were interviewed because they are the group that eventually decides on executive controls, in addition to facing similar time-related challenges as top management. The archival data were gathered inside case companies and predominantly focussed on their organisational controls.

It is demanding for an actor to simultaneously act in the present, plan for the future and keep in mind past mistakes and lessons learnt. The case data depict time models by which actors connect the past, the present and the future. In these models, the time base is the starting point of actor thinking, and time target is the time period towards which thinking is directed from the initial base. The study illustrates three types of time bases: on the past, on the present, and on the future. Within the past-based time model, it is claimed that either the history of a company or the rules and routines within that company are the bases of effective and efficient actions now (target in the present) or in the future (target in the future). In the present-based time model, it is assumed that effective and efficient present actions lead to benefits in the future. In the future-based time model, it is claimed that future plans lead to effective and efficient present actions. Myopia is redefined as a situation where time base is too restrictive, not freeing actors to reach towards the time target.

In addition, the study illustrates how both technocratic and socio-ideological controls (Alvesson & Kärreman, 2004) can be used to direct time models. In the study, socio-ideological controls in the form of corporate culture relate to the past-based model, technocratic controls such as performance measurement and compensation based on share price to the present-based model, and technocratic controls such as performance measurement and compensation based on the Balanced Scorecard to the future-based

model. The suggestion that share price would automatically lead towards long time orientation, as compared to accounting measures (Puffer & Weintrop, 1991; Brickley et al., 1985), is questioned. Drawing on one, “superior” control to combat myopia potentially leads to an overemphasis of the myopic properties of that specific control. In the case of share price, these myopic properties refer to those found in the present-based model.

The study is structured as follows. First, the theoretical underpinnings of the study are discussed. Thereafter, the method used in the study is described. Subsequently, empirical data on time model constructs are investigated and a synthesised model is built based on the data. Next, it is indicated, with the assistance of the empirical data, how controls can be related to each time model. The paper ends with a discussion and conclusions.

2 Theoretical underpinnings

2.1 The importance of actor reflectivity in constructing meanings

As explicated by Gendron and Bédard (2006, p. 212), “actors’ reflectivity especially is a neglected theme in corporate governance literature”. Drawing on Latour (1987), the current paper contends that, the perceptions of actors involved in the processes of meaning construction on time constitute a vital passage point to comprehend the existence of a given time orientation within a specific company or a given accounting instrument (see Gendron & Bédard, 2006). Actor reflectivity has been demonstrated to aid the constitution of the social reality of actors (Gendron & Bédard, 2006; Schutz, 1972). Moreover, Giddens (1990) emphasises the importance of actor reflectivity – the capability of actors to continuously examine and change their social practices in light of information about those same practices.

In line with the acknowledgement of the importance of actor reflectivity, the paper assumes that reality is socially constructed (Berger & Luckmann, 1966; Gendron & Bédard, 2006).⁷ According to the social constructivist position, a complex notion such as time can be comprehended more effectively if it is studied as constructed within its own context. Acknowledgement of the socially constructed character of time allows for actor reflectivity regarding that character to be fully appreciated.

2.2 Time orientation and myopia

The concepts of time orientation and myopia have been widely employed in the literature. Myopia (an overly short time orientation) has been conceptualised as a focus on business matters that improve present performance while, simultaneously, adversely affect the long-term effectiveness of the company (Van der Stede, 2000). In the context of innovation, it has been suggested that innovativeness requires “peace” and extended time orientation in order for it to flourish (Ryan, 2007; Merchant, 1990; Narayanan, 1985). An

⁷ The paper draws on Searle (1995) in subscribing to the proposition that there is a world completely independent of humans – the whole universe, of which humans form a part, is not seen as socially constructed.

excessive concern with present pressures has been found to stifle innovation (Hitt et al., 1996).

The specific concept of publicly quoted company myopia takes varying forms (see e.g. Lazonick & O'Sullivan, 2000; Ezzamel et al., 2008; Aglietta & Reberieux, 2005). Lazonick and O'Sullivan (2000) underline the lack of sustainability within the presently predominant financially oriented "downsize and distribute" ideology. They contrast this ideology with the industrial "retain and reinvest" approach within which it has earlier been possible to build sustainable economic wealth. In addition, Ezzamel et al. (2008) and Aglietta and Reberieux (2005) criticise the shareholder value approach employed by several listed companies: they claim that the emphasis of this ideology on the legitimacy of the status quo is short-term oriented. Moreover, Ding et al. (2008) contrast diffused shareholders that possess limited visibility over a focal company's future, with owners with high visibility: committed owner-managers and banks. Ding et al. (2008) point out that listed companies typically possess these diffused shareholders that are, due to their limited visibility, excessively focussed on the short-term performance of these companies.

In the previous literature, concerns have, on the other hand, also been raised regarding non-listed companies. Ferrier and Porter (1991) describe three types of inefficiency in co-operatives: technical inefficiency (e.g. high costs of control, benefits of principal monitoring effort being a public good), allocative inefficiency (e.g. optimal risk avoidance and ownership concentration being impossible), and scale inefficiency (excessively small scale of operations). Williamson (1985) has analysed how the democracy implied within co-operatives could hinder efficiency due to the problems it causes for internal hierarchy and strategic leadership (see also Núñez-Nickel & Moyano-Fuentes, 2004). Moreover, Hallsworth and Bell (2003) have raised doubts concerning the fragmented nature of certain co-operative forms. From these studies a question can be raised whether a governance structure potentially equipped with such inefficiencies can be optimal in the long term. Moreover, Ferrier and Porter (1991) express accusations regarding the short-termism of investments made by co-operatives: the return on investments is not calculated as eternal due to the truncated investment horizon of patrons.

Within the literature on management control, the existence of rigid control has been indicated as a potential source of managerial short-term orientation (Van der Stede, 2000; Merchant, 1990; Ittner et al., 2003), especially in the western hemisphere (Chow et al., 1996). Excessively rigid control can focus management solely on achieving short-term, rigid targets (Van der Stede, 2000). In addition, competitive strategy (differentiation versus cost leadership strategy; see Porter, 1980), and previous profitability potentially affect managerial time orientation (Van der Stede, 2000). Differentiation has been indicated to be long-term, demanding product development and visions on the future bases of differentiation unlike cost leadership, and losses have been perceived to necessitate a short-term focus in order to reach profitability and avoid bankruptcy (Van der Stede, 2000).

2.3 Time in sociology and the temporal components of agency

Traditionally, time orientation has been depicted as a time period that an actor is considering, implicitly assumed to stretch from the present towards the future. For example, Medlin (2004) suggests that actors are exclusively able to live in the present. As a contrary position, in a sociological analysis on the temporal components of agency, Emirbayer and Mische (1998) emphasise that agents, at a given point in time, live simultaneously in the past, the present and the future, and that only the agential emphasis changes as the agent moves between these states. These two perspectives can be reconciled by contending that Emirbayer and Mische emphasise the dynamic reflectivity of the actor's agential mindset, whereas Medlin is more concerned with the pragmatic actor situated in the material world within the passing flow of time. The dimensions described by Emirbayer and Mische concern the subjective realm, and the current paper follows the lead of Emirbayer and Mische in acknowledging actor subjectivity.

The differences between Medlin (2004), and Emirbayer and Mische (1998) also reflect the twofold meaning of time recognised in the study of the sociology of time; linear-quantitative (clock-time) and cyclic-qualitative (social time) (Hassard, 1999, 1990). Within the linear-quantitative tradition, time is perceived as linear, and borders between the past, the present, and the future are clearly drawn. The cyclic-qualitative tradition recognises that meanings of time can be socially constructed and subjective (Hassard, 1999), and that the past, the present and the future can be interlinked (Jaques, 1982). The current study follows the social time tradition in linking together the past, the present and the future.

The paper draws on Emirbayer and Mische's seminal article on the temporal components of agency, since this very effectively interlinks the constructs of time and actor temporality in a sociological framework. Emirbayer and Mische divide agency into three temporal components: iterational (the past), practical-evaluative (the present) and projective (the future). The iterational element is concerned with the reflective use of past actions, thoughts, and life histories, usually within routinised and rule-related practical actions. The focus of this element lies in sustaining stability and reproducing continuity through habits and the history. The practical-evaluative element refers to the practice-oriented and occasionally normative judgments by actors, who are required to continually respond to pressing current situations. The projective component refers to the generation of future action possibilities. Within projectivity, there is the potential for existing structures to be imaginatively changed depending on the future-oriented desires of actors.

2.4 Organisational controls

2.4.1 The social nature of controls⁸

Actor reflectivity is a vital prerequisite for the social construction of control metrics. Accounting research has traditionally explicitly acknowledged that accounting both

⁸ The author owes this concept to Ding et al. (2008), it being an adaptation of their term of the "social nature of accounting".

reflects and constitutes the society surrounding it – the society of which it forms a part (see Hopwood, 1985; Burchell et al., 1985; Macintosh et al., 2000).

Selected accounting measures flexibly reflect the overtones of the wider society. Ding et al. (2008) discuss how goodwill accounting has been influenced by the shareholder value discourse and the accompanying attitude of shareholders towards companies. Macintosh et al. (2000) analyse how selected accounting concepts no longer refer to any underlying reality, but instead circulate in a hyperreality. Similarly, Mouck (2004) has demonstrated how certain accounting concepts do not possess an objective basis within either physical or institutional reality. Instead, these concepts serve selected functions, such as that of being indicators of (shareholder) wealth. Burchell et al. (1985) demonstrate that value added accounting has been attached meanings that are derived from the constellation surrounding and interpenetrating it, meanings that potentially have only a limited connection with the actual empirical referent.

Within the social constructivist perspective, it is acknowledged that features of “objectified” (control) systems can assist in constituting reality for those in contact with these systems (Berger & Luckmann, 1966; Hines, 1988; Burchell et al., 1985; Chua, 1995). For example, accounting has been indicated to contribute to the construction of persons as governable, manageable and efficient entities (Miller & O’Leary, 1987), to the construction of the corporation with an emphasis on its financial rather than productive qualities (Espeland & Hirsch, 1990) and to the construction of a “commercial” view of operations in a company (Ezzamel et al., 2004).

2.4.2 Organisational controls

Organisational controls include those controls by which superiors exercise control on subordinates within companies in order to achieve organisational goals (Langfield-Smith, 2008; Brown & Malmi, 2008; Chenhall, 2003). Organisational controls consist of both formal and informal controls (Langfield-Smith, 2008; Alvesson & Kärreman, 2004; Collier, 2005; Otley, 1999). By drawing on the control framework described by Alvesson and Kärreman (2004), which acknowledges both technocratic and socio-ideological controls, this study explicitly recognises the importance of both formal and informal controls.

Technocratic controls

Technocratic controls encompass a wide variety of formal control mechanisms. These controls are sometimes called bureaucratic controls (Ouchi, 1979; Kennedy & Widener, 2008) or mechanistic controls (see e.g. Chenhall, 2003). Behaviour controls and output controls (Ouchi, 1979; Eisenhardt, 1985) are typically included within formal controls. Behaviour controls predominantly consist of standard operating procedures and practices (Brown & Malmi, 2008; Langfield-Smith, 2008; Macintosh & Daft, 1987). Action

controls, especially certain forms of behavioural constraints⁹ and action accountability¹⁰, also represent a form of behaviour control (see the object-of-control framework put forward by Merchant and Van der Stede, 2007).

Output controls (Ouchi, 1979; Eisenhardt, 1985; Langfield-Smith, 2008) consist of the measurement of results (i.e. outputs), typically through performance measurement systems. Results controls (Merchant & Van der Stede, 2007) are paralleled with output controls. Measures consist of financial and non-financial measures according to which performance is evaluated (Brown & Malmi, 2008; Merchant & Van der Stede, 2007). Output controls are typically implemented in the form of performance measurement systems where performance targets are first decided on and performance is subsequently monitored based on the targets (Otley, 1999). In addition to the directly behaviour-altering influences (encouraging actors towards a certain goal), performance measurement can also induce actors to pay special attention to predetermined issues (Bender, 2004).

Publicly quoted companies nowadays tend to rely on share price as an incentive base within their executive compensation schemes (Fink, 2004; Core et al., 2002; Hall & Liebman, 1998). It has been claimed for several decades (see e.g. Puffer & Weintrop, 1991; Brickley et al., 1985) that share price is a forward-looking measure, incorporating all available information on the future of the focal company (Fisher, 1965). The implication has been that share price as a long-term oriented measure and compensation base would function as a defence mechanism against myopia for executives in publicly quoted companies. However, alternative views on share price have also been introduced. Espeland and Hirsch (1990) argue that share price is a symbol of twisted values and that it functions to reinforce the short-term oriented financial model of the firm. According to Rappaport (2005), share-based compensation does not necessarily lengthen manager time orientation if these managers believe that share prices are predominantly determined by short-term considerations. Jensen et al. (2004) also warn against short-sighted stock price maximisation at the expense of long-term value reduction in the material realm. If a company's equity becomes overvalued compared to the underlying value of its business, executives may feel themselves under pressure to conceal the real value of the company since a fall in the company value would be disastrous for their stock options and career opportunities. The measures these executives take to conceal the real value are non-value-adding activities in the long term (Jensen et al., 2004).

The Balanced Scorecard (Kaplan & Norton, 1996) is another example of a widely used performance measurement and compensation system. The Scorecard includes four perspectives: customer, internal business process, learning and growth, and financial perspective. Each perspective involves specific measures that are perceived to drive the

⁹ According to Merchant and Van der Stede (2007), behavioural constraints refer to e.g. physical (locks, computer passwords) and administrative (restrictions on decision-making authority) constraints. Administrative constraints particularly parallel behaviour control.

¹⁰ Action accountability (Merchant & Van der Stede 2007) refers to holding employees accountable on their own actions. Within action accountability, acceptable and unacceptable actions are defined, thereby paralleling behaviour control.

performance of that perspective. The Balanced Scorecard can connect performance measurement with strategy in a sequence whereby company objectives and strategy are first decided on and the Balanced Scorecard measures are subsequently determined based on these objectives and the strategy (Otley, 1999). The Scorecard has been considered far-sighted since it incorporates non-financial measures that function as leading indicators (Banker et al., 2000; Kaplan & Norton, 1996).

According to Alvesson and Kärreman (2004), output control is implemented through the focus on various performance indicators, such as profit, sales, and measures of quality. The Balanced Scorecard potentially includes all of these measures, and it therefore represents a type of technocratic control within the framework presented by Alvesson and Kärreman (2004). In addition, share price is a technocratic control where the standard (the target) can originate both from inside and outside¹¹ a focal company. Share price can be seen as an output of company actions, although the causal link is less explicit than in the case of operational measures.

Socio-ideological controls

Socio-ideological forms of control are composed of a myriad set of informal social controls that originate from ideologies, shared norms, beliefs and values (Alvesson & Kärreman, 2004). Clan controls described by Ouchi (1977) are an example of socio-ideological controls whereby members of the organisational clan are tied together through tradition, shared values and norms. Socio-ideological controls, often also referred to as social controls (Ouchi, 1977; Kennedy & Widener, 2008), can also refer to company culture (Collier, 2005; Alvesson & Kärreman, 2004).

Cultural controls can be explicitly observed in the form of, for example, codes of conduct as well as physical and social arrangements (Merchant & Van der Stede, 2007). Culture can also function as a more subtle control mechanism. It is possible for company executives to encourage a certain culture; for example ownership culture (Sandelin, 2008; Merchant & Van der Stede, 2007), entrepreneur-centred culture (Collier, 2005), or achievement culture (Alvesson & Kärreman, 2004). This encouragement is often achieved by the cultural control mechanism of “tone at the top”, in other words, the statements and actions of top executives and even the board (Merchant & Van der Stede, 2007).¹²

A typical manner in which socio-ideological controls such as company culture are implemented and maintained is through the use of personnel controls, which refer to

¹¹ e.g. in the form of share price estimates and buy/sell/hold recommendations by analysts

¹² Social controls are an informal manifestation of Simons' (1995) formal beliefs systems and boundary systems. Simons explicitly recognises the deep interconnections between beliefs systems, boundary systems, and organisational culture. Beliefs systems are used to inspire and direct the search for new opportunities. They indicate the core values, purpose, and direction for the organisation. These systems are usually value-laden, inspirational and stated in broad terms. Boundary systems set limits to opportunity-seeking within a firm. They determine the risks that should be avoided and focus organisational attention. Boundaries are usually expressed in negative terms.

recruitment and placement procedures whereby certain types of employees are prioritised in search activity (Merchant & Van der Stede, 2007; Brown & Malmi, 2008). Training and job design can also be included under personnel controls (Merchant & Van der Stede, 2007).

Controls in this study

The study argues that both formal and informal controls can be used to stimulate specific time model use and that these controls can affect the myopia-related risks associated with each model. See Figure 1 for an illustration of the control framework in the study. It is worth noting that socio-ideological and technocratic controls are heavily interdependent although in the figure they are presented as two control categories; for example, technocratic controls can contribute to the creation of a certain culture for control (Alvesson & Kärreman, 2004).

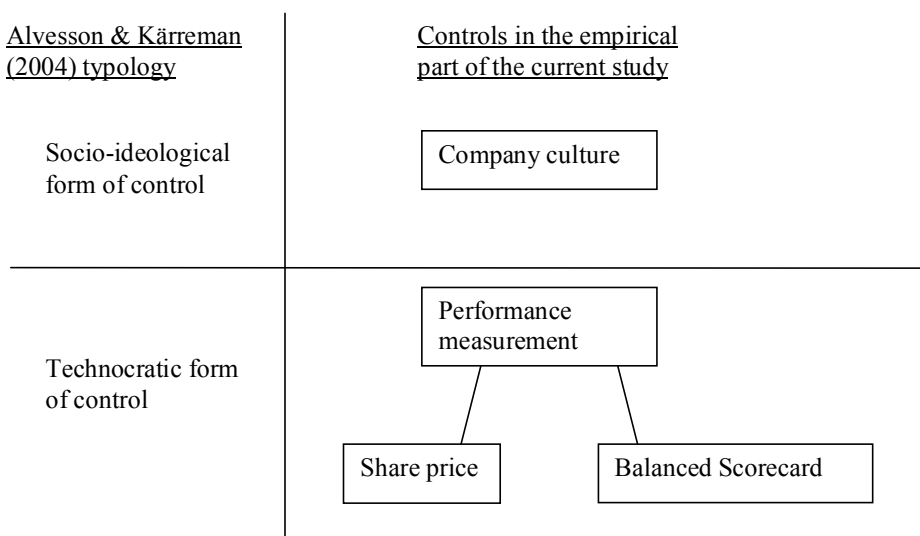


Figure 1. Controls in the current study, and their connection with the Alvesson and Kärreman (2004) typology.

Chief Executive Officers (CEOs) do not have superiors within the organisation, but even they are subject to controls set by the board of directors (Bender, 2004). Other top managers (executives) usually have the CEO as their superior. In listed companies, the controls set on these managers have traditionally been formal controls based on the share price (Hall & Liebman, 1998). Cultural controls (Merchant & Van der Stede, 2007; Kennedy & Widener, 2008) have not been explicitly considered as a part of the controls directed towards executives. Rather, cultural controls have been seen as implemented by executives for the control of the rest of the organisation as part of management control (see e.g. Alvesson & Kärreman, 2004; Otley, 1999). However, the current paper contends that controls set for top managers can be divided into technocratic and socio-ideological

controls. Company culture embraces executives in addition to middle management, especially when controls are based on a culture encouraged by the executives; these executives are expected to act according to the culture in order to maintain such culture in place (Merchant & Van der Stede, 2007).

3 Method

3.1 Overview

This study uses a social constructivist approach to gathering data on the constructs of time and controls. Data have been collated from three case companies, termed here Group A, Group B and Group C. All companies operate in the financial services industry in Finland. Each company is briefly described below. The paper employs empirical evidence gathered through semi-structured interviews and the collation of archival data.

The interviews were carried out in 2007-08. In total 30 individuals were interviewed, 12 in Group A, 9 in Group B, and 9 in Group C. The companies were selected to participate because in each of them, it was possible to find a type of time model clearly distinguishable from other time models. Interviews, that were conducted in Finnish (except for one that was carried out in English), lasted between 30 and 100 minutes. The researcher carried out all interviews personally. The interviews were face-to-face meetings (except for one that was carried out by phone), they were all recorded, and interview data were transcribed and coded. A list of interviewees is attached as Appendix A. Prior to each interview all interviewees were asked for permission to record their interview. In addition, the researcher assured the interviewees of the absolute confidentiality of the content of the discussion.

Top executives were chosen as subjects because their work is demanding with regards to time constructs. They are expected to simultaneously emphasise efficiency at present, possess visions about the future and keep in mind lessons learnt from the past. They were therefore expected to account for a wide variety of periods within their time models. Employees in other parts of organisation are often concerned with the implementation of day-to-day tasks, and the present is naturally accentuated for them. In addition to management, board members were interviewed in order to include more encompassing views from the wider constellation enveloping the companies. Furthermore, since the board is very much concerned with strategic issues, board members face similar pressures in connecting time periods as do operative executives. Moreover, board members formally determine executive controls.

In order not to foreclose or pre-empt the results of the study beforehand, two measures were implemented, following the views of a number of authors in the domain of qualitative research (e.g. Glaser & Strauss, 1967). First, the investigation and the interviews were initiated with a relatively broad objective in mind. This broadness was necessary in order not to predetermine the structure of the issues studied before talking to the interviewees (Gendron & Bédard, 2006). The initial research objective was to enquire of the respondents their views concerning the notion of time, and about their own

performance measures and compensation schemes as well as on the manner by which the time constructs, performance measures and compensation were perceived to relate to each other. Second, the interviews were implemented as semi-structured in order to allow the interviewees to express themselves with their own meaning systems (Rubin & Rubin, 1995; Gendron & Bédard, 2006).

However, in order to contribute to existing theory, interview questions were initially theoretically informed (Ahrens & Chapman, 2006). For example, the questions were designed so that they drew out comparisons between the case companies (Vaivio, 2008). These questions were not, however, theoretically foreclosed – in other words, the content of the questions allowed flexibility in theoretical development so that major themes of the research were allowed to emerge from the data.

Archival data are composed of performance measurement and compensation system manuals, and other material relevant to organisational controls gathered from company web sites. Several respondents were willing to provide internal manuals and other internal material. In addition, case company annual reports and other published information about the companies were used. The archival data sources are indicated in Appendix A.

Consistent with a bottom-up, grounded approach, data analysis was commenced during data gathering. While the focus of the study clarified, interview questions were allowed to become increasingly focussed on the issues deemed vital for the study. It was marked in the file of each interviewee which time constructs the interviewee had referred to, even in passing, and which rationalities they had emphasised. Within this coding scheme, certain patterns regarding time constructs begun to appear in each case and these patterns were confirmed by the critical analysis of the interview transcripts. Tensions between time constructs and between different case companies were paid special attention (Ahrens & Dent, 1998). After deciding on which Group would serve as an example of which time model, the controls specifically tied to that model were selected from the interview transcripts, as well as from the performance measurement and compensation manuals, where applicable.

3.2 Some features of Group A

Group A consists of a coalition of 38 independent regional banks and central organisations of which the most influential within the Group is the Group A Association. Group A supports saving in general as well as the well-being of its local customers, who are predominantly individuals, small- to medium-sized businesses and farms. At the time period during which the study was conducted, Group A's return on assets was 1.6%, clearly higher than the previous year. The operating revenue of the company amounted to over € 200 million. In 2007, the number of employees was 1178. Group A and its banks are predominantly not owned by any individual actor¹³, and Group A has typically been referred to as an "ownerless" firm. Representatives of customers, i.e. trustees, typically

¹³ Few banks are governed as limited-liability companies. However, funds which support the same savings-related ideology as Group A own the shares of these banks.

hold the highest formal authority in each bank. However, in practice the power within Group A is located with the managing directors and the boards of each individual bank, with larger banks holding more authority in the decision-making of the Group than smaller ones.

The first Group A bank was established in 1822, and Group A is therefore the oldest bank in Finland.¹⁴ Group A particularly grew its customer base in the 20th century, being one of the market leaders within the financial services industry in the 1990s. However, subsequently, the industry experienced a serious recession, a banking crisis. Group A was at the time among the most troubled organisations in the industry, and for that reason the Group, as it was then structured, was dissolved. By order of the Finnish state, the part of its business with the most potential was handed to its competitors. The current Group A structure is formed by those banks that had made the decision not to join the official Group A coalition in the 1990s, before it was dissolved.

The excessively aggressive risk taking and the less than adequate hedging of Group A was predominantly blamed by the Finnish Government, the Finnish Central Bank and the other companies in the industry as the cause of the whole banking crisis of the 1990s. For that reason, managers and board members of Group A were sued for substantial damages and several of them underwent court trials.¹⁵ The history of Group A impacts the time constructs within it, as is examined later.

3.3 Some features of Group B

Group B is publicly quoted, shareholder value focussed company. The company is structured as follows: it has a holding company and two divisions, a property and casualty insurance division accounting for 61% of Group revenue, and a pension insurance division accounting for 39% of Group revenue. The customer base of the Group involves large corporations as well as individuals and households.

The company return on assets had been around and above 4% during the two years prior to the research; on the year during which the research was predominantly conducted it was 11.5%. At the time of the study, the operating revenue of the Group was over € 2.2 billion. The number of employees amounted to over 6800 in 2007. The Finnish state owns about 14% of company shares for historical reasons, the company CEO owns about 2%, and the rest of the shares are mostly owned by institutional investors, with a limited ownership by private individuals.

Latterly, Group B has made itself known for its fast and sometimes contradictory moves, especially in the mergers and acquisitions sphere. Several years previously, Group A divested one of its major businesses but bought back 100% ownership of this business

¹⁴ The history of Group A is here presented more extensively than the history of Group B or Group C, since the history of Group A effectively enables the past-based time model in Group A.

¹⁵ However, as time has passed, representatives of competitors have come forth and admitted that they did not necessarily perceive Group A as the sole cause of the crisis, but, instead, when they were offered by the state an opportunity to wipe out a major competitor from the market, they simply seized that opportunity.

relatively soon after its sale. More recently Group B had sold one other major business unit. The predominant purpose of this sale was to lift the Group B share price. In addition to this achieved purpose, the sale also resulted in operational problems. The sold unit functions as a distribution channel for several products of Group B, and when the technical part of the integration of this unit into its new parent turned out to be problematic the sales of Group B were also negatively affected.

3.4 Some features of Group C

Group C is a mutual company. It is owned by its customers and in its internal and external communications heavily emphasises this quality, as well as the acclaimed long-term orientation resulting from it. Group C has about 3000 employees in total and operating revenue of over € 2.8 billion. Its return on assets was about 0.9% at the time of the study, having been slightly higher (ranging from 3% to 6%) during the two years preceding the study. It is organised as a Group where the central management lies in the hands of a full-time board of directors; partly an executive team, which can be considered as comparable to a full-time executive team in Group B, and partly a board. Responsibilities within the central management were divided predominantly according to the accountability for each business (e.g. property and casualty insurance, banking, and life insurance are separate).

The board of directors governs eight individual companies as well as several support functions, such as personnel services, finance, and information technology services. The individual companies are engaged in the businesses of insurance, banking and financial management. Traditionally, the Group had predominantly been an insurance company. However, in 2002, it established its own bank. The Group has a divergent customer base that ranges from individuals to sizable companies.

4 Empirical investigation

4.1 Time models empirically

4.1.1 Past-based time model

For the representatives of Group A, the history of the Group was both a source of resentment and pride. The personnel felt that the treatment of Group A had been unfair during the banking crisis and that the crisis should have been combated in a different way than by the sale of the original Group. In addition, the risk-related mistakes of Group A management at the time of the crisis were a source of resentment. However, interviewees also expressed pride due to the lengthy history and the associated lengthy influence of the Group on Finland and its economy. Moreover, interviewees felt pride that they had survived the demanding times of the 1990s and that the Group had been able to grow substantially since that time.

Respondents tended to claim that the lengthy past was a strength, and that it formed a basis on which they could build both the present and the future. Several interviewees

were eager to provide printed histories of the whole Group or its banks. In addition, it is possible that the historical longevity was emphasised by the interviewees in order to provide a counterforce to the mistakes of the Group in the more recent past.

Many respondents emphasised the farsightedness of the Group. For example, one interviewee claimed that the Group was farsighted since it had existed for over 100 years, and intended to exist for a 100 more. In addition, there were respondents who claimed that the appeal of Group A to its potential customers' needs for security and stability was more credible than that of its younger competitors because of the long past of the Group. This was claimed to be a good strategy at present. For example, one respondent explained how the Group did not tend to run after new, potentially suspicious trends, but preferred to maintain a stable policy. In addition, an executive of the Association discussed that the history brought attributes such as trustworthiness and responsibility a stronger meaning than in companies with a very short history. The quote below illustrates the perspective of the basis in the past.

"The history is a positive thing. [Our] banks were originally established to support saving, that has been the basic idea, and, regarding the current situation, there would be a lot in that savings ideology that we could remind ourselves of, and to function in the own locale and own community to support saving. I think there are excellent possibilities in our history [to use today].... Moreover, we have, in our personnel, many people who remember the events in the banking crisis, which, in a way,... it is not a bad thing that we have learned from that, it is good that it is there on the background, so we do not make the same mistakes again." Executive, Group A

The past was also important for the present, and many employees of Group A had not forgotten about it. The following quote underlines how the past was present in people's minds.

"We have banks that have operated for 120 years, clearly more than 100 years, and [representatives of these banks] do not perceive that five years would be a very long time horizon. ... You can see it, for example, in that this demerger of [the old Group] resides in the minds of several people very strongly, although it happened over 10 years ago." Executive, Group A

Board members described attitudes similar to those of management. One board member saw the Group as being involved in an extended relay. The respondent felt that the baton (the Group) in this relay should always be passed on to the next runner in a better condition than in which the previous runner received it. The runners were seen to be the employees of the Group as well as the bank boards.

In addition to being beneficial, however, the past-based model also possessed drawbacks. One interviewee referred to the "ghost" of the old Group before it was dissolved, and to

the associated fear of central control and loss of independence. The fear originated from the historical episode in the 1990s during which, specifically, it had been the independence and stubbornness of the independent banks that had saved them. An excessive emphasis on independence, however, was seen by several respondents as problematic in current market conditions, where wider cooperation would have benefitted the whole Group. The “ghost” of the past partly overshadowed the present, and potentially the future.

The past-based time model that respondents admitted to was based on the concept of iteration described by Emirbayer and Mische (1998). Respondents emphasised their history as the base, not only the habits and routines engraved within the Group.

4.1.2 Present-based time model

Group B executives argued that the disclosure requirements by financial markets cause them and the whole company to perform efficiently and effectively, and that these actions lead to long-term benefits. According to this discourse, the appropriate present focus by management leads to wise, far-sighted actions. Respondents contrasted this approach with an approach of not performing so efficiently in the present, which, they claimed, would lead to problems in the long term. “Doing the right things right now” was emphasised by respondents. For example, one of the executives recalled how it had been beneficial to the long term, in his department several years previously, not to put together an extensive information technology project, but, rather, to settle on a “quick-and-dirty” solution. The respondent’s responsibility area was still using that solution with success, whereas an extensive SAP project would have consumed both monetary and personnel resources extensively, with the potential benefits remaining unclear.

Several respondents explained that they were performing fast moves so that they could take advantage of opportunities in the mergers and acquisitions market. Some executives referred to the episode of the seemingly self-contradictory actions, described above. All the self-contradictory actions had been seen by the management as reasonable in the exact market situation of the time. It was claimed that the recent sale of the business unit was also rational because it had been a source of much value at the moment of the sale. It seemed that when an opportunity arose to cash the business unit for a beneficial price, any visions or plans about the business unit as a part of the Group had been cast aside.

Interviewees claimed that the future was firmly entangled with the present. However, future plans were not an absolute necessity, as the successful future was seen to evolve almost automatically from the smart actions of the present. The following quote illustrates how great plans could even be harmful:

“In principle, I have never planned in my life for longer than six months. As I often tell investors, as we have one of the largest piles of cash in Northern Europe right now and we are, naturally, demanded what kinds of plans we have for it. I have always ... said that we never have any plans. A person who claims, when beginning to buy shares in a company,

for example, that he has a ready-made blueprint, does not belong in a market economy. The real world does not function in that way. In the real world, there are always changes in prices and values, and unless your mind is open to these changes and their implications, you are not a good executive.... You have to continuously adjust your own actions and your plans and thoughts about the future to the information that is flowing in.“
Executive, Company A

The Group B board members predominantly supported the time model advanced by the management. For example, one of the board members perceived that the short-term developments were a basis and a necessary condition for a success in the long term.

The analysis suggests that the respondents constructed their time model with an emphasis on Emirbayer and Mische's (1998) practical-evaluative element, following the present-based model. As evidenced by the data, this model seemed to have been imposed upon the respondents by the financial markets and by the quarterly reporting practices within these markets. The interviewees claimed that the disclosure requirements were beneficial in the long term for shareholders and many other stakeholders, even for wider society, because they prevented companies from hiding their failures until these failures could threaten the very existence of the companies.

In Group B, some of the respondents emphasised that there was a lack of a “peace to plan” due to disclosure requirements. Executives claimed to be on a very tight schedule. The respondents also described how they particularly felt continuously pressed with time schedules due to financial disclosure reporting and the ever-present existence of investors in different time zones. One executive commented on how he perceived the situation:

“There is no way for us to go back to a reporting of the ‘old’. ... There is [no] return to any ‘good old world’ where we had time to think.”
Executive, Group B

Any “peace to plan” was seen negatively by respondents. They felt that an excessive emphasis on grand plans made in “peace” would result in problems, because present important actions would not receive the emphasis that they deserve. For example, one respondent claimed that long-term planning tends to be futile due to the speed with which the operating environment continually changes.

However, the present-based model was not without its problems. The present was continually emphasised by executives, and any importance of extensive plans was denied. Executives were thus potentially unprepared for a situation where detailed and extensive planning would turn out to be beneficial. Similarly, as the past was not emphasised, it was unclear to what extent executives were utilising lessons learnt from the past. Executives claimed that the emphasis on the present resulted from the reporting and visibility requirements of the financial markets, and it is highly likely that the accusations regarding financial market myopia by researchers and financial market critics partly refer

to this emphasis on the present (see Ezzamel et al., 2008; Aglietta & Rebérioux, 2005; Lazonick & O'Sullivan, 2000).

4.1.3 Future-based time model

In its outside communications, Group C is forcefully positioned towards a very long time orientation and it claims that this forms a valid, partly ideological alternative to myopia dwelling on the financial markets. This message was well coupled with the content of the interviews. Respondents in Group C often referred to a strategy period; a period of three years. This was a future period for which the Group had made formal plans and on which performance measurement and compensation were based. The respondents, however, often stated that it was important to possess a time horizon extending further than the next three years, even 10 or 20 years forward. Executives and board members often emphasised the need to look further, over any short-term fluctuations. For example, one executive stated that the time horizon of the Group was eternity.

Respondents also felt that the period of one year was an influential time period in the Group; annual plans and their implementation was an important part of their work. These plans were, however, optimally derived from the strategy period plans. It was seen as important that the short-term and the longer-term plans and actions were in agreement with each other. Related to the future periods, an executive elucidated on goals and targets:

“With us, the goals for the longest term originate from the strategic framework, and they have been, in fact, expressed in... our business idea and vision, values, brand promise and uniqueness base, that is our most recent term in our strategic framework. ... And they express the most durable direction of goals. ... If these are about 10-20 years, then the middle-term comes within the strategic choices, in practice it means fixing three years, not nailing up completely but... we have usually not changed our strategic choices, but we have, of course, annual strategy check-ups... Then we have these shorter-term issues that are annual, in principle, but it is also possible to change them quarterly. In principle whenever, but a regular checkpoint is quarterly. And then, in practical operative life, there are targets daily or weekly.” Executive, Group C

Respondents often explained that they first planned several years ahead and then unravelled these plans backwards towards the present as “steps” in order to decide what they had to do right now. One respondent indicated how they create the “dream” first and then try to implement it. The following quote illustrates this process.

“From these long time period visions, in my own responsibility areas, I kind of unravel backwards, what I should achieve next year. Next year I start the planning of the strategy model, and that means that when our next strategy period begins 2010, the organisation plans what it is planning to do and its strategic direction in 2009, and in 2008 I have to

get the model into such a shape that ... people can commit to it and they get benefits from it to their own work.” Manager, Group C

Managers and board members talked much about longer-term, two-to-three-year plans and projects, and highlighted them as important. For example, an executive described the project whereby the Group had established its own banking services as a project that was initially estimated to last a minimum of ten years until material confirmation about the success of the project would be achieved. In practice, according to the executive, it had taken about six years. A board member estimated that it would take another ten years for the banking business to reach a similar customer base as in the rest of the Group operations. This kind of a long time frame was seen as necessary for the extremely careful work of building a successful and well operating bank. Information technology projects were also typically considered long-term. Executives tended to admit that they appreciated long-term projects because these projects were usually more effective in achieving a profound change than those that were short-term. Some respondents felt that they should have more time devoted to long-term planning related to these projects. The following quote illustrates how executives talked about long-term projects.

“For us, the long-term development projects, they are, for example,... our new owner benefit model that we were doing for over two years, two to three years. It is an example of this kind of a long-term project, and, respectively, if we take organisational change, they are always projects whose implementation and follow-up time horizons are longer.”
Executive, Group C

Respondents in this Group often explicated that because the Group was quite large, a lot of time was always required to implement a change. One interviewee explained how “a large ship turns slowly”. It was notable, however, that compared to its competitors, the Group was not that sizable. For the respondents, the size of the Group was an issue that was invoked when executives felt that operational changes did not materialise as fast and effectively as they hoped. Several executives and board members even went so far as to ponder on whether one of the Group’s potential weaknesses could be an excessive amount of planning compared to implementation. For example, one executive felt that the Group employees still did not effectively manage to sell life insurances although the executives had attempted to achieve an increase in these sales for an extended time period. Excessive planning appeared not to be in the long-term interests of the Group.

Overall, Group C respondents clearly favoured the projective element described by Emirbayer and Mische (1998). They perceived that elaborate future plans lead to optimal decisions at present.

4.2 Synthesised time model

Managers are in a demanding situation: they attempt to learn from past mistakes and use their past as a strength, they live under high pressures to perform at present and simultaneously they are expected to act in a far-sighted manner and plan for the future.

The concept of a time model in the current study forms an approach by which they can achieve all these targets. In addition, the model allows them to rationalise the use of their approach. The synthesised time model explained below is formed as a synthesis of the time models constructed by respondents.

In time models, the time base is defined as the beginning point of actor's thinking on a time line. The study has elucidated three time bases: that based on the past, on the present, and on the future. A time target is defined as the period towards which thinking is directed from the base. For example, from the past, actors can orient themselves towards the present or the future. Each target is not equally likely; a target in the past means that actors would detail the future or function efficiently in the present with a goal of succeeding in the past. Perhaps not surprisingly, this kind of activity was not witnessed in any of the case companies. Therefore, this past target is excluded from further examination.

Time models form the bases for time rationalities. Within the past-based time rationality, it is rationalised that either the history of a company or the rules and routines within that company are the bases of effective and efficient actions now (the present being the target), or in the future (the future being the target). The past-based model could be preferred if a company has an imposing history, or appreciated rules or routines on which it is possible to build.

The followers of the present-based time rationality claim that effective and efficient present actions (more or less automatically) lead to benefits in the future. The present-based model could be of use for companies that operate in highly unpredictable operating environments where elaborate plans could turn out to be counterproductive.

Within the future-based time rationality, it is claimed that elaborate future plans lead to the most rational present actions. This rationality is based on the very traditional normative business literature where it is articulated that companies should first make extensive plans and then implement these plans with present actions (Ansoff, 1987; Mason, 1986).¹⁶ The "peace to plan", sometimes emphasised in the rhetoric voiced against financial markets and listed companies within them, closely refers to this rationality.

According to the empirical data, the time base is often well defined, but the target towards which attention is oriented is not conceptualised as a whole entity. Within the past-based model, the past can become an excessively controlling benchmark and a guideline for future plans and present actions. In this case, actors do not consider that circumstances have, in fact, changed, and past lessons may not apply any more. In the

¹⁶ However, the strategic planning literature has also acknowledged limitations to this idea (Mason, 1986). These limitations have produced alternative formulations, such as that of the "emergent strategy" (Mintzberg & Waters, 1985), "competing on the edge", an approach relying on semicoherent strategic direction that is uncontrolled and even unpredictable at times (Brown & Eisenhardt, 1998), or "fast strategy", a form of strategic agility and sensibility that allows for fast and continuous changes in strategic direction (Doz & Kosonen, 2008).

present-based model, there is potentially a lack of clarity about the future; the present is seen in its full potential with all of its nuances and complications, whereas the future tends to be automatically assumed as beneficial and remains somewhat ambiguous. Similarly, lessons learnt in the past are potentially ignored in favour of current pressing circumstances. Within the future-based model, the future is, on the contrary, clearly defined. However, this clear future can predetermine the present; the present can be automatically assumed to be in line with the future vision, even if that would not be the case in reality. Even the implementation of tasks that fit the vision can be impaired if pure planning, rather than implementation, is given an excessively important position.

Figure 2 presents the exhaustive set of time models and time rationalities that were uncovered in the data. Time base is the starting point of each arrow, and time target is its end point in the figure.¹⁷ It is also worth noting that time bases are not mutually exclusive, but can exist in collaboration. For example, respondents in Group A exhibited past-, present-, and future-based rationalities, although the text has, in order to illustrate the time model, only concentrated on the past-based model within Group A.

¹⁷ Naturally, it is possible to imagine a present-based model oriented towards the present, a future-based model oriented towards the future, and a past-based model oriented towards the past. However, these models do not assist in tying divergent time periods and they are therefore excluded from the study.

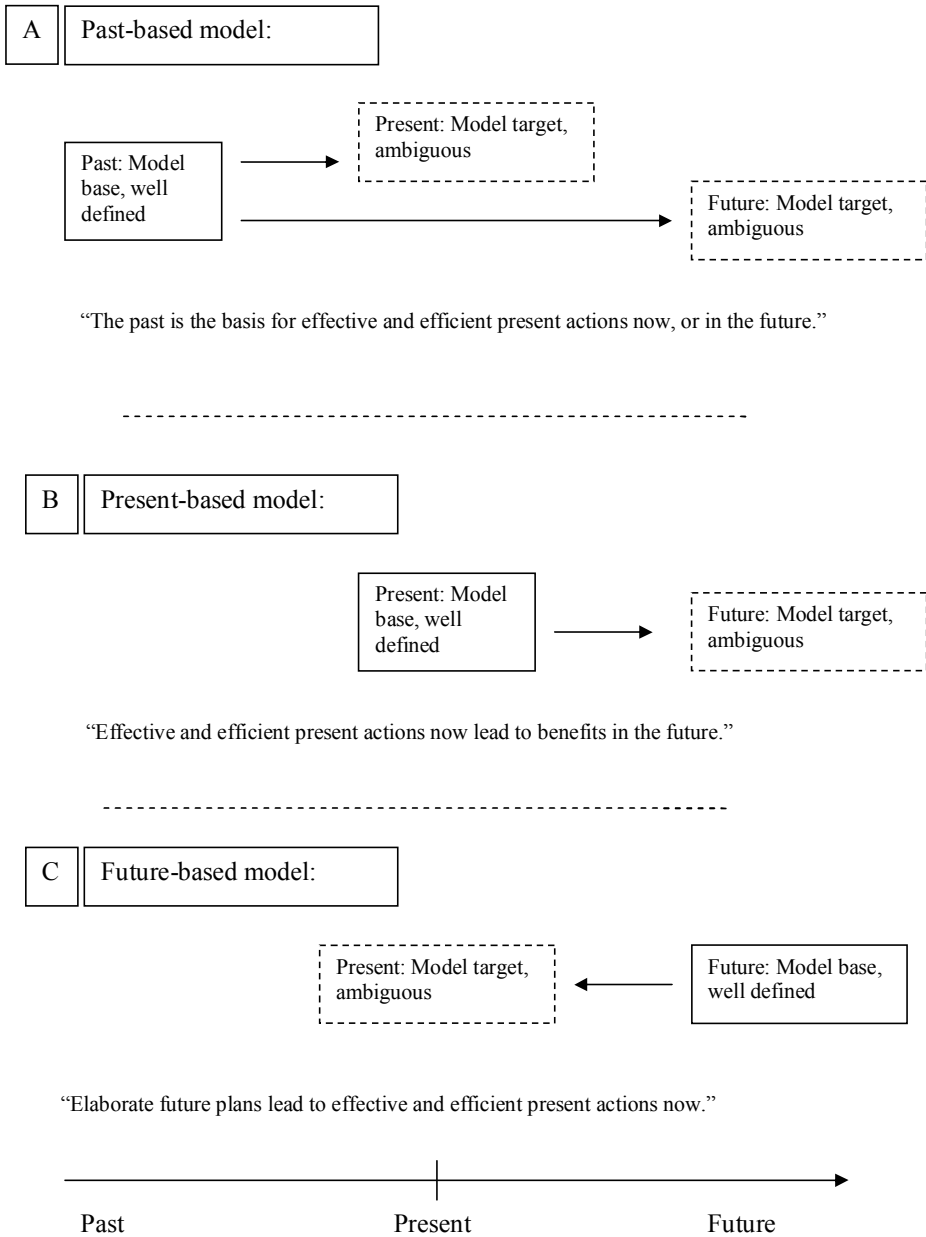


Figure 2. Past-, present-, and future-based models and rationalities presented on a time line. Arrows represent the consecutive mental and verbal emphases by respondents. Quotes are analytical quotes presenting empirical rationalities.

Both empirically based induction and logical deduction indicate that in order for each time model and associated rationality to function as expected, all of the components of the model should be fully developed. Myopia can be redefined as a case where, within the confines of the time model, actor thinking is restrictively based on the past, the present, or the future. In other words, myopia can be seen as a problem where the time base from which the actor orients away, predetermines the manner in which the time target is conceptualised. Far-sightedness or lack of myopia presents itself as the capability to free oneself from the initial base position.

It is worth noting that myopia, as it is now defined, also fits with previous research. An actor whose time model is too strictly based on the present, for example, can be incapable of visualising highly structural innovations. The extent of innovation can, therefore, be limited by, for example, present-based myopia (Merchant, 1990). Publicly quoted companies can be conceptualised as following a present-based model due to quarterly reporting pressures, and there are seeds of myopia within this model when the present is allowed to excessively dominate (Ezzamel et al., 2008; Aglietta & Reberieux, 2005). Non-listed companies could be myopically inefficient if actors within these companies are excessively focussed on the past, the present, or the future (see e.g. Ferrier & Porter, 1991). Excessively strict performance measures can be seen to encourage the present-based time model with its potential myopia-related risks (Van der Stede, 2000).

4.3 Organisational controls empirically

In the current section, those systems that are in line with each of the time models are discussed. In the companies studied, there were multiple systems in place, but the current section focuses on those systems that relate to the explicated time models.

4.3.1 Group A: socio-ideological controls

In Group A, socio-ideological forms of control appeared to be the most effective means of maintaining the past-based rationality. The history was always present, especially for the more experienced Group employees. Respondents constructed the history as one of the bases of the whole Group. When asked about their time orientation in their own work, some of them begun discussing the Group from its historical roots onwards and then extended their explanation to the present turbulent environment and to the future plans of the Group. Some respondents referred to “historical reasons” as the bases for Group operations. A board member commented:

“We have somehow prepared ourselves to live both the highs and lows, that... we don’t only ride on the crest of the waves. This kind of thought I have formed from our often one-and-a-half-century-long operations.” Board member, Group A

Respondents constructed their core values to be based on the history of the Group and felt that these core values and the history should be respected when searching for

opportunities and making important business decisions. Core values consisted of credibility, the focus on serving customers locally, and, particularly, risk aversion.

Respondents often emphasised the need to stay “alive”. This was an emphasis that originated from the unfortunate years of the 1990s. Credibility was typically constructed as an ability to stay alive and well, being able to serve customers continually. A bank managing director forcefully claimed that credibility and its brand value were the result of the lengthy past.

Local customer focus was commonly constructed as originating from the Group’s past. One bank manager described the history and the beginnings of the Group from the 1800s to the present and explained how the need to serve customers locally was engraved into the historical values of the Group:

“When we remember, why the Group was founded, one manner in which it can be described is that then the world increasingly opened up... steam machines [came], and the globalisation of that time, that was a big change. And then in a lot of places people realised that they should increase their readiness so that they can get along, to benefit from it, although perhaps there were no direct influences to the functioning of the locale itself. One manifestation was then, when there were no banks, except for, of course, for the commerce, the industry, and perhaps for the wealthier [individuals] there were banking services, but for the regular people there were none. And that is why they founded [a Group A] bank.... Often there was a community or town involved, since they had an interest in that people would save for the rainy day, which would then benefit the poor relief. That was very realistic. And now when we look at today’s globalisation, we are in a similar situation, when decision authority runs away, we cannot influence a lot of issues any more; they simply come and go. Then this kind of localisation and regionalisation, the control of your own things, its importance grows. And Group A represents that from its own part.” Bank managing director, Group A

In addition to being an enabling force, socio-ideological control was also experienced as a constraint: controls effectively warned the employees of the Group on the dangers of taking excessive risks as opposed to prudence that cherishes the long past and underlines the importance of continuity. The 1990s demise of the Group naturally contributed to this way of thinking; the 1990s were constructed as an example of what not to do and what risks not to take. Excessive risk-taking, and sometimes almost any form of risk-taking, was repeatedly seen as something to be guarded against. An executive remembered how the board had made a decision against the beliefs of most competitors in order to avoid risk:

“It happened that our Europe-fund performance begun lagging behind our competitors, regularly, and we begun to end up in the worst third [in the market], and we sorted out from where this [problem] originated.

Well... It was only because competitors had added risk in their investments, that is how they received a small difference, but they had in no way trumpeted about that... Well, we took the issue up at the board and [said] that if we would like to have more returns, then we have to take on more risks, do we want [to take more risks]? And the board said that we don't want [it]... Then it easily shows that when worse times arrive, we go the other way, this risk also easily materialises.” Executive, Group A

Interviewees, even those who had not experienced the disastrous times of the 1990s, often claimed that risk aversion was beneficial in demanding market situations at present. The following quote illustrates this.

“It does no harm that we have learnt from [the crisis of the 1990s]; it is good that it is there in the background, so that we don't make the same mistakes.... In the historical banking crisis,... there was a high speed in action, and then afterwards it has been observed that [people] did not get acquainted enough with issues, and operations were developed into completely new areas where there were questions about if there was really know-how... they went to new waters where the bank had not operated before. Well, it has perhaps resulted in such [an attitude] that we don't get involved that quickly into all kinds of new things, that we are not right away ready to kindle.” Executive, Group A¹⁸

Respondents sometimes perceived excessive risk avoidance as problematic. It was especially those who had not experienced the crisis of the 1990s that tended to say that those who had such experience were probably still being excessively careful, particularly regarding reforms that were required by present changes in the operational environment. For example, one executive explained how the equity funds the Group sold had to be very carefully constructed to contain less risks than the market overall, in order that salespeople would feel comfortable to sell them to their customers. The risk avoidance originating from the past was potentially excessive and counterproductive in present circumstances.

The socio-ideological controls did not appear to have been formally instilled in the company by any individual actor. Rather, these systems appeared as cultural artefacts constructed by and through multiple actors and their discourse. Bank managing directors who held a lot of influence within the Group, as well as other influential executives also within the Group, emphasised values. It was as if the systems did not need to be formally written down any more, they were so obvious to all interviewees. The role of tradition within social controls was clearly emphasised in the form of the lengthy past (Ouchi, 1977). Controls were used to formulate core values; they represented a “tone from the top” (Merchant & Van der Stede, 2007).

¹⁸ This quote was taken from an employee who had not worked for the Group at the time of the 1990s crisis.

Group A also used technocratic controls, mostly in the form of bonus-based compensation systems. For example, bank managing directors and certain executives in the Association were typically given an annual bonus each year. This bonus was determined by the respective board and formally given for the achievement of annual targets. However, the managing directors and executives tended to perceive that the boards, when deciding the bonus, also elaborated on longer-term issues. These systems did not form a part of the long past and were therefore not part of this specific strength on which the Group relied. However, the systems served the task of reminding actors that the past was meant to be only a means towards achievement in the present and in the future.

4.3.2 Group B: technocratic controls

The Group had several share-based systems called “long-term incentive systems” in place, the last of which had been initiated in 2006. In addition, the company had a separate “share-based incentive system” also initiated in 2006. The terms of these systems are concisely described below.

Contract terms for the “long-term incentive system” in Group B were as follows. The payment was called a performance-related bonus and was to be paid in three instalments, in 2008, in 2009 and in 2010. With 20% of the bonus, the executives were required to buy company shares and hold them for at least two years. The payment was based on calculated bonus units. One calculated bonus unit referred to the average price of company shares¹⁹ for 10 consecutive trading days commencing on the day of the announcement of third quarter earnings in 2008, minus the “starting price” (a predetermined price around the beginning of 2007). Bonus units for 2009 and 2010 were to be similarly paid. Depending on preset thresholds for the margin of the major business²⁰, the above payment would be made in full, partly, or not at all.

Contract terms for the “share-based incentive system” were as follows. Executives were to be paid in 2008, 2009 and 2010. Half of the compensation was based on the share price of Group B²¹ and half on the margin of its major business²² and/or ROE (return on equity) of the whole Group²³. The compensation was to be made in shares with a restriction to hold at least 40% of them (or a lower amount, set specifically by the board) for a minimum of two years. By a decision of the board, it was also possible that the compensation could be paid as cash, but in that case the executives would be required to use 40% of that money to buy Group B shares and hold them for at least two years. Since executives often did not make a definite separation between the two plans, within the text

¹⁹ A dividend adjustment was to be used where appropriate.

²⁰ This margin was calculated as earnings divided by revenues from the major business, according to the industry tradition.

²¹ A dividend adjustment was to be used where appropriate.

²² The margin was calculated as indicated in an earlier footnote.

²³ If an executive worked fully within the major business, most of the remaining 50% of the plan was based on the return of that business. On the contrary, in case an executive worked only partly or not at all within the major business (e.g. CEO of a minor business area), most of the remaining 50% of the plan was based on Group ROE.

below they are analysed as a single plan called the “share-based compensation system” or “share-based system”.

Shareholder value and share price were inexorably tied together, as are described here. The Group had earlier given share options to its executives. However, due to the relatively recent public outbursts regarding options plans seen as inequitable and overly generous, the options system in Group B (like that of many other companies in Finland) had been changed to a share-based system that was partly based on other measures. Several executives craved for the return to the times of those options. They claimed that the current compensation system was not as easy to comprehend as that of the pure stock options. Executives felt that as the Group was listed and their major purpose was the creation of shareholder value, the closer their compensation base was to the share price the better, and the more natural the compensation base would be. One executive said that the share price was a direct measure of executive success and therefore a rightful compensation base. Share options were generally seen as one of the compensation systems most forcefully and obviously based on the share price.

Executives felt that share-based compensation was a just system for them as they worked hard to achieve increases in shareholder value. The following quote illustrates the grounds for this opinion.

“When you are in the financial services business, I think that [rewarding] is, in a way, a basic fact. It would be difficult for me to go to a job where I would be paid only a fixed salary. I would consider it wrong, both for the employer and for myself.... It motivates, if you do your job well and create surplus value for the company, and that you also yourself receive financial rewards [from that].” Executive, Group B

As indicated earlier, the respondents stressed that the present-based rationality was motivated by the stock markets, where the Group share was traded. For that reason, and due to the strong ties between share price and shareholder value, it is natural that the share price was constructed as providing motivation for the present-based model. The tendency is also seen otherwise within the data, as further described below.

According to the present-based rationality, respondents reasoned that performing the correct tasks at the present time with optimal efficiency would lead to success in the future. Share price was constructed as the concrete embodiment of the measurement of “doing the right things” for the executives. The seemingly contradictory actions described earlier (relating to the sale and subsequent repurchase of a part of the Group) were predominantly implemented in order to increase the share price (shareholder value) and to thereby follow this overarching imperative of the Group.

Share price was constructed as an embodiment of present transparency and visibility in the stock markets. It was construed by the respondents as a continuous, unrelenting form of measurement. Share price was visible to everybody every day. One executive referred to the issue that there were multiple shareholders in multiple time zones and multiple

financial markets open everywhere around the globe. Even if Finnish investors would need to sleep in the night, there were other investors in other time zones awake at that time. The following quote also illustrates the constant visibility.

“I think that the incentive [base] of top executives should be share price, because markets are efficient and they determine the value of the company correctly every day. You have to start from there. And then you have to be tied to that.” Executive, Group B

Although the share-based system was experienced as a long-term system, the share price was not perceived as a measure that motivates for the preparation of long-term plans. For example, one executive stated that it did not really make a difference whether the share price (or shareholder value) increased in the long term through great visions, or in the short term with actions close to the present; the discount factor would anyway discount cash flows achieved in these two periods back to the present shareholder value.

Respondents explained that it was difficult for them to be motivated to achieve a planned target set exceedingly far into the future; they did not feel that they were able to effectively construct and plan events several years on the horizon. These events were perceived as considerably ambiguous. Executives considered that share-based compensation motivated them, but not necessarily towards a certain time horizon. Rather, as one executive put it, the knowledge that they would be paid a considerable amount of money on a measure which they could, in principle, affect by working harder, motivated them to work harder at present. Therefore, it appeared that the share price did not necessarily motivate the executives to plan for the future.

Respondents invariably stated that they constructed the share price as a long-term measure and compensation base. It is conceivable that planning was not perceived to be that important by executives in Group B because they acknowledged that there was a performance measure, share price, which was “automatically” forward-looking and long-term oriented.

Although the share price represented a technocratic form of control, it was deeply intertwined with a socio-ideological form of control (see Alvesson & Kärreman, 2004). This socio-ideological form of control was represented by a culture emphasising the overarching objective, the shareholder value maximisation, in addition to efficiency and long hours of work. The measure of the share price was a formal embodiment of this culture.

4.3.3 Group C: technocratic controls

The performance-based compensation system of Group C management functioned in the following manner. Managers were set strategic goals for a strategy period of three years, and annual targets were then derived from these strategic goals. Compensation was based

on both the strategic and annual objectives.²⁴ Compensation based on the annual targets was paid every year and compensation based on the strategic targets every three years. The payments were made as soon as the results, according to which the payments were determined, had been calculated. The strategic goals were determined every three years, but updated when needed. However, the strategy period did not always extend three years into the future (i.e. it was not a rolling period); rather, it was based on certain agreed time periods (e.g. a period of 2007-2009).

Both types of objectives were determined using the Balanced Scorecard (Kaplan & Norton, 1996). The Scorecard of the Group was based on a division between the four perspectives listed earlier (and restated below). Each perspective included two objective areas, which contained concrete measures. Among the measures were, for example, customer loss (customer perspective), personnel satisfaction (learning and growth perspective), the increase of customers with whom the Group had extensive business intensity (internal business process perspective), and the amount of bank savings (financial perspective).

Within the formal documentation of the Scorecard, one of the explicitly stated purposes of this system was the direction of effort towards important objectives. Another stated purpose was the attainment of set objectives. It was also stated in the documentation that the purpose of the system was to achieve the strategic goals through “annual steps”. The documentation explicitly acknowledged that the strategic and annual objectives were similar; either exactly the same or pointing to the same direction.

In line with the documentation, respondents constructed the system as being based on the strategy and felt that its major effect was the implementation of the chosen strategy. Most respondents also tended to acknowledge that the two types of targets (strategic and annual) were in harmony with each other. Very few interviewees acknowledged theoretical possibilities for discrepancies, but even they did not feel that these potential discrepancies constituted real problems. The following quote indicates the trust on this specific aspect of the system:

“They [strategic and annual objectives] lead to the same direction, I think. As I said, we have both the annual and the strategy... I think that they support each other. At least I cannot acknowledge any serious contradictions.” Executive, Group C

Several respondents admitted that it was very rewarding to potentially receive once every three years a considerable sum of money on top of annual compensation, this sum being based on performance in difficult, demanding, long-lasting and long-term oriented projects. One executive indicated that the compensation based on the strategic goals assisted executives in the Group to piece together the bigger picture of their business. Another respondent said that it was essential that the strategy period goals were difficult;

²⁴ There were also shorter-term targets, for example quarterly targets, but the compensation of the respondents was not based on these targets.

strategic goals had to be so demanding that the whole strategy period was necessary for their attainment.

As referred to earlier, the bank was new to the Group as opposed to the more established businesses. The compensation for bank management was based solely on annual objectives, whereas, as outlined above, the compensation for managers within the more established business areas was based on both strategic and annual objectives. One respondent explained that this discrepancy in the compensation metrics had been implemented because the bank was being led quickly to a take-off, unlike the rest of the Group that was, by implication, already flying.

In interviews, when asked about their time orientation, respondents often provided an answer based on the system consisting of the full strategy period and the period of one year, even though questions on their own performance measurement had not yet been asked at that point. The Balanced Scorecard and the notion of time were, therefore, deeply interconnected in the Group. It appeared that the future-based time model was built into the compensation system. Strategic goals were determined first and operational targets were based on these goals.

It first appeared that the respondents relied upon a technocratic form of control in constructing their time model. However, this technocratic control was implicitly based on the strategic management literature whereby rational actors are expected to initially prepare well-thought-out strategy, optimally based on the long-term vision and mission of the company, and subsequently detail short-term targets based on the strategy. This process is characterised by an initial formulation and a subsequent implementation (see e.g. Mintzberg & Waters, 1985; Ansoff, 1987; Drucker, 1973). Respondents implicitly hung onto this type of framework, and it represented a form of socio-ideological control for them. In their own work, they expected themselves to function according to this strategic management framework, which was perceived as rational. Through this framework they subsequently made sense of the specific technocratic system in place.

4.4 The relation between time models and controls

Concerning the future- and the present-based models, it is difficult to conclude whether it was the time model in place that guided the controls in case companies, or vice versa. It is conceivable that actors were naturally drawn towards a certain time model, and that they subsequently constructed the measures accordingly. Conversely, it is also possible that actors were given certain measures and systems and that these systems then assisted in constructing the time model. Moreover, potentially the way in which measures and systems were interpreted and constructed by actors impacted these actors more than the measures and systems as such. With regard to the past-based model, it appeared that it was the history that existed prior to the time model. The model was then born from this history and through the socio-ideological controls in Group A.

In the current section, controls relating to each time model are elaborated. Grounded in the data, an implicit assumption is made that controls can impact time models and

rationalities, at least to a certain extent. The remainder of this section is partly based on the empirical data and partly on the synthesised time model described above.

In order to encourage executives towards the past-based time model, it is important for the company to possess a history on which to rely. Based on a lengthy history, socio-ideological forms of control, especially clan control with its emphasis on tradition (Ouchi, 1977), function well in emphasising the past-based rationality. The basis on the past seems to be more of a communal exercise than the emphases on the future and the present. This communality is due to the common history and past shared by actors; even those who have not themselves participated in this past, but have come to realise its power through other actors who carry the message forward. Another manner in which the past base can be encouraged is by the reliance on habits and routines that are deemed to be effective. These habits and routines, on which actors can rely, can provide a basis for efficiency to be increased in the present or in the future.

It is worth noting that the literature provides conflicting arguments as to the extent it is possible to employ company culture as a control device. For example, Chatman and Cha (2003), and Kerr and Slocum, Jr. (2005), present unequivocal ways in which culture can be managed by organisational controls. However, Welch and Welch (2006) doubt this view especially in international contexts, and argue that the management of culture is a multidimensional exercise, and its success is dependent on, among other things, individuals and their unexpected reactions. The current study does not claim that executives in Group A influenced the culture in any material way; if anything, it is the opposite. However, some of the suggestions in this paper hint towards a perception that it would be possible, at a minimum, to guide the formation or transformation of a culture towards a certain direction. The study has given some advice on how that guidance, if attempted, can relate to a specific time model.

The present-based time model emphasises efficiency and effectiveness at the present time, with maximum visibility of continuous measurement. Share price is an excellent measure in this respect due to the unrelenting visibility that it provides. In order to emphasise the present-based model, it is beneficial to have systems in place that do not encourage very detailed planning for the future. Share price also functions well in this respect: it is (at least theoretically) based on the long-term value of the company (Fisher, 1965), but this is because it is assumed to be based on the plans of analysts and other stock market actors, not because it would directly be based on managers' own projections. In the stock markets, investors appreciate quick decisions and actions more than extensive plans because decisions and subsequent actions tend to be costlier and therefore more effectively indicate the willingness of executives to commit to the actions (see Akerlof, 1970). One-year targets may not succeed in encouraging the present-based rationality, since these targets can encourage planning for a single year.

Systems that encourage the systematic and concrete planning of the future encourage actors towards the future-based time model. The more concrete the plans are, the easier it is subsequently to transform them into shorter-term targets and tasks to be accomplished. If plans are prepared at a very abstract level and expressed with a measure that is partly

outside of the control of actors, for example with the continuous growth of share price, it is difficult to transform these plans into concrete short-term targets.

In order to emphasise the future-based model, it is also beneficial to have systems in place that split the long-term goals into short-term targets. This can be achieved by systems that encourage the setting of long-term goals for an extended time horizon such as three years, and deriving the shorter-term (e.g. one year) targets explicitly from this extended horizon plan. The effect is reinforced when performance measurement and compensation are based on these goals and targets (Kaplan & Norton, 1996). It is worth noting that commonly used cybernetic²⁵, planning-oriented performance measurement and compensation systems implicitly tend to encourage the future-based time model.²⁶

The study has illustrated that both technocratic (i.e. formal) and socio-ideological (i.e. informal) controls can be used to influence time models and any myopic tendencies associated with these models. A base on the past, the present, and the future is not in itself myopic; only when this base becomes so powerful it overshadows the subsequent target, can myopia be of concern. Myopia can be discouraged by selecting systems that support the model chosen, so that the model is implemented as a complete whole and the time target is also perceived with all its nuances, in addition to the time base. Controls that base the time model excessively on the past, such as socio-ideological controls celebrating the past, can potentially restrict actors by gluing them into the past (Sørensen, 2002). Conversely, share price and financial markets in general can attune actors excessively towards present concerns, limiting their vision of the future (see e.g. Ezzamel et al., 2008). Moreover, the base of the future can cultivate a “planning culture” that does not encourage fast reactions in the present, even if these actions were necessary (see e.g. Mason, 1986; Mintzberg, 1994). This problem concerns any cybernetic control systems where the plan is first initiated and actions are subsequently based on it; it is not, by any means, restricted to the Balanced Scorecard, which happened to be the control system in Group C.

The study has implied that company executives could first decide on an optimal time model within their industry and within their operating environment, and, subsequently, implement this model in their organisation following the guidelines on controls presented above. This type of control deployment is called management control whereby executives and managers control the rest of the organisation (Alvesson & Kärreman, 2004; Otley, 1999). However, time models elucidated earlier were used by top executives in the study. The controls explicated above can therefore also be used for the purpose of controlling and directing the attention of executives, in addition to their use as management controls.

²⁵ Cybernetic control is “a process in which a feedback loop is represented by using standards of performance, measuring system performance, comparing that performance to standards, feeding back information about unwanted variances in the systems, and modifying the system’s comportment” (Green & Welsh, 1988, p. 289).

²⁶ Theoretically, cybernetic systems are also, to a limited extent, tied to the past-based model; the measured performance that is based on actions taken in the past forms a basis for learning and through learning, for future success. However, in this essay the past basis has been illustrated with a lengthy historical perspective, rather than this feature of cybernetic systems because the historical perspective more powerfully illustrates this basis.

5 Discussion and conclusions

The study has brought new light into concerns regarding the time orientation of share price by analysing myopia in a social constructivist framework. In prior literature, share price has been indicated to be a contentious measure that can be either long-term oriented (Puffer & Weintrop, 1991; Brickley et al., 1985) or capable of inducing myopia (Espeland & Hirsch, 1990; Rappaport, 2005; Ding et al., 2008). The current study has clarified the source of this double-sidedness by illuminating how share price can potentially be both long-term and short-term oriented, depending on the context. The long-term side of share price is that it ties the future to the present in a continuous manner; the myopia-related problem of share price is that the future may be conceived as ambiguous and, since it is not clearly formulated, will not matter to actors. A different way in which it is possible to state this is that the far-sightedness in the share price is tied to the issue that the time model target is in the future. On the contrary, the myopia in share price is related to the issue that the base is in the present.

The study also complements contentions about the time orientation of accounting measures. It reveals how these measures can induce a concern for the specificity of the future. Accounting based earnings measures have been accused of being focussed on the past and thereby short-term oriented compared to share price (Ittner et al., 2003), unless bonus banks where earnings-related bonuses can be stored for several years are used (Stewart, 1999 [1991]; Calandro, 2006). As the current study has shown, accounting based performance measures such as earnings can be long-term oriented even if they are measured only annually. These traditional measures force planning within a focal company; detailed planning that implies a concern for specific future situations. Bonus banks as such may not be able to promote planning. Earnings are easily manipulated by executives (Bartov, 1993; Das & Zhang, 2003) and this manipulation has been shown as useful in the long term, allowing management the time and space to focus on long-term value creation without the hindrance of financial markets (Demskei et al., 2004). Planning is tied to manipulation; the purpose of manipulation is to give time for necessary planning. Analysts' earnings standards can be related to a short time orientation (Jensen et al., 2004, p.81); however, earnings measures potentially induce managers, not only analysts, to plan – an effect not necessarily connected with the measure of share price. To summarise, the literature has traditionally focussed on how far into the future a given measure encourages. The current study has shown that myopia can be tied not only to the remoteness in time of a future time period, but to the extent to which the future time period is subject to consideration and planning. This extent can vary considerably: a time period can simply be assumed to be automatically beneficial, or it can be extensively analysed and planned.

Naturally, the study has also provided additional grounds for the argument put forward by Kaplan and Norton (1996) that the Balanced Scorecard is a long-term oriented measurement system. Therefore, the study has complemented the leading indicators view of the Balanced Scorecard (Banker et al., 2000). However, the study has also expressed

serious reservations about this contention. The Scorecard can be tied to the type of myopia typically related to users of the future-based time model.

All of the models constructed by actors potentially induce either favourable or unfavourable outcomes. Based on the study, it is impossible to argue that a given time model would be superior to another model. Rather, it appears that situational and contextual factors determine the usefulness of each time model in each situation and area of operations. If no single model is superior in a given situation, a well-designed combination of technocratic and socio-ideological controls supporting several time models can be beneficial. An excessive amount of emphasis on one, “the most long-term oriented” control would bring about an excessive amount of emphasis on the time base associated with that control, resulting in the type of myopia specifically connected with that control.

However, the use of multiple controls is not automatically an optimal solution either; for example, it is possible that both technocratic and socio-ideological controls support similar types of actions, rather than providing a balance (Alvesson & Kärreman, 2004). Similarly, in the current study, technocratic forms of control were always intertwined with socio-ideological forms of control; these two controls forms did not represent completely separate entities in the case companies. A flexible plurality of controls is desirable; not plurality for the sake of plurality, but for the sake of a balance between controls and the time models which these controls encourage.

The practical implications of the study are as follows. Company executives can analyse which time model potentially dominates within their companies and which they would judge as the most beneficial in the current market conditions. Following this analysis, executives can take action to either change the model or retain it by adjusting organisational controls. Each time model is formed through complex interactions between actors and usually associated with the company culture and the generally accepted mental models within the company. The organisational culture forcefully affects how formal systems are interpreted. However, the study has also presented evidence that a formal performance measurement and compensation system can be used to guide time models. A certain disposition towards each time model can be encouraged through the use of controls such as technocratic and socio-ideological controls (Alvesson & Kärreman, 2004); at the least, optimality is difficult to achieve if these controls contradict the desired time model.

Controls are increasingly studied as a package, whereby they are seen to form a more or less coherent whole in which the effectiveness of each control is influenced by the other controls in the package (Langfield-Smith, 2008; Sandelin, 2008; Brown & Malmi, 2008). Management control package research explicitly acknowledges that individual systems can be substituted for each other. The controls in the study have not been analysed completely independently from each other and interdependencies between technocratic and socio-ideological systems have been uncovered. However, the essay has not focussed on how all the controls in a focal company form a management control package, and how individual systems within this comprehensive package contribute to the time models

used. Future research could, based on the exploratory findings of the current study, take up the issue of how these controls, as parts of a more or less coherent management control package, potentially substitute each other in influencing myopia.

Appendix A: Data sources

Interviews:

Group A, Association Senior Lawyer	28.11.2007	1 hour 15 min
Group A, Association Human Resources Manager	21.1.2008	1 hour 30 min
Group A, Association CEO	26.2.2008	1 hour 15 min
Group A, Managing director of Bank 1	3.3.2008	1 hour 40 min
Group A, Managing director of Bank 2	13.3.2008	52 min
Group A, Managing director of Bank 3 and Chairman of the Association board	7.4.2008	45 min
Group A, CEO of a subsidiary	16.5.2008	1 hour 30 min
Group A, Chairman of the association supervisory board	19.5.2008	1 hour
Group A, Member of the association supervisory board 1	30.5.2008	1 hour
Group A, Managing director of Bank 4	2.6.2008	1 hour
Group A, Member of the association supervisory board 2	13.6.2008	1 hour 30 min
Group A, Association Development Manager	17.6.2008	1 hour 20 min
Group B, Head of Investor Relations	18.6.2007	1 hour 30 min
Group B, Group CFO	18.6.2007	1 hour 30 min
Group B, Chief Investment Officer	19.6.2007	35 min
Group B, Human Resources Manager	10.8.2007	1 hour
Group B, CEO of a business unit	21.8.2007	1 hour
Group B, Group CEO	29.8.2007	1 hour
Group B, Board member 1	31.10.2007	1 hour 30 min
Group B, Board member 2	25.2.2008	50 min
Group B, former Subsidiary CEO	10.10.2008	30 min
Group C, Controller	18.10.2007	1 hour
Group C, Board member, Director of the Group 1	18.2.2008	49 min
Group C, Group CEO, Board chairman	19.2.2008	1 hour 5 min
Group C, Board member, Director of the Group 2	26.2.2008	1 hour 30 min
Group C, CEO of a business unit 1	4.3.2008	53 min
Group C, Investment director	6.3.2008	48 min
Group C, Director, Finance and IT services	7.3.2008	1 hour
Group C, CEO of a business unit 2	1.4.2008	1 hour
Group C, CEO of a business unit 3	16.4.2008	1 hour

Archival data sources:

Group A:

Articles in the financial press about Group A
Internet site of Group A: Governance model and representation of financials
Annual reports of Group A and its banks
Documentary about Group A in the depression of the 1990s: "Lama ja oikeus" (Economic depression and justice, translation by TC), presented on the Finnish television channel TV1, 20.1.2008
Histories of Group A, Group A Association, and two Group A banks
Strategy manual of one Group A bank
Internal compensation system manuals and memorandums of Group A and its banks

Group B:

Articles in the financial press about Group B
Internet site of Group B: Governance model and representation of financials

Annual report of Group B

Internet site of Group B: The compensation system of top executives

Information booklets “The stock-based long-term incentive scheme for the top executives of Group B”, years 2004, 2005 and 2006

Group C:

Articles in the financial press about Group C

Internet site of Group C: Governance model and representation of financials

Annual report of Group C

Internal memorandums on compensation at Group C

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The role of action within subject positions tied to the ideology of shareholder value

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Abstract

Purpose – The paper elaborates on how subject positions promoting shareholder value are infused with action and how the diffusion of the ideology of shareholder value is tied to action.

Design/methodology/approach – The study employs Foucault's perspectives on government and the interrelations between objectivity and subjectivity in the analysis of in-depth case data gathered in one listed and one non-listed company.

Findings - The financial market discipline that objectifies listed company executives makes them subjects in their own organisation, allowing them to redirect discipline onwards and thereby objectify their subordinates. The non-listed company executives, due to the governance structure of their company and the lack of outside ownership, are not subject to such continuous outside discipline: they lack the same access to the means to execute actions within their organisation. The subject positions promoting shareholder value in the listed company are directed towards action, whereas the non-listed company subject positions are directed towards inaction; the ideology of shareholder value is diffused by action.

Research limitations/implications – The subject positions of actors within different types of non-listed companies form a target for future studies.

Practical implications – The action focus of the ideology of shareholder value has assisted in its wide diffusion and promotion. However, whether action is the optimal basis for this diffusion is questioned.

Originality/value – The study contributes to the literatures on manager subject position formation, shareholder value and ideology diffusion. These contributions are achieved by uncovering a novel consequence of subject position formation, by revealing a mechanism by which action is tied with the ideology of shareholder value, and by connecting this emphasis on action with ideology diffusion.

Keywords - Foucault, subject position, shareholder value, ideology

Paper type - Research paper

1 Introduction

Previous research has indicated that company executives are made subjects within their own companies by the discipline directed at them from, for example, the financial markets (Roberts *et al.*, 2006; Covalski *et al.*, 1998; Foucault, 1977). This formation of subject positions has been illustrated to lead to an increase in executive effectiveness in

implementing shareholder value within listed companies (Roberts *et al.*, 2006). It has been suggested that technologies by which the increases in this effectiveness are achieved consist of abstract shareholder value representations that influence concrete actions within a focal company (Ezzamel *et al.*, 2004; Roberts *et al.*, 2006; Cooper and Law, 1995), the use of share based measurement and compensation systems (Roberts *et al.*, 2006; Ezzamel *et al.*, 2008; Useem, 1993), and the development of a manager cadre that is effective in increasing shareholder value (Useem, 1993). The role that the strength of the subject position itself plays in improving manager effectiveness in increasing shareholder value has received less explicit attention than these practice-oriented technologies of management.

Drawing on Michel Foucault's (1977; 1979; 1982; 1991) analysis of government, discipline and the connections between objectification and subjectification, this study compares the subject positions of listed company executives with those of non-listed company executives. This comparison is made in order to uncover a novel role in which subject positions enhance shareholder value implementation in a listed company. The study follows Useem (1993); uncovering that with regard to the listed company, the ideology of shareholder value involves action as its condition of possibility, as opposed to an alternative ideology in the non-listed company. It is argued that the subjectification tied to this emphasis on action has had far-reaching influences on the diffusion of the ideology of shareholder value within the wider society, in addition to the consequences that are purely within listed companies.

The paper presents a comparative case study on two companies in the financial services industry in Finland. One of these companies is listed in the Nordic Nasdaq OMX stock exchange, the other is not listed. The listed company executives claim that their company is deeply committed to shareholder value. The non-listed company, by comparison, is ideologically well separated from the shareholder value approach. The investigation was conducted through interviews of top managers, board members, and managers outside the top management team in the two companies. To support the analysis, archival data has also been gathered.

The study contributes to the literature on executive subject position formation (Roberts *et al.*, 2006; Covalski *et al.*, 1998) by emphasising a novel consequence of subject position formation, the consequence of "action" that considerably widens the whole sphere of consequences of the ideology of shareholder value. The study also contributes to the literature on shareholder value (Lazonick and O'Sullivan, 2000; Ezzamel *et al.*, 2004; Ezzamel *et al.*, 2008; Useem, 1993) by revealing a mechanism by which action forms a connection with this ideology and by analysing the consequences that this ideology can have at a societal level as a result of its emphasis on action. Finally, the study contributes to the literature on the diffusion of ideologies (Wejnert, 2005; Fiss and Zajac, 2004; Harris and Crane, 2002; Wejnert, 2002) by indicating a mechanism for this diffusion.

The study presents an analysis of how executive objectification in the financial markets is tied to the subjectification of these executives within their own company. Through constructs such as share price and property rights, the subject positions of executives in

the listed company are clearly formed and this allows executives to treat their company as an object of their work and act when necessary. Similarly, the study illustrates how, in the non-listed company, when executives are not objectified by outsiders, the subject positions of these executives remain weak and ambivalent, creating difficulties for the running of the organisation. The powerful shareholder value related subject positions encourage action, unlike the weaker subject positions in the non-listed company. The wide diffusion of the ideology of shareholder value is made understandable by this emphasis on action: in general, ideologies require actions in order to diffuse. Finally, the notion of whether the focus on action is an optimal basis for the diffusion of a given ideology is questioned.

The paper is structured as follows. The theoretical underpinnings behind the empirical work are first described. This is followed by the description of the method and discussion on the case companies. It is subsequently demonstrated with the data how objectivities and subjectivities within the case companies are formed, and how performance measurement reflects and contributes to these objectifications and subjectifications. The last two sections present discussion and conclusions.

2 Theoretical underpinnings

2.1 Ideologies and their diffusion

The ideology of shareholder value

The ideology of shareholder value has diffused widely in so called westernised societies since the 1980s (Ding *et al.*, 2008; Aglietta and Rebérioux, 2005; Lazonick and O'Sullivan, 2000; Useem, 1993). Within this ideology, the creation of value to owners is perceived as the overriding goal of management, the role of the other stakeholders being seen as complementary to this most important target (Ezzamel *et al.*, 2008; Ding *et al.*, 2008). The market for corporate control disciplines companies that follow this ideology (Jensen and Ruback, 1983).

Shareholder value has induced several effects either within companies subject to this ideology or within society at large. According to Useem (1993), in companies where the ideology of shareholder value is present, authority has been assigned to members in lower levels of the organisation and headquarters staff has been reduced, performance measures and compensation schemes that emphasise shareholder value have been implemented (see Ezzamel *et al.*, 2008; Hall and Liebman, 1998), and the development of a management cadre cognisant of shareholder value and its implications has been emphasised (Ezzamel *et al.*, 2004). Companies have configured their shareholder base in order that it meets company needs, through education and the sale of shares to those shareholders deemed favourable (Useem, 1993). In addition, companies have pressed for public policy changes designed to either protect them from shareholders or enhance the attainment of shareholder interests, and shareholder value oriented companies have induced or encouraged governance changes in other institutions within their operating environment (Useem, 1993).

Technologies of abstract shareholder value representations can be conceptualised as technologies of quantification, for example EVATM (Ezzamel *et al.*, 2004; Cooper and Law, 1995; Law and Whittaker, 1988). As a result of the ideology of shareholder value, these abstract technologies have been implemented in order to promote concrete practical actions that are aimed at increasing shareholder value (Roberts *et al.*, 2006; Ezzamel *et al.*, 2004).

The shareholder value approach has recently been criticised in the literature by several authors (e.g. Ezzamel *et al.*, 2008; Lazonick and O'Sullivan, 2000; Jensen *et al.*, 2004; Aglietta and Rebérioux, 2005). Lazonick and O'Sullivan (2000) claim that the financially oriented "downsize and distribute" ideology related to shareholder value is unsustainable. This ideology contributes to a dominant mentality that does not encourage creation, but destruction. In addition, Aglietta and Rebérioux (2005) pay attention to the issue that shareholder value simply legitimates the status quo within society. It fails to pay due attention to the interconnectedness between the economy and politics (i.e. democracy) (Aglietta and Rebérioux, 2005).

Ding *et al.* (2008) also underline problems within the shareholder value approach, specifically problems related to the diffused character of ownership associated with this approach. Diffused owners face a problem of information asymmetry in that they are unable to assess the future viability of the business as effectively as owners with relatively large ownership. As a consequence, it is possible that diffused shareholders become unduly interested in short-term company performance as opposed to the long-term economic viability of the company. The existence of highly liquid capital markets amplifies the effects of this short time orientation.

Ideologies of non-listed companies

Non-listed companies represent a heterogeneous set of companies: co-operatives, ownerless companies (e.g. savings banks), and family businesses. Some of these non-listed companies represent powerful ideologies. For example, the co-operative ideology aims at sustaining the businesses of producers (Tiwari and Buse, 2006). It can promote the ideology of democracy by distributing its proceeds democratically and promote the general well-being of its members rather than offering pure monetary benefits (Powell and Steinberg, 2006). Similarly, savings banks are often ideologically focused on contributing to the well-being and economic development of their own locality (Tiwari and Buse, 2006). Family businesses can support a family identity, "familiness", a type of ideology which relates to the identity of the family or entrepreneur in question (see Milton, 2008).

Companies that are not listed at a stock exchange can be spared from the potential problems within the ideology of shareholder value detailed above. However, in the literature, concerns have also been raised concerning non-listed companies. Traditionally, the most common problem has been that related to the potential inefficiency of these companies. Ferrier and Porter (1991) describe three forms of inefficiency in co-

operatives: technical inefficiency (e.g. high costs of control, benefits of principal monitoring effort being a public good), allocative inefficiency (e.g. optimal risk avoidance and ownership concentration being impossible), and scale inefficiency (excessively small scale of operations). Moreover, Williamson (1985) has suggested that democratic principles within co-operatives could cause inefficiency: this is because within a democracy, there is a greater chance that an optimal internal hierarchy and effective strategic leadership cannot be implemented (Núñez-Nickel and Moyano-Fuentes, 2004). Hallsworth and Bell (2003) have also raised doubts concerning the fragmented nature of certain co-operative forms. There is an increasing awareness that, in certain situations, unallocated capital (i.e. “ownerless capital”) could be harmful to operations, resulting in, for example, suboptimal allocation of resources (Nilsson, 2001).

The time horizon of non-listed companies has also been criticised. Ferrier and Porter (1991) express accusations regarding short-term investments made by co-operatives: the horizon of co-operative patrons is not everlasting but truncated, and thereby investments are not implemented with an optimal time horizon.

Ideology diffusion

Ideologies can diffuse inside a company, for example by the inducement of powerful actors (Useem, 1993; Harris and Crane, 2002), or within wider society, between countries, corporations or individuals (Wejnert, 2005; Neu and Ocampo, 2007; Spich, 1995). Ideologies are diffused by multiple mechanisms, for example through media (Wejnert, 2002; Ezzamel *et al.*, 2007), social networks (Fiss and Zajac, 2004; Useem, 1993; Wejnert, 2005; Byrch *et al.*, 2007), institutional isomorphism (Powell and DiMaggio, 1983; Wejnert, 2002), and spatial proximity (Wejnert, 2005). Actors can also undertake ideologies in order to enhance their social conformity[1] (Harris and Crane, 2002; Fiss and Zajac, 2004).

Agential action is inherent within the diffusion of ideologies. Neu and Ocampo (2007) discuss the agency required for the diffusion of certain financial and accounting practices and the associated ideology in a given locale. In addition, as Spich (1995) describes by reference to the ideology of globalisation, ideologies can easily lose support and cease to exist if there is a lack of powerful and constant efforts to sustain them. Stakeholder action is typically required to induce the ideology of corporate greening (Harris and Crane, 2002), and action and interaction are necessary to spread the ideology of democracy (Wejnert, 2005). Ezzamel *et al.* (2007) describe how the agency of a single actor, Deng Xiaoping, in a Chinese context induced substantial changes within the Chinese ideology towards economic development and mixed-mode ownership. These changes were possible due to Deng “promoting action through experimentation and practice in place of endless debate” (Ezzamel *et al.*, 2007, p. 690), this “endless debate” being connected with the ideological administration antecedent to Deng. Hence, Ezzamel *et al.* (2007) posit that weakening ideologies can be connected with inaction.

The theory of cognitive dissonance suggests that ideas often eventually converge with actions even if the actions were originally taken under pressure solely to appease an

external stakeholder (Festinger, 1957). This idea attests to the importance of emphasis on action within an ideology: as long as an ideology can diffuse actions that are in line with the ideology, the diffusion of the ideology itself is likely to follow.

Useem (1993) describes several routes for the diffusion of the ideology of shareholder value. At a practical level inside a company, these routes include the spread of performance measures and compensation schemes attesting to the importance of shareholder value, as well as the development and education of management in the name of shareholder value (see also Ezzamel *et al.*, 2004; Ezzamel *et al.*, 2008; Core *et al.*, 2002). Within wider society, these practical routes include the deliverance of the message of shareholder value to owners (particularly private individuals not yet cognisant of the message), board members, and members of other organisations located within the operating environment or the networks of the shareholder value oriented company (Useem, 1993).

At a more abstract level, Useem (1993) raises the issue that shareholder value has been particularly effective in its focus on action (“ideology for action”, Useem, 1993, p. 223). For example, decentralisation had been discussed in the public sphere for a considerable period of time before the emergence of actions related to the ideology of shareholder value, but it was that ideology and its emphasis on action that effectively transformed this talk about decentralisation into concrete actions (Useem, 1993).

Other authors also attest to the importance of action within the ideology of shareholder value. Ding *et al.* (2008) describe how an innumerable number of agents have been necessary for the gradual extension of the ideology. Powerful and committed actors influence whether the ideology remains decoupled from actions or if strategic change towards the shareholder value is, in fact, implemented (Fiss and Zajac, 2004). In addition, actors within companies that follow the ideology of shareholder value are potentially able to exhibit faster reactions because these actors and the companies themselves are not paralysed by the expression of the multiple interests of several stakeholder groups (Hansmann and Kraakman, 2001; Fiss and Zajac, 2004). Fast reactions thus assist actors to succeed.

2.2 The Foucauldian perspective on government and discipline

Foucault’s perspectives have been explored in the accounting literature by multiple authors (see e.g. Miller and O’Leary, 1987; Hopper and Macintosh, 1993; Cowton and Dopson, 2002; Roberts *et al.*, 2006). Foucault’s notion of government signifies “the conduct of conduct” (Foucault, 1982, p. 220-221). In other words, government is conceptualised as an activity aimed at affecting a person’s own actions or the actions of other actors (Foucault, 1982; Gordon, 1991; Roberts *et al.*, 2006). Power within government is perceived by Foucault as a phenomenon with wide and unanticipated consequences. This power extends widely, often in forms that even completely surprise its initiators. It can demonstrate itself as government of self, whereby actors internalise the effects of power directed at them (Foucault, 1979, 1982; Roberts *et al.*, 2006; Covalleski *et al.*, 1998). Government consists of programmes and rationalities that make

pieces of reality calculable and thinkable, and technologies which instrumentalise government and its programmes (Miller and Rose, 2008). For example, financial markets involve a number of programmes, rationalities and technologies of government, as described below. Stock markets exemplify the “disciplinary society”, a society in which constant discipline, continuous surveillance, and all-encompassing visibility are accorded the rights to dominate (Roberts *et al.*, 2006; Foucault, 1979; Miller, 1987).

For Foucault (1979), normalisation involves the rendering of individuals to a “normal”, disciplinary state. This normalisation is a means by which discipline can be achieved, as well as being a target of discipline (Foucault, 1979). Normalisation is reached in the financial markets for example by the comparison of earnings with analysts’ consensus earnings forecasts and the checking for any associated “abnormality” in such earnings. In addition, ranking is a part of spatial discipline and visibility (Foucault, 1979; Hopper and Macintosh, 1993). In the financial markets, ranking is achieved by rank ordering individual companies on measures such as share price and earnings.

Foucault (1979) also discusses temporal discipline. His notion of the timetable describes how efficiency can be extended to the use of time (Foucault, 1979; Hopper and Macintosh, 1993). This timetable is exemplified in the financial markets by annual and quarterly reporting cycles and road show timetables. The timetables of managers are thereby “normalised” by outsiders. The concept of the exhaustiveness of time also underlines forms of discipline directed towards the use of time (Foucault, 1979; Hopper and Macintosh, 1993). By this notion, Foucault refers to the idea that time should continually be spent on activities that are considered “useful”. It is implied by discipline that managers should control their own use of time in order to verify its “usefulness” in all situations.

2.3 The Foucauldian perspective on objectification and subjectification

Relations between objectivity and subjectivity established in the field of discursive practice are manifold (Foucault, 1977). According to Foucault, objects are formed in discourse in the following manner. Objectification is achieved through the surfaces of emergence; that is institutions that delimit the discourse and thereby enable the objectification of a certain part of it, and the authorities of delimitation. Foucault uses medicine and its authority to objectify others as patients as an illustration of this. Classifications and rule systems (grids of specification) also assist in objectification; for example, mental sicknesses are objectified by these grids of specification regarding the specific character of these sicknesses. Financial markets form a surface of emergence, with institutions and authorities following and objectifying companies. Grids of specification are represented in the financial markets by the quarterly and annual reports whose form has been prespecified.

Foucault (1977) also describes rules governing the formation of subject positions. For example, in medical discourse, doctors and other medical professionals have been given subject positions based on the criteria of who are permitted to talk in the discourse and in which institutional settings this discourse is allowed to take place. On the other hand,

subject positions inside companies can be formed when executives are given the right to talk of company affairs, representing legitimated outsider interests, in given (e.g. financial market related) arenas.

Discourse also determines the relationships between subjects and objects (Foucault, 1977). For example, the discourse that transforms doctors into objects regulated by a certain criteria turns into a non-discursive practice that transforms these doctors into subjects, who, in turn, treat their patients as objects, objectified as individuals. The relations between objectivity and subjectivity are also exemplified by the attempts of the bourgeoisie (Foucault, 1978) and the free men of the ancients (Foucault, 1986) to objectify themselves in order to emphasise their own subjectivity. In addition, when medical professionals were subjectivated in a certain manner, this subjectification altered the way in which the objectification of sicknesses was implemented. Sicknesses were then no longer seen as representatives of universal classes of illness but, rather, attributes of a sick individual. With regard to the present study, these relationships between subjects and objects are further elaborated in the context of the financial markets.

For Foucault, power is not solely a negative phenomenon. He considers that it can take the form of the production of subjectivities, taking on positive meanings and allowing persons to function as subjects (Foucault, 1979; Roberts *et al.*, 2006; Covaleski *et al.*, 1998; Miller, 1987). This view can be translated to the financial markets in the following way. Discipline can be utilised for the ordering of human multiplicities (Foucault, 1979, p. 218): it can potentially be used by company managers whose responsibility is to bring order to the chaos of their organisation (Roberts *et al.*, 2006; Covaleski *et al.*, 1998). This is a beneficial potential for managers, potential that is created when manager subjectivity is shaped and reformed, for example in discussions with fund managers (Roberts *et al.*, 2006). Therefore, the power directed at top managers in a listed company can be experienced as productive by these managers.

2.4 Share price as a technology of government

Share price is the measure by which shareholder value oriented company managers predominantly judge their own success (Fink, 2004; Core *et al.*, 2002; Hall and Liebman, 1998). It forms a technology of government directed towards managers, a continuum from the shareholder value programme that instrumentalises that programme (Miller and Rose, 2008). Manager subjectivity can be shaped by the measure of share price thus allowing easy access to this subjectivity; share price is a simple measure that encapsulates the whole complexity of a listed company into a single measure. Therefore, constant visibility and surveillance can be achieved by share price. Ranking is achieved when share price is compared to a standard; for example, when a company is ranked based on its share price performance compared to other companies in its industry. The share price also connects with normalisation; analysts and institutional investors are always able to check if share price is at an unanticipated (i.e. “abnormal”) level or if its development has been as anticipated compared to the industry or an index (see e.g. Ikäheimo, 2005).

In non-listed companies, it is impossible to attain such constant visibility, discipline and potential for ranking. Non-listed companies do not have access to the government technology, such as share price, that would shape executive subjectivity and allow complexity to be presented in a simplistic form. This makes the continuous discipline of outside performance measurement of non-listed company executives improbable. Outsiders lack those means found in a listed company that influence executive subjectivity by subjecting executives to surveillance.

Apart from the absence of share price, the substance of performance measurement of executives in a non-listed company can be very similar to that in a listed company. Potential performance measures include for example the absolute measures of earnings, market share, sales, and growth in each of these measures. Difference in the outside performance measurement between listed and non-listed companies is, however, more prominent than the existence of one additional performance measure. With the absence of share price, a source of outside continuous measurement pressure disappears. In addition, non-listed companies are not subjected to the quarterly earnings forecasts and interrogations of analysts and institutional investors and thereby another source of regular outside pressure is missing.

3 Method

Both archival and interview data have been gathered in two Finnish case companies, the Listed Group and the Non-listed Group. Both companies operate in the financial services industry; however, they possess very different governance structures. The features of each company are described below and organisation charts of the companies are presented in Appendix A. Three categories of participants were interviewed; executives, managers outside the executive team, and board members. The executives were interviewed in order to provide evidence on their objectification, and the managers outside the executive team were interviewed in order to show evidence of executive subjectification (or the lack of it). Board members were interviewed in order to complement the viewpoints by the Group employees. The researcher was given access to the majority of executives within both case companies.

Most of the interviews took place in 2007-08 before the fall of 2008, in other words, during a period of relative economic stability and growth. For the purposes of the paper, 24 individuals were interviewed, 12 in the Listed Group and 12 in the Non-listed Group. The cases were selected from a wider research project consisting of 48 interviews and five case companies (two listed and three non-listed). In order to draw out the theoretically most interesting conclusions regarding the diffusion and promotion of the ideology of shareholder value the two cases presented here were selected.

All interviews were made by the researcher; they were all meetings that took place face-to-face (one exception was implemented by phone). The length of the semi-structured interviews varied between 30 and 100 minutes. Appendix B presents the list of interviewees. All interviews were digitally recorded, and after the interviews the data were transcribed by the researcher. In order to retain confidentiality, prior to each

interview the participant was asked if it was acceptable for him/her to have the interview recorded. All interviewees reacted positively to this suggestion, allowing the recording. At the beginning of each interview, the researcher also affirmed that the content of the discussion would remain confidential.

In order to provide corroborating evidence, archival data (see Appendix B) was used in addition to interview data (Vaivio, 2008). This archival data is composed of manuals for executive compensation, case company annual reports, and other material relevant for case companies and for their executive performance measurement and compensation. The data was gathered from company web sites, from the press, and during site visits. Within the case companies, several interviewees readily presented data on their companies and their measurement and compensation systems to the researcher.

In order to ensure that current perspectives and theory did not unduly influence analysis, the investigation related to this study was begun with a broad objective in mind (Glaser and Strauss, 1967; Gendron and Bédard, 2006). This objective was to probe deeply into questions on financial markets as well as performance measurement and compensation of executives. Comparisons between the research sites were deliberately sought (Vaivio, 2008). However, the basis for comparison that emerged from the study, the notion of action, surprised even the researcher. This indicated that the findings were not excessively led by prior theory.

Data analysis was begun during the gathering of data. At an early stage in data analysis, it was noted that executive interviews could fit Foucault's ideas on the objectification of these executives. Subsequently, in order to probe deeper into the suggested theory connection, additional interview data from listed company managers outside the executive team was collected. This data provided evidence on the subjectification of executives and the subsequent objectification of subordinates. The data gathered from the non-listed company confirmed and added depth to the findings. In this regard, the study was prepared as a puzzle; initial puzzle pieces were fitted according to preliminary theory, and more data was gathered where appropriate. The major findings and implications emerged and were established in a bottom-up process based on the empirical data, although, to a certain extent, being tied to existing theoretical assumptions. The data gathered was used in order to provide interpretations that contribute to theory and in order to draw out underlying complexities (Vaivio, 2008).

The study has been authored so that it combines the need to express creative research findings with the need to provide confidence in the findings (Modell and Humphrey, 2008). Such creativity is evidenced by findings that were surprising to the researcher. In addition, creativity was demonstrated by extending the level of analysis from a company level to the level of wider society. However, the aim is not to generalise the findings from a company level to a society level. Rather, the paper follows the implications reached at the company level in order to reach society-level, albeit intermediate, conclusions regarding only these very specific implications. Trust was achieved by the use of technical language such as "technology" in order to implicitly connect the study to metaphors of the physical sciences (Baxter and Chua, 2008). In addition, trust was

created by providing information about the conduct of the interviews and the content of data in general (Modell and Humphrey, 2008). It is acknowledged, however, that trust in a piece of qualitative research is a fluid concept, always renegotiable as time passes and new research findings are accumulated (Baxter and Chua, 2008). This piece of research focuses on creating trust in a manner in which it has traditionally been created within the scope of Foucauldian accounting research.

Features of the Listed Group

The Listed Group operates in the financial services sector, and its executives openly promote the fact that the company is shareholder value focused. The company consists of three parts: a holding company and two subsidiaries. The major subsidiary accounts for about 61% of company revenue and the minor subsidiary for about 39% of revenue. The customer base of the company is diverse, including large corporations, medium-sized businesses, and households. The return on equity (ROE) of the company had been above 20% during the two years preceding the study, implying a stable performance. The operating revenue of the Group at the time of data gathering was over € 2.2 billion and the number of employees exceeded 6800. The majority of company shares are in the hands of foreign and domestic institutional investors.

The Listed Group tends to make fast moves in the sphere of mergers and acquisitions. Several years prior to the investigation the Group had divested its ownership in one of its major business units but had bought back full ownership of that same unit quite soon after its sale. More latterly the Listed Group had sold another major business unit. The objective of this move was to increase the share price of the Group.

Within the Listed Group, the division between executives, employees outside the executive team and board members is clear due to the clarity of the governance structure. Within the empirical investigation the Listed Group employees not in the executive team are, for simplicity, referred to as middle management.

Features of the Non-listed Group

The Non-listed Group is composed of a coalition of 38 individual regional savings banks and central organisations, the most prominent of the latter named the Non-listed Group Association. The Non-listed Group supports a savings ideology. Its customers are mostly small- to medium-sized businesses, farms and individuals/households. Its return on equity was 12% at the time of the study, having been about 10% for two years prior to this. The number of employees totalled 1178 and operating revenue amounted to over € 200 million. The individual banks are truly independent: the Association is not a formal Group headquarters and it does not issue instructions that tie the banks. The first Non-listed Group bank was established in 1822 and during most of the 20th century was one of the dominant companies in the industry. However, as a result of a banking crisis of the 1990s the Non-listed Group at that period was dissolved by the order of the Finnish State. Only the independent banks that had remained outside of the official coalition of the Non-listed Group at that time thereby survive to the present day.

The governance model of the Group is elaborated here in order to clarify the lack of outside influence within it. Group banks and other subsidiaries are typically not owned by any actor[2], and the Non-listed Group is therefore an “ownerless” company. The formal authority in each bank lies with the bank board and trustees; in other words the representatives of customers. In practice, however, the managing directors of the largest banks hold the most power in the Group. The boards of individual banks consist of local decision makers from different spheres. These boards are elected by 30 - 50 trustees in each bank, although often the bank managing director powerfully influences the outcome of this election. Old trustees and savers elect new trustees in an annual savers’ meeting, where many of the persons present are former employees of the savings banks. The governance system is not prone to outside influence due to the influence of bank managing directors and old trustees. The Association supervisory board is composed of board members and trustees of savings banks, and the Association board seats are held by the managing directors of the banks. The lack of outside influence is typically justified by the need to cement the bank against outside threats that might potentially threaten the necessary security and solidity needed from financial institutions.[3]

The researcher interviewed several Association executives and employees, a head of a subsidiary of the Group, bank managing directors, members of the Association board and those of the Association supervisory board. Two bank managing directors interviewed were on the board of the Association. All members of the Association supervisory board interviewed were also either a member or chair of an independent savings bank board or a head of trustees of an independent savings bank. The governance structure is less clear than in the Listed Group and roles overlap. However, with regard to this study, executives of the Association are treated as executives, the members of the Association board and Association supervisory board as board members, and the rest of the interviewees as employees outside the executive team. The interview data regarding the bank managing directors who were on the Association board are divided based on the different roles that these individuals undertook during the interview and generally in their work as either managing director or board member.

4 Empirical results

4.1 The Listed Group

According to the executives of the Listed Group, the principal purpose of their work was the creation of shareholder value, and they carefully followed the financial markets. However, they did not admit to excessive pressure from the board, analysts or owners. Rather, for these executives, the quest for shareholder value had been internalised; they acted on shareholder value because they believed it was the correct thing to do, not because they felt an outsider forced them to act against their will. They admitted that they were objects of the financial markets and of the financial press follow-ups, but did not feel a highly negative pressure as a result of this objectification. In addition, particularly the shareholdings of the CEO (Chief Executive Officer) were so sizable (2 % of all

shares) that he also placed himself into the subject position of a shareholder, rather than solely that of an executive.

Overall, executives felt motivated by the good cooperation and spirit within their team as well as the company culture; they admitted to no deviations from the overriding goal within the executive team or by their direct subordinates. All executives claimed that they enjoyed being in positions where they could achieve their goals and felt equipped to do their jobs. They were very confident and believed that, with the moral imperative of shareholder value, if they ordered something to be achieved in their organisation, it would get acted on. Executives felt that the discipline from the financial markets assisted them in their moral imperative, as the following quote indicates.

In regular intervals we have to tell about ourselves in very much detail, how we are doing and what we think. And it is an important disciplinary property,... both in investing, you are careful not to implement something which includes such a risk that would be considered by outsiders as being excessive... [and] it, of course, leads to the fact that the organisation in everything, if it is well run, begins to perceive that in no way can there be an inner deviation from what we have said about ourselves to the outside world. We have said that we are moral and ethical, conform to the law and everything, we have terrible compliance control... and then they have to be like that too (Executive, the Listed Group).

Listed Group middle managers repeatedly stated that they were under pressure that originated from the executive team. This pressure was commonly expressed in the form of performance targets (i.e. what to achieve — such as profitability), not in the form of actual measures required to achieve the targets. The middle management perceived the role of executives as shareholder value maximisers and different from the role of middle managers, whose focus was on the management of operations. The role difference was perceived, by middle management, as natural and as the most rational way in which the interests of owners could be watched over. Middle management took many executive decisions for granted and acted on them without question, since they perceived that these decisions were made in the interests of the shareholders. For example, one middle manager said that it was understandable that owners wanted to receive returns on their investment in the Group, and for that reason it was fully justifiable that Group executives had to make hard decisions, implement savings and sometimes redistribute funds in a contested way between divisions. In other words, several executive decisions were perceived by middle management as originating from the outside pressure of the financial markets.

Middle managers easily identified with owners and executives. One middle manager put himself in the position of investors when reflecting on the most beneficial investment project choices for the Group[4]. For example, the manager admitted that certain projects, such as those related to expansion into Russia, are difficult and risky to invest in. Another manager referred to an earlier situation in the beginning of the 2000s, when the division of that manager had experienced performance related difficulties. At that time, the only target that mattered had been to make the division profitable again from the point of view

of the owners; the manager argued that this target had to be overarching at that point, otherwise none of the stakeholders would have been happy.

It was clear from the data that middle managers perceived executives to be objects of the financial markets. This position as objects gave the executives the status of a subject in their own company: they were the ones who were talking with the authority of the owners; it was they who were responsible for owners receiving rightful returns on investment. Questioning the authority of executives to speak as subjects would have meant, for the middle management, the same as questioning the authority and right of owners to receive a deserved return on their invested funds. The subject position of the executives was perceived to rest on one of the basic premises of the capitalist system, namely, property rights. Middle managers gladly objectified themselves as the objects of their executives in order to maintain a system in which they themselves felt comfortable to live and work. This was also a system where the property rights of the middle managers themselves were to be protected. For example, one middle manager compared the continuous drive for profits in favour of shareholders to the issue that he receives regular interest on the money on his own bank account. He felt that his own actions formed a small portion of the functioning of the whole economic system, a system of which he himself was a small part. If he, along with others, stopped acting according to expectations, the system would collapse.

To a certain extent, in a manner similar to the executives, middle managers felt that their work was meaningful due to the fact that the Group was listed. One middle manager said he enjoyed working for a company that tended to perform determined actions. He added that he perceived listed companies to be considerably more determined than their non-listed counterparts. Another middle manager claimed that share price and the Group value formed a solid basis for executive measurement and compensation and that he felt motivated to work since he felt that he is working for a sizable number of owners. This motivation is illustrated by the quote below:

Of course, in a listed company, [there is supposed to be] a solid basis, solid development.... When you are a listed company, we are obliged, and certain things are expected of us, and we have to live according to those expectations. Of course it decreases unnecessary panic, since then you have to think how does [your own work] affect the large owner group, well, of course it has an influence (Middle manager, the Listed Group).

In the Listed Group, share price and, to a lesser extent, earnings set continuous outside pressure on executives and the executives carefully followed these performance measures. In addition to a fixed salary, executive compensation was based on share price, the margin for the major business unit, and the ROE of the whole Group; but the share price dominated their compensation package. Regardless of the structure of executive compensation, share price related pressures were perceived by executives above all to be of a moral character. Executives felt that their moral responsibility was to act on shareholder value, and share price was the most valid measure on how they had succeeded in their moral imperative. Earnings were an indirect measure of the same imperative. One executive described the role of share price:

You can see very concretely, if you have a reasonably structured long-term incentive plan, it does [this]: People begin to follow the share price, it becomes very important for them, [they begin thinking that] you are not allowed to do things that destroy the share price, and you have to do things that raise it (Executive, the Listed Group).

Executives also felt that they should be given share based rewards, since that was the dominant manner in which their own interests could be tied with shareholder interests.

You truly think about shareholders, when you are one yourself (Executive, the Listed Group).

Thus, for executives, share price was the measure of their overriding goal of shareholder value. It was one of the major media through which their objectification and subjectification were achieved and made visible to their subordinates (Foucault, 1977). Share price allowed the stock market to discipline them, and it represented the moral basis on which they disciplined their subordinates.

4.2 The Non-listed Group

Several interviewees in the Non-listed Group felt that the Group should be proactive and fast in implementing changes because of its small size. However, despite the expectation, these interviewees expressed concerns that in fact the Group did not take fast action. Both Association executives and members of the Association supervisory board often expressed concerns that core development programs were not proceeding according to plan. These programs were mostly related to the restructuring of the Non-listed Group operations (i.e. bank mergers), and to the introduction and sale of new services.

Within the Non-listed Group, several banks were perceived by respondents to be excessively small and not ready to face new challenges, such as the upcoming initiative concerning European wide cooperation between banks. It was feared within the Association supervisory board and the Association itself that smaller banks would not survive these new challenges. The Association board and supervisory board had brought up multiple issues of different bank mergers several times in board meetings and other negotiation arenas in the Group over several years. These projects had usually been delayed, and sometimes abruptly shot down. One respondent noted, with a subtle irony, that the independent bank managing directors were, in principle, relatively open to improvements, as long as these improvements did not demand from them real actions leading to a loss of independence; actions such as a merger of their own bank with a neighbouring bank.

Several of the smaller banks within the Group sold few of the more “advanced” banking products like pension insurances or mutual fund units. The Association had attempted to improve this situation, but with painstakingly slow success. One bank managing director of a medium-sized bank also admitted that he had experienced difficulties in having the idea of selling new services acted upon within his own organisation.

An Association executive indicated a further project related to an internal organisational change that had not succeeded. The drive for this service centre project had ended, as the following quote shows.

Some years ago it was... decided to establish a service centre where we would combine information technology and headquarters,... and then when the implementation begun, at the face of the first difficulties it was withdrawn and it was decided that we cannot do this (Association executive, the Non-listed Group).

Contradictory goals were prevalent within the Group: managing directors of larger banks wanted their business to grow, managing directors of smaller banks wanted a minimal amount of change, and the Association executives wished for more control in order to unify the Group. One Association supervisory board member claimed that because of contradictory goals and opinions within the Group, it was difficult to formulate the goals of the whole Group in a precise manner. Overall, the Group was considered to be lacking determination. One supervisory board member described the functioning of the Association as follows:

[The Association executives] give up and note once again, that these [bank managing directors and other employees] are like that and this [change] will not get done... The terrier-like, hungry will to work to achieve [changes] wilts quite fast, probably because of the incentive system and ... because the culture is so different... from the Listed Group... where they [the Listed Group executives] have tried to much more achieve results, even with a taste of blood in their mouths (Association supervisory board member, the Non-listed Group).

The issue of a lack of determination in handling the implementation of projects was not limited to the Association employees. As noted earlier, one bank managing director also expressed problems associated with possessing a subject position from which he could have issues acted on in his own bank. In addition, those bank managing directors that were on the board of the Association did not feel empowered to unquestionably implement the changes that were needed in the whole Group.

Bank managing directors did not consider the Association a determinant of their own decisions; rather, they perceived the Association to be storage for knowledge resources. The Association employees also felt that they were only a service provider for the independent banks and that they should not be judged based on the results of the whole Group because they felt they did not have formal influence towards the actions of the Group banks. In other words, the managing directors managed their own banks very independently, and the power of the Association in inducing actions within the whole organisation appeared limited. This was surprising since, unlike bank managing directors, the Association executives held a Group-wide perspective and, for that reason, would have been in a strong position to run the Group, had they been given a chance. However, the Association was removed from the daily operations and the outside pressures facing the independent banks, and it was therefore unable to acquire a strong subject position

through any outside resources that would be respected by the bank managing directors. In this regard resources such as financial market pressure were unavailable.

The most substantial outside pressure, in terms of squeezing performance, was directed towards the bank managing directors, who were in continuous contact with their operating and competitive environments. These bank managing directors were also the individuals with the most prominent subject positions within the Non-listed Group; they held controlling positions on the board of the Association and that of another important subsidiary of the Group. In addition, the bank managing directors of the largest banks were the most important subjects within the discourse of the rest of the Group employees. Several employees claimed that, in practice, these directors held the most power and influence within the whole organisation.

One part of the performance pressure on the bank managing directors originated from inside of the Non-listed Group through comparisons. The bank managing directors often compared themselves with each other to determine their relative positioning and performance. This practice was natural since comparison data regarding for example earnings was relatively freely available to bank managing directors and Association executives.

Respondents within the Non-listed Group did not employ a property rights discourse. This was natural since the Group was not owned by anybody and was not, therefore, accountable to owners whose property rights could have been drawn on to execute decisions within the Group. In addition to financial market pressures and competitive pressures, property rights was a further construct that the Association executives were unable to draw on in order to persuade employees to execute actions. Relating to this construct, one bank managing director said that having a strong ownership would probably drive the Group towards a more determined way of acting, rather than the current ownerless mode which did not support determination in realising actions.

The executive compensation at the Non-listed Group was organised in the following way. The majority of executive compensation in the Association was paid as fixed salary. In addition, an annual bonus (worth about one month of salary) was usually paid based on a subjective evaluation by the Association board. As noted earlier, this board was composed solely of individuals from inside the Group, the bank managing directors. Other Association personnel did not have any performance based pay system. In addition to base salary, most bank managing directors were commonly paid an annual bonus (also worth about one month of salary). This bonus was based on a subjective evaluation by the respective bank board.

In the Non-listed Group, continuous outside pressure regarding earnings was weaker than in the Listed Group. By definition, there was no share price for the Non-listed Group and consequently a lack of financial market pressure; share price was therefore a further construct that the executives within the Non-listed Group were unable to draw on. As described earlier in this paper, Association executives holding a Group-wide perspective, and therefore, the most potential for managing the whole Group, held diminished subject

positions. This situation is made understandable by the lack of share price or another basis for their subjectification.

Within the Non-listed Group Association, issues such as harmony and a good quality working atmosphere were appreciated more than a hard drive to make money. An excessively hard drive was seen by certain respondents as damaging for Group success. Performance measurement within the Association was based on tasks that were approximately (but not necessarily concretely) delineated in terms of Group strategy. One executive within the Association expressed a desire to improve performance measurement by adding more systematic performance criteria. Another executive also noted the lack of systematic outside targets for himself:

As such, actual target setting, special targets, for example annually, I do not really recognise that I would get those recorded for myself anywhere in any way. In practice it goes like this: when I am in charge of strategic planning, as a result of that planning the strategic goals of the Group are created and perhaps I have myself, kind of, taken such a role for myself that I take those goals directly to myself and begin bringing them forward (Association executive, the Non-listed Group).

Systematisation and clarity of outside pressures would place executives into subject positions from which they could more effectively control and objectify their subordinates and other employees in the Group (Foucault, 1977). At the time of the study, executives were subjectified in terms of positive mindset, far-sightedness, and harmony. This specific subject position did not provide them with tools to aggressively objectify their organisation; rather, forcing an organisation to become an object would have broken their subject position of harmony. The importance of retaining this subject position is reflected in the following quote.

In performance evaluation, of course, you are measured as a kind of face lift, meaning how you behave, what are your cooperation skills. If you come to the [board] meetings and talk only about problems, and behave there, I might say, in a grousing manner, and so on, it probably also has an influence (Association executive, the Non-listed Group).

Naturally, Association executives felt performance pressures. However, this performance was often measured in terms of qualitative, intangible targets, such as compliance to the company culture, patience, and a positive mindset. For example, one executive stated that he felt that an important task within the Association was to make sure that there were no stirrers inside the organisation.

5 Discussion

Objectification and subjectification

Financial market discipline consists of an assembly of forces directed at management, these forces being altered, redirected or amplified by response and resistance. The effects

of these forces are, by no means, known in advance. The rationalities and programmes in the financial markets are exemplified by shareholder value and by property rights (Miller and Rose, 2008; Lazonick and O'Sullivan, 2000). The technologies of government (Miller and Rose, 2008) in the financial markets involve performance measurement based on share price (Ezzamel *et al.*, 2008; Useem, 1993) and meetings between company management and financial market participants, such as fund managers and analysts (Roberts *et al.*, 2006).

Executives in the Listed Group were objectified as objects of interest by the financial markets. Simultaneously, the subjectivity of these executives was reinforced: in the financial markets and financial press, they were seen as subjects worthy of interest (Roberts *et al.*, 2006). In addition, financial market related criteria granted them exclusive rights to speak for their companies and to talk to their employees as the representatives of owners. These forms of outside reinforcement of their subject positions enforced their subjectivity within their own company: their desires were seen as legitimate by their subordinates and other employees (Covaleski *et al.*, 1998). This subject position gave executives legitimate rights to objectify middle managers; the relationship between objectivity and subjectivity had been transformed from the financial markets to the rules for exchanges between executives and middle managers.

The overarching moral imperative of the Listed Group executives, that of shareholder value, and the purpose of their work had been determined beforehand. However, their subjectification allowed them to decide on the measures they took in order to achieve this moral imperative, and to effectively execute these measures. Their execution capabilities were “freed” by the subjectification put on them through the financial markets. Action and the ability to be proactive were being legitimated.

As detailed below, financial market discipline enabled executives in the listed company to execute their wishes effectively. Although this execution was dependent on and reinforced normalising power, it gave the feeling of security to the individual executives. The power directed at executives in the listed company was productive, not merely suppressive. Normalising power, compared to any other type of power, was particularly effective since it permitted the effective and individualised subjectification of the top executives. Normalisation was also effective since it provided comparisons that appeared justified: it required conformity to predetermined norms of performance, where compliance was easily checked. It also provided the potential for comparison with other companies in the industry and the stock market and therefore boosted the competitive spirit within the company; a spirit yearning for an even larger extent of normalisation.

The Non-listed Group Association executives, due to the governance structure of the Group, were not subject to such overarching normalising power from outside. While exhibiting more “freedom” (i.e. lack of discipline originating from the financial markets), they were also captives of this freedom: they lacked access to the means and the power to execute rapid changes within their own organisation. They were denied the possibility of transforming outside pressure, in other words resources, in to a form of internal legitimacy in the same manner as listed company executives. The diminished executive

subject positions within the non-listed company were tied to frustration among these executives.

Action and inaction

Although the socially constitutive force for Foucault is discourse, rather than the subject, his work is based on the premise that individuals can choose and act intentionally and knowingly within a given discourse and the norms and rules guided by it (Foucault, 1977, p. 200). Therefore, the action of subjects is not denied in his work. The exercise of power itself is, for Foucault (1982), a structure of action upon actions. In the following, action will be discussed as a phenomenon that emerged from the data after that data had been structured based on discipline and objectification/subjectification. Action is defined as the present performance of tasks.

The findings have shown that listed company actors focused on actions; that is on achieving something concrete. These actors talked about shareholder value but preferred actions that instrumentally increased this shareholder value rather than being reduced to mere talk about it. In other words, the talk was not as important as the fact that shareholder value was really increased in the material world. This focus on action in the listed company was tied to the degree of strength of the executive subject positions.

The non-listed company discourse concentrated on how to formulate a vision of the company and on how to talk and behave in general, rather than on action after the talk. Certain actors attempted to achieve something material, but, in general, actors were not rewarded for achieving large changes. Rather, they were rewarded for following the rules of the prevalent discourse that emphasised talk and correct behaviour, not action that would result in widespread consequences. The ambivalent subject positions in the non-listed company did not pave the way for actions as effectively as the strong subject positions in the listed company.

This difference between the listed and the non-listed company can be illustrated by Brunsson's (1982) decision and action rationality. Listed company executives followed an action rationality, whereby they attempted to implement changes. Non-listed company executives followed a decision rationality whereby they aimed for elevated talk, behaviour and decisions, after which widespread actions might or might not materialise.

Non-listed company actors, particularly the Association executives in the case, felt that they had to conform to societal expectations within the organisation, and that excessively radical action would result in nonconformity. A failure to conform was felt to result in unnecessary quarrelling and problems related to personal legitimacy within the organisation. Naturally, the Listed Group executives were also subject to social conformity both within their executive team and in relationship with outsiders, such as analysts and investors. However, their social conformity led them towards a tendency for action and towards attempts for the material creation of shareholder value.

With regard to this study, it is worth underlining the role of outside influences (Foucault, 1979; Roberts *et al.*, 2006; Covaleski *et al.*, 1998). Listed companies are at an extreme position in relation to outside influences: they are under constant visibility. In contrast, the governance structure of the Non-listed Group was extremely closed from outside influences. In fact, it would not have been possible to locate a listed company that would exhibit a similar lack of any outside governance influence as the non-listed company that contributed to the study, or indeed any non-listed company. Hence, continuous visibility and extreme secrecy have been contrasted and their implications for objectification and for the creation of subject positions have been revealed by this research study.

The results are in line with parenting theory proposed by Goold *et al.* (1994). The theory claims that in order to justify the additional explicit and implicit costs incurred by a corporate parent, it is necessary for this parent to add sufficient value. The holding company in the Listed Group added value, for example, by drawing on its link to the outside in order to execute vital but occasionally demanding tasks within the rest of the Group. The Non-listed Group did not possess a similar resource that would tie it to outside influences and thereby create understanding and appreciation about difficult decisions among its employees.

The study has shed light on accusations that non-listed companies are inefficient (Ferrier and Porter, 1991; Williamson, 1985; Núñez-Nickel and Moyano-Fuentes, 2004; Hallsworth and Bell, 2003). For example, the study shows that what appears to outsiders as inefficiency refers mostly to the lack of determination in the handling of problems and change processes, in other words to ineffectiveness. This ineffectiveness has been shown to appear, from example, through excessive costs of control, too small a scale (Ferrier and Porter, 1991), problems with leadership (Williamson, 1985), and the fragmented nature of non-listed companies (Hallsworth and Bell, 2003). These forms of ineffectiveness potentially translate into a time horizon problem whereby optimal actions are not implemented on time. Executives in the non-listed companies are not under continuous surveillance and lack subject position strength created by this surveillance. Without outside allies, they risk becoming incapacitated in their ability to implement substantial changes, even when these changes would be needed for the long-term development of the company.

The study has also revealed how a simple command-and-control governance structure permits the execution capabilities of executives, compared to more complex governance structure in which command chains are unclear. Being listed implies the existence of command-and-control: if owners desire executives to increase shareholder value, these owners are expected to establish a governance structure that permits executives the capabilities to do just that (Useem, 1993). In a non-listed company there is no similar rationale for command-and-control. In fact, in the particular non-listed case company, an unclear and endogenous governance structure had been purposefully imposed on the organisation in order to prevent hostile takeovers and maintain stability of the governance of the Group. In a listed company, the possibility of takeovers forms a part of the governance structure; it allows shareholders to be able to replace the company

management if they are unsatisfied with the results that this management is producing (Jensen and Ruback, 1983).

6 Conclusions

Listed company executive subject positions are enhanced as a result of subjectification by the financial markets. This development of subject positions assists executives in promoting shareholder value by the use of technologies such as share price. The analysis has shown that strong executive subject positions in a listed company encourage action; weak executive subject positions in a non-listed company do not necessarily do so. The study has thereby added a novel role for the formation of executive subject positions within a given company to the existing research literature. This role, the role of action, functions within the shareholder value programme, and thereby instrumentalises and amplifies this programme (Miller and Rose, 2008; Useem, 1993).

The technologies of abstract shareholder value representations, related to for example earnings and EVATM, that influence concrete actions within a company have been shown to be effective in promoting shareholder value (Roberts *et al.*, 2006; Ezzamel *et al.*, 2004; Cooper and Law, 1995). Action as a part of subject positions complements the technology of abstract representations by explicating why these representations have been so influential. The ideology of shareholder value craves action, finding much-needed models for action in these abstract valuation models.

Prior research suggests that companies promoting shareholder value are potentially able to exhibit faster actions as they are unencumbered by the multiple interests of other stakeholders (Hansmann and Kraakman, 2001; Fiss and Zajac, 2004). This study has shed light on this claim by revealing a mechanism by which these faster actions are materialised.

Useem (1993) claims that the decentralisation efforts that began in the 1980s were caused by the ideology of shareholder value, but does not outline a mechanism of causation between these phenomena. The current study amplifies the claims made by Useem (1993) as to the connection between decentralisation and shareholder value by revealing a mechanism for their relationship. Decentralisation powerfully contributes to shareholder value and its emphasis on action in the following way. It divides the roles of those who are subjectified by financial markets and provide targets based on the expectation of those markets, and those who are empowered to execute actions in order to achieve the targets inside the organisation. Shareholder value tends to encourage decentralisation in order to enforce its own effectiveness in implementing actions.

The diffusion of the ideology of shareholder value has been effective. The analysis has shown that a previously undisclosed reason for this wide diffusion is the emphasis on action that is encouraged by the powerful subject positions committed to shareholder value. An ideology that encourages actions spreads more effectively than an ideology that does not (Ding *et al.*, 2008; Neu and Ocampo, 2007; Ezzamel *et al.*, 2007; Wejnert, 2005; Harris and Crane, 2002; Spich, 1995; Useem, 1993; Festinger, 1957). Due to the

emphasis on action, the shareholder value discourse naturally invites actors (for example by recruitment) who possess a strong drive for measurable action and achievement. They feel that the discourse grants them tools for self-actualisation (Maslow, 1943) and are ready to praise the ideology, spreading it further. The outcome of these actions is a system where individual managers conceive of their own actions fortifying the structure of the system in which they themselves feel they can self-actualise. This is a very different explanation for the diffusion of the ideology from that proposed by economists whereby the spread of shareholder value is argued to be beneficial in terms of the “invisible hand” described by Adam Smith that guides individuals to a socially preferable equilibrium (Jensen, 2001; Friedman, 1970; Smith, 1776).

The study has related action to ideology diffusion, and profound questions can naturally be raised about this issue. Should the ideology of shareholder value be worthy of diffusion simply because of its emphasis on action? Should we support those ideologies that easily win, or those that are worthy of a victory? A “rational” model for the acceptance of an ideology might be to pinpoint the strengths and weaknesses of that ideology and then favour or oppose the ideology based on the analysis. In this “rational” model, strengths and weaknesses could be defined in terms of moral values and material advantages to humankind. However, it is possible that, in reality, ideologies diffuse mostly due to characteristics such as their emphasis on action.

Would it be possible to take advantage of the action oriented character of the ideology of shareholder value? If it was fed with concrete models that account for human behaviour, instead of the abstract valuation models of the financial markets, it might become more prone to real value creation for the humankind, instead of value destruction (Jensen *et al.*, 2004; Rappaport, 2005; Aglietta and Rebérioux, 2005). However, this approach may shatter its existing underlying assumptions. The further development of the ideology of shareholder value contains the seeds of an interesting, albeit extremely large, research project.

Finally, the study has compared a listed and a non-listed company. However, the non-listed company analysed in this paper is not representative of all types of non-listed companies; there are myriad forms of non-listed companies, such as co-operatives, family businesses, and companies run by an entrepreneur. The subject positions of actors within these myriad non-listed companies would form an interesting target for future research studies.

Notes

1. Social conformity is defined here as the tendency for an actor to orient himself or herself towards the behaviour of co-workers by behaving in a manner different from that which that actor would have chosen if he or she was not part of a team (Brandes and Weise, 1999), the reason for such behaviour being a desire to avoid social ostracism (Grilo *et al.*, 2001, Asch, 1955).

2. Few banks are organised as limited-liability companies, but even in these banks, funds committed to the same savings ideology as the banks themselves, hold the bank shares. In practice, these fund managers are close to the bank and its employees; they are not outsiders. The funds specialise purely in owning the shares of the savings banks. Assets of the banks have been accumulated from proceeds during years of operation; they are not financed by investors in the same way as in listed companies.

3. For example, in the 1960s and the 1970s certain Non-listed Group representatives brought about ideas that left wing party representatives might seek to merge the savings banks with local workers' savings banks. These ideas are not valid today any longer, because the workers' savings banks have disappeared from Finland in the course of the history.

4. This manager had bought Group shares personally (he was not included in any share-based compensation plan).

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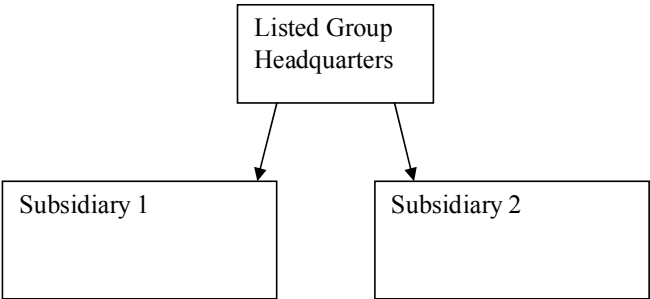
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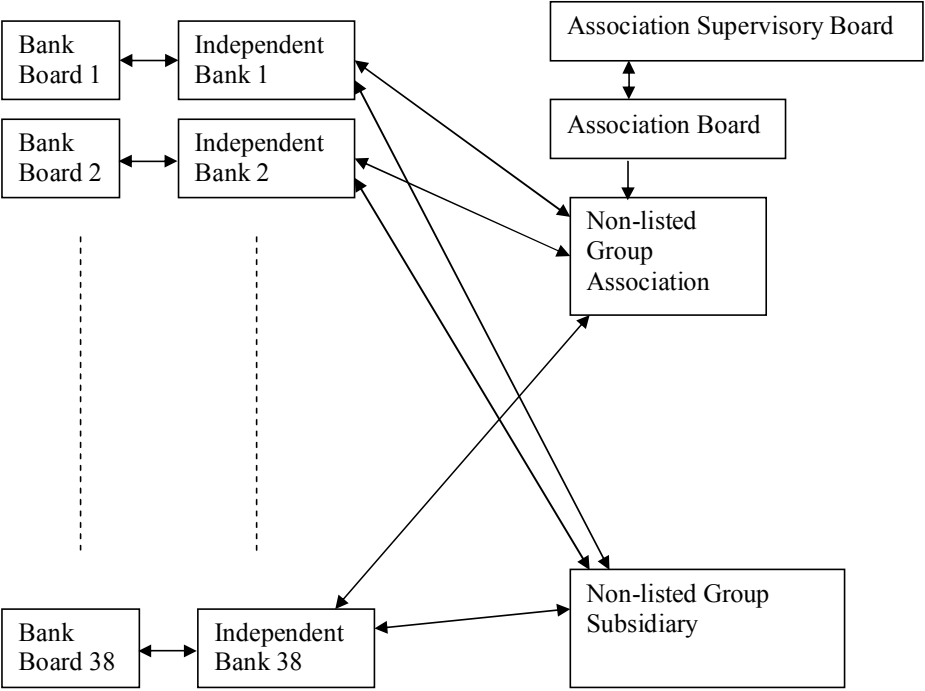
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Appendix A: Case company organisation structures

The Listed Group organisation structure



The Non-listed Group organisation structure



Arrows indicate directions of influence.

Appendix B: Data sources

Listed Group, Head of Investor Relations	18.6.2007	1 hour 30 min
Listed Group, Group Chief Financial Officer	18.6.2007	1 hour 30 min
Listed Group, Chief Investment Officer	19.6.2007	35 min
Listed Group, Human Resources Manager	10.8.2007	1 hour
Listed Group, Subsidiary CEO	21.8.2007	1 hour
Listed Group, Group CEO	29.8.2007	1 hour
Listed Group, Board member 1	31.10.2007	1 hour 30 min
Listed Group, Board member 2	25.2.2008	50 min
Listed Group, Manager of a business unit	25.6.2008	1 hour 30 min
Listed Group, Manager of a business sector	11.8.2008	1 hour 40 min
Listed Group, Senior Vice President of a subsidiary	15.8.2008	52 min
Listed Group, former Subsidiary CEO	10.10.2008	30 min
Non-listed Group, Association Senior Lawyer	28.11.2007	1 hour 15 min
Non-listed Group, Association Human Resources Manager	21.1.2008	1 hour 30 min
Non-listed Group, Association CEO	26.2.2008	1 hour 15 min
Non-listed Group, Managing director of Bank 1	3.3.2008	1 hour 40 min
Non-listed Group, Managing director of Bank 2 and Member of the Association board	13.3.2008	52 min
Non-listed Group, Managing director of Bank 3 and Chairman of the Association board	7.4.2008	45 min
Non-listed Group, CEO of a subsidiary	16.5.2008	1 hour 30 min
Non-listed Group, Chairman of the Association supervisory board	19.5.2008	1 hour
Non-listed Group, Member of the Association supervisory board 1	30.5.2008	1 hour
Non-listed Group, Managing director of Bank 4	2.6.2008	1 hour
Non-listed Group, Member of the Association supervisory board 2	13.6.2008	1 hour 30 min
Non-listed Group, Association Development Manager	17.6.2008	1 hour 20 min

Internet site of the Listed Group: Governance model
 Internet site of the Listed Group: Representation of financials
 Internet site of the Listed Group: The compensation system of top executives
 Information booklets "The stock-based long-term incentive scheme for the top executives of the Listed Group", years 2004, 2005 and 2006
 Annual report of the Listed Group
 Articles in the financial press about the Listed Group

Internet site of the Non-listed Group: Governance model
 Internet site of the Non-listed Group: Representation of financials
 Internal memorandums on compensation in the Non-listed Group and its banks
 Histories of the Non-listed Group, Association, and two Non-listed Group banks
 Strategy manual of one Non-listed Group bank
 Annual reports of the Non-listed Group and its banks
 Articles in the financial press about the Non-listed Group
 Documentary about Non-listed Group in the depression of the 1990s: "Lama ja oikeus" (Economic depression and justice, translation by the researcher), presented on the Finnish television channel TV1, 20.1.2008

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