SM460

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International Perspectives on Short-Termism

I. Overview of Short-Termism

The increasing tension between short-term gains and long-term stability is a major challenge in today's corporate and economic landscape. BlackRock CEO Larry Fink has warned against "the powerful forces of short-termism afflicting corporate behavior."[1] Short-termism prioritizes immediate rewards over strategies that ensure long-term success and sustainability, often leading companies to focus on quarterly earnings reports at the expense of research and development, employee training, infrastructure upgrades, and innovation. While this approach may boost short-term profits, it can undermine future growth and competitiveness. This issue raises a critical question: how can businesses and policymakers move beyond short-term incentives to prioritize sustainable, long-term growth?

The concern that U.S. companies prioritize short-term gains over long-term growth has been debated for decades. In 1979, corporate lawyer Marty Lipton argued that short-term profit-seeking could "jeopardize the long-term interests of the nation's corporate system and economy."[2] In the 1980s, economist Peter Drucker warned that short-term financial strategies could lead to "costly, if not suicidal, mistakes."[3] In 1992, Harvard's Michael Porter echoed these concerns, warning that underinvestment in R&D and workforce development was putting U.S.

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[1] Larry Fink, *2016 Corporate Governance Letter to CEOs*, BlackRock, February 1, 2016, https://www.reit.com/sites/default/files/meetings/REITWise16/Governance/Full%20Document(s)/Blackrock%20-%20Larry%20Fink%202016%20Corporate%20Governance%20Letter%20to%20CEOs%20(2-1-16).pdf.

[2] Steven N. Kaplan, "Are US Companies Too Short-Term Oriented? Some Thoughts," Journal of Economic Perspectives 29, no. 1 (2015): 105–128, https://doi.org/10.1086/694409.

[3] Roger L. Martin, "Yes, Short-Termism Really Is a Problem," Harvard Business Review, October 9, 2015, https://hbr.org/2015/10/yes-short-termism-really-is-a-problem.

companies "at a serious disadvantage" in global competition.[4] These arguments have persisted into the 21st century, such as the 2019 Business Roundtable's commitment to "generate long-term value for all stakeholders."[5] Research supports these concerns, with a survey showing that 63% of board members and executives report increased short-term pressures, and 79% believe they must deliver results within two years to satisfy investors.[6] Stock buybacks exemplify this trend, as they boost immediate earnings but divert funds from long-term investments.[7]

While most scholars and executives agree that short-termism remains a challenge, examining international models can offer insights for development of a more efficient and long-term focused corporate system. By examining financial markets and corporate governance in other countries, U.S. policymakers and business leaders can identify strategies to foster long-term growth and innovation in the U.S. economy.

This paper explores both sides of the short-termism debate in Section II and introduces the institutional differences and variations in short-termist behavior among firms in different countries in Section III. Section IV discusses case studies from the U.S., China, and other countries. Section V concludes.

II. To What Extent is Short-Termism a Problem?

While some argue that short-termism often leads to unethical company management, including suboptimal investment decisions, earnings manipulation, and reduced innovation,

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[4] Kaplan, "Are US Companies Too Short-Term Oriented?."

[5] Business Roundtable, Business Roundtable Redefines the Purpose of a Corporation to Promote "An Economy That Serves All Americans", August 19, 2019, https://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans.

[6] Dominic Barton and Mark Wiseman, "Focusing Capital on the Long Term," Harvard Business Review, January–February 2014, https://hbr.org/2014/01/focusing-capital-on-the-long-term.

[7] Martin, "Yes, Short-Termism Really Is a Problem."

others contend that short-term performance is essential for business survival and does not necessarily hinder long-term growth.

The main arguments against short-termism in management include: 1. Short-termism is inherently detrimental to a firm's long-term performance; 2. A short-term focus on long-term investments yields poor returns; 3. Shareholder activism is a distraction to effective and efficient management; 4. Quarterly reporting drives short-term decision making.

While critics of short-termism propose that it is inherently detrimental to a firm's long-term performance, some argue that a short-term focus is not inherently damaging. Rather, short-termism can be viewed as the "cornerstone of the future" since companies must achieve short-term financial stability to sustain long-term growth.[8] Given the "natural human tendency to prefer the immediate to the distant," building and realizing short-term results can be gratifying for businesses and their decision makers.[9]

Companies also cannot sacrifice short-term performance while expecting to build long-term value. Therefore, it is essential to find a balance and understand the connection between short-term results and future investments.[10] Empirical evidence does not conclusively support whether short-termism has a positive or negative impact on long-term investments. Some studies suggest a negative association between short-term investors and long-term R&D investments, while other studies "report a positive association between them."[11] For instance, total U.S. R&D spending has actually increased since the 2008–2009 recession, challenging the claim that companies are neglecting long-term innovation.[12]

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[8] Radu-Alexandru Șerban, "Short-Termism: A Step Forward Toward Long-Term Performance or a Dead End," chapter, in *Emerging Issues in the Global Economy*, 2018, 341–50, https://link.springer.com/chapter/10.1007/978-3-319-71876-7_30.

[9] Masakazu Ogami, "The Conditionality of Political Short-Termism: A Review of Empirical and Experimental Studies," May 2, 2024.

[10] Șerban, "Short-Termism: A Step Forward Toward Long-Term Performance or a Dead End," 341–50.

[11] Șerban, "Short-Termism: A Step Forward Toward Long-Term Performance or a Dead End," 341–50.

[12] Nathan and Goldberg, "The Short-Termism Thesis: Dogma vs. Reality."

Shareholder activism is often associated with short-termism. Critics argue that such activism distracts management from long-term focus, instead shifting them toward short-term solutions that alleviate current needs but exacerbate future ones.[13] However, activism can serve as a useful corrective mechanism against managerial inefficiencies and overly optimistic long-term biases about their own projects.[14] Furthermore, quarterly reporting can cause earnings manipulations to improve short-term stock-performance at the expense of long-term returns on assets.[15]

However, there is mixed evidence on this issue on the impact of quarterly reporting requirements. Critics of quarterly reporting argue that companies may sacrifice long-term opportunities "for immediate profit" and "cut investments from R&D" to meet their quarterly targets.[16] A study found no significant impact on investment decisions following the introduction of mandatory quarterly reporting in the U.K.[17] Furthermore, despite the EU removing its mandate for quarterly reporting, many companies continue to report voluntarily. Initially implemented EU-wide to increase market transparency, frequent reporting is argued to enhance market transparency and accountability, which ultimately benefits both short- and long-term investors.[18]

Still, studies show the negative impact of short-termism on corporate decision making and economic sustainability. For example, quarterly earnings target pressures often lead to decisions that are not representative of the full complexity and importance of corporate

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[13] "UC Davis Law Review," Shareholder Activism & Unconstitutionally Compelled Speech | UC Davis Law Review, accessed March 21, 2025, https://lawreview.law.ucdavis.edu/archives/58/3/shareholder-activism-unconstitutionally-compelled-speech.

[14] Małgorzata Janicka, Artur Sajnóg, and Tomasz Sosnowski, "Short-Termism—The Causes and Consequences for the Sustainable Development of the Financial Markets," chapter, in *Innovations and Traditions for Sustainable Development*, 2021, 485–501, https://link.springer.com/chapter/10.1007/978-3-030-78825-4_29.

[15] Șerban, "Short-Termism: A Step Forward Toward Long-Term Performance or a Dead End," 341–50.

[16] Șerban, "Short-Termism: A Step Forward Toward Long-Term Performance or a Dead End," 341–50.

[17] Janicka, Sajnóg, and Sosnowski, "Short-Termism—The Causes and Consequences for the Sustainable Development of the Financial Markets," 485–501.

[18] Janicka, Sajnóg, and Sosnowski, "Short-Termism—The Causes and Consequences for the Sustainable Development of the Financial Markets," 485–501.

management and investments. Moreover, a 2005 report claimed that quarterly reporting did not prevent corporate scandals in the U.S. but rather encouraged short-termism.[19]

Additionally, research shows that publicly traded firms exhibit lower investment rates than privately held firms. These declining returns over a multi-year period suggest that market pressures like quarterly reporting, a symptom of short-termism, negatively impact decision making.[20] Furthermore, in 2017, while 25% of publicly owned companies were owned by short-term investors and 75% owned by long-term investors, the volume and pace of daily transactions were dominated by short-term investors. These frequent transactions are considered high risk, based on profit maximization, and discourage long-term value creation and investment. Another example of short-termism is corporate stock buybacks, where companies reallocate their earnings to repurchase their own stock instead of reinvesting in future growth.[21]

III. National Differences in Institutions and Short-Termism

In 1980, amidst the rush of worries that the United States was losing its competitiveness relative to emerging economies, including those of Japan and West Germany, Robert Hayes and William Abernathy raised the possibility that American competitive decline was the result of substandard management practices endemic to U.S. management.[22] Specifically, Hayes and Abernathy suggested that, “instead of meeting the challenge of a changing world, American business today is making small, short-term adjustments…”, including a focus on mergers and acquisitions and a decline in the real growth rate of R&D investment, particularly in basic research, relative to optimal rates.[23] Further, the authors lament a shift in the United States towards hiring CEOs with backgrounds in Finance and Law rather than in the production

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[19] Șerban, “Short-Termism: A Step Forward Toward Long-Term Performance or a Dead End,” 341–50.
[20] Șerban, “Short-Termism: A Step Forward Toward Long-Term Performance or a Dead End,” 341–50.
[21] Șerban, “Short-Termism: A Step Forward Toward Long-Term Performance or a Dead End,” 341–50.
[22] Hayes, R. H., & Abernathy, W. J. (1980) “Managing our way to economic decline,” Harvard Business Review 58(4), 67-77. https://hbr.org/2007/07/managing-our-way-to-economic-decline.
[23] Hayes, R. H., & Abernathy, W. J. (1980) “Managing our way to economic decline.”

technologies on which firms' products are based. The authors suggest that these choices are the result of a common American management mindset as well as U.S. government policies that "either overconstrain or undersupport U.S. producers."[24] These contrast with approaches in Europe and Japan, whose leading companies had improved competitiveness relative to American firms. By suggesting that the drivers of U.S. firm myopic behavior are uniquely American in nature, Hayes and Abernathy are among to imply that national institutions may undergird short-termist behaviors.

The specific idea that variations in national institutions are linked to heterogeneity in firm short-termist behavior is a particular manifestation of the general idea that country-specific institutions drive national differences in firm investment and strategic behavior. These ideas were introduced by a set of political scientists, including Peter Hall and David Soskice[25] and Michel Albert[26]. Each set of authors in this tradition argues that systematic differences in national policies, including commitments to social welfare, regulations affecting the nature of banking, infrastructures affecting vocational and higher education, antitrust policies, and others, lead to systematic differences in firm structure, goals, and behaviors. Hall and Soskice introduce a "Varieties of Capitalism," framework, which distinguishes between Liberal Market Economies (LMEs), like that of the United States," and Coordinated Market Economies (CMEs), like those of Germany and France, which emphasize long-term relationships, firm-based vocational training, and stakeholder coordination. Michel Albert, in his Capitalism vs. Capitalism approach, also contrasts Anglo-Saxon capitalism with Rhineland (continental European) capitalism, arguing that the different approaches of these capitalisms yield different social priorities and

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[24] Hayes, R. H., & Abernathy, W. J. (1980) "Managing our way to economic decline."

[25] Peter Hall and David Soskice (2001) *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage,* Oxford, UK: Oxford University Press.

[26] Michel Albert (1993) *Capitalism vs Capitalism: How America's Obsession with Individual Achievement and Short-Term Profit has Led it to the Brink of Collapse*, New York, NY: Four Walls Eight Windows.

economic outcomes, including differing styles of innovation and differing levels of economic and social inequality.

The approaches of these political scientists preview analyses by economists, including Daron Acemoglu, Simon Johnson, Rafael la Porta, James Robinson, Florencio Lopez de Silanes, and Andre Shleifer, who use large-scale analyses to identify linkages between national institutions and varying economic outcomes.[27] In a series of books and academic papers, these authors argue that the quality of institutions, including investor protection, government efficiency, and contract enforcement are strongly correlated with economic outcomes, like financial development, firm size, and national income. La Porta, Lopez de Silanes, and Shleifer focus on legal traditions, arguing that countries with common law traditions tend to have stronger property rights and better financial markets than those with civil law traditions, highlighting how institutional traditions inherited from colonial history tend to shape modern economies.[28] The views of Acemoglu, Johnson, and Robinson are similar, but these authors emphasize the roles of political power and historical colonization strategies in shaping the nature of institutions.[29] Specifically, they argue that countries that develop inclusive economic institutions, i.e., those that protect property rights, uphold the rule of law, and encourage broad participation in economic activities, will induce economic development and will provide a structure in which firms and the economy can thrive.

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[27] James Robinson is a political scientist, but he has co-authored work with Acemoglu and Johnson for which the group was honored with the 2024 Nobel Prize in Economics.

[28] Porta, Rafael La, Florencio Lopez-de-Silanes, Andrei Shleifer, and Robert W. Vishny (1998) "Law and finance," Journal of Political Economy, 106(6), 1113-1155; La Porta, R., Lopez‐de‐Silanes, F. and Shleifer, A (1999) "Corporate ownership around the world," *Journal of Finance*, 54(2), 471-517; Glaeser, Edward L., Rafael La Porta, Florencio Lopez-de-Silanes, and Andrei Shleifer (2004) "Do institutions cause growth?" *Journal of Economic Growth,* 9, 271-303; Porta, Rafael La, Florencio Lopez-de-Silanes, and Andrei Shleifer (2008) "The Economic Consequences of Legal Origins," *Journal of Economic Literature,* 46(2), 285-332.

[29] Acemoglu, Daron, Simon Johnson, and James A. Robinson (2001), "The colonial origins of comparative development: An empirical investigation." American Economic Review, 91(5), 1369-1401;Acemoğlu, Daron, Simon Johnson, and James A. Robinson (2004) "Institutions as the fundamental cause of long-run growth," Centre for Economic Policy Research; Robinson, James A., and Daron Acemoglu (2012) *Why nations fail: The origins of power, prosperity and poverty*. London, UK: Profile.

Management scholars build on these ideas in exploring the relationship between national institutional contexts and particular firm behaviors.[30] A set of such scholars have investigated the relationship between national institutions, particularly those related to corporate governance, and firms' myopic behaviors. Aguilera and Jackson (2010) develop a framework for understanding cross-national corporate governance by examining the ways that different paradigms, including economic, legal, political, and sociological paradigms, shape corporate structures and firm strategies.[31] They contrast two main models. First, they describe the Anglo-American model, which emphasizes dispersed ownership, strong shareholder rights, and flexible labor markets, all of which support a shareholder-centric, market-based form of governance. In contrast, Continental European systems (e.g., Germany) feature concentrated ownership, strong labor representation, and bank-based finance, which results in a more stakeholder-oriented governance model. Aguilera and Jackson argue that these systems are deeply embedded in broader institutional environments and that, despite global pressures, they resist convergence. Their analyses suggest that national institutions condition the internal mechanisms of firms, such as board structures and ownership patterns, which, in turn, influence corporate time horizons.

Meier and Meier (2014) support this comparative analysis by contrasting U.S. and European corporate governance systems.[32] They emphasize the legal underpinnings of governance models, noting that U.S. firms are governed by a single-tier board system focused on independent oversight and shareholder accountability, reinforced by legislation like Sarbanes-Oxley. In contrast, many European firms operate under dual board structures with more inclusive stakeholder representation. As described in Exhibit 1, these institutional structures

[30] Furman, Jeffrey L., Michael E. Porter, and Scott Stern (2001) "The determinants of national innovative capacity," *Research Policy* 31(6), 899-933.

[31] Aguilera, R. V., & Jackson, G. (2010) "Comparative and international corporate governance,"*Academy of Management Annals*, 4(1), 485-556.

[32] Meier, Heidi Hylton, and Natalie C. Meier (2014) "Corporate Governance: An examination of US and European models," *Corporate Ownership & Control,* 11(2), 347-351.

contribute to different norms of managerial accountability and information disclosure. Meier and Meier imply that these governance differences have implications for firm behavior: the U.S. model's emphasis on transparency and market responsiveness can encourage a short-term orientation, whereas European models' embedded stakeholder structures support more balanced, long-term decision-making.

Gajurel (2020) builds on Hall and Soskice's Varieties of Capitalism framework in conducting cross-national comparisons of public firms in the United States, United Kingdom, Germany, and Japan.[33] His central finding is that firms in the Liberal Market Economies (LMEs) of the United States and United Kingdom are substantially more short-termist and that they, for example, distribute higher shares of profits to shareholders via dividends and buybacks. By contrast, firms in the Coordinated Market Economies (CMEs) of Germany and Japan exhibit lower shareholder payouts and greater concern for long-term firm sustainability and employment. Gajurel argues that institutional factors mediate the influence of "impatient capital" in financial markets. In LMEs, institutional arrangements favor shareholder value maximization and managerial incentives linked to stock performance, while CMEs feature stronger labor protections, cross-shareholding, and cultural norms that prioritize firm longevity.

Farah et al. (2021) extend the comparative perspective to the Middle East and North Africa (MENA) region, highlighting the unique challenges and hybrid characteristics of corporate governance in these countries.[34] These authors argue that many MENA nations do not fit neatly into the shareholder vs. stakeholder dichotomy or the Varieties of Capitalism structures highlighted by other authors. Instead, their governance systems are shaped by concentrated

[33] Gajurel, Hridesh (2020) "Short-Termism in Varieties of Capitalism," University of Queensland.

[34] Farah, Bassam, Rida Elias, Ruth Aguilera, and Elie Abi Saad (2021) "Corporate governance in the Middle East and North Africa: A systematic review of current trends and opportunities for future research," *Corporate Governance: An International Review* 29(6), 630-660.

family or state ownership, weak formal institutions, and the influence of Islamic law. The authors argue that these conditions foster informal governance practices, limited transparency, and weak enforcement of shareholder protections. Although their paper does not address firm-level short-termism directly, it emphasizes that poor institution enforcement and low investor trust can exacerbate opportunistic behaviors, hinder long-term investment, and deter foreign direct investment. The MENA region, thus, illustrates how governance vacuums and informal institutional reliance can impede the development of robust corporate governance frameworks and long-term firm investment.

IV. Case Studies of Institutions and Short-Termism

This section illustrates distinct approaches to short- and long-term focus in corporate and economic governance worldwide. The U.S. serves as a baseline due to its longtime struggle with short-term pressures and the recent benefits observed as many companies start adopting long-term strategies. China is examined to demonstrate the negative impact of short-termism on corporate social responsibility. The U.K., with systems similar to the U.S., is included to show how additional regulatory mechanisms help counterbalance short-term pressures. Sweden provides a model of long-term financial stability through its long-term dividend policies. Lastly, the UAE presents a unique case where rapid economic development encouraged short-termism, though recent reforms are shifting the country toward longer-term sustainability.

IV.A. United States

The U.S. has long struggled with short-term pressures, but recent benefits observed may encourage companies to adopt long-term strategies. The McKinsey Global Institute study found that companies with a long-term orientation significantly outperformed short-term focused firms in terms of revenue, earnings, market capitalization, and returns to shareholders. For example, "among the firms identified as focused on the long term, average revenue and earnings growth were 47 percent and 36 percent higher, respectively, by 2014."[35] In addition, companies with a long-term focus perform better than others during financial crises and recover more quickly afterward, highlighting the benefits of long-term planning despite pressures to focus on short-term financial results. Furthermore, long-term companies created more value for society and the overall economy by generating more jobs. During the sample period from 2001 to 2015, these companies created nearly 12,000 more jobs on average than other companies, contributing to GDP growth.[36] As a result, companies should attract and retain intrinsic investors who focus on long-term value creation to combat the negative impacts of short-termism.[37]

Recognizing the risks posed by short-termism, the U.S. government has taken steps to address the issue, particularly through the Securities and Exchange Commission (SEC). In 2018, the SEC sought public comment on the potential link between reporting frequency and short-term investment focus, as well as whether shifting from quarterly to semi-annual reporting could help reduce short-termism and support long-term performance.[38]

IV.B. China

A study examines the impact of managerial short-termism on corporate social responsibility (CSR) engagement in China, using 23,253 firm-year observations from 2007 to

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[35] Tim Koller, James Manyika, and Sree Ramaswamy, "The case against corporate short termism," McKinsey Global Institute, August 4, 2017, https://www.mckinsey.com/mgi/overview/in-the-news/the-case-against-corporate-short-termism.

[36] Tim Koller, James Manyika , and Sree Ramaswamy, "The case against corporate short termism."

[37] Jay Gelb, David Honigmann, and Werner Rehm, "What your most important investors need to know," McKinsey & Company, November 28, 2023, https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/what-your-most-important-investors-need-to-know.

[38] Matt Slattery, Christine Mazor, and Mark Miskinis, "SEC Seeks Input on Quarterly Reports and Earnings Releases," Deloitte, December 21, 2018, https://dart.deloitte.com/USDART/home/publications/archive/deloitte-publications/heads-up/2018/sec-seeks-input-quarterly-reports-earnings.

2022 among Chinese publicly listed companies.[39] The study finds that managerial short-termism has a negative impact on CSR engagement by analyzing data from CSMAR, which provides CSR scores "based on a company's performance in eight areas, namely, employee welfare, environmental protection, workplace safety, supplier relations, shareholder rights, customer protection, creditor rights, and CSR system construction."[40]

There are variations in the impacts of managerial short-termism on CSR across different regions, ownership structures, and industries. Regional economic development and market maturity influence regional variations, with more developed regions showing stronger negative effects of short-termism on CSR. Ownership characteristics also affect how companies respond to short-term pressures. State-owned enterprises are more likely to experience the negative impact of managerial myopia on CSR performance compared to non-state-owned enterprises. Furthermore, short-term thinking affects non-polluting industries more, while polluting industries benefit from strict environmental regulations that protect CSR efforts from myopic management.

To promote a long-term managerial orientation and improve CSR performance in China's evolving business environment, region-specific policies should address economic disparities, industry-specific approaches should strengthen regulations in non-polluting sectors, and ownership-specific governance reforms for state-owned enterprises should focus on resolving commercial-social conflicts. These changes are crucial steps toward achieving sustainable business practices.

IV.C. United Kingdom

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[39] Cong Zhang, Wei Teng, and Zhaoqian Liu, "Does managerial short-termism affect corporate social responsibility?" Science Direct, December 4, 2024, https://www.sciencedirect.com/science/article/pii/S1544612324016106.

[40] Cong Zhang, Wei Teng, and Zhaoqian Liu, "Does managerial short-termism affect corporate social responsibility?"

Out of all the systems evaluated in this paper, the U.K. remains the most similar to the U.S. as outlined in Exhibit 1. Both countries rely heavily on public equity markets due to their equity-based financial structures.[41] However, the U.K. employs additional regulatory mechanisms such as the Corporate Governance and Stewardship Codes to foster long-term oversight.[42] The U.K. Corporate Governance Code ensures listed companies operate with accountability by setting principles on leadership and risk management, following a “comply or explain” approach.[43] The U.K. Stewardship Code guides investors toward responsible investing by integrating ESG factors and promoting long-term value through transparent reporting.

Researchers find that these codes have been effective in fostering compliance. By 2004, “more than half of the non-financial constituents of the FTSE350 were fully compliant with all provisions of the Code.”[44] However, enforcement remains a challenge, as many non-compliant firms provide little-to-no explanations for deviations.[45] The Corporate Governance and Stewardship Codes measures in the U.K. help mitigate some pressures of short-termism, suggesting that a combination of equity-based financing and long-term oversight can create a balanced approach to corporate governance and sustainable growth if administered properly.

IV.D. Sweden

In Sweden, the dividend system operates as a countermeasure against short-termism. Swedish firms use stable and predictable dividend payouts, typically three to five times the yield of comparable U.S. companies, not merely to satisfy immediate shareholder demands but serve

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[41] Karen van der Wiel, Lu Zhang, and Natasha Kalara, "Firm Financing in Bank-Based and Market-Based Financial Systems After the Global Crisis," VoxEU, March 9, 2019, https://cepr.org/voxeu/columns/firm-financing-bank-based-and-market-based-financial-systems-after-global-crisis.

[42] Financial Reporting Council. UK Stewardship Code. Accessed March 25, 2025. https://www.frc.org.uk/library/standards-codes-policy/stewardship/uk-stewardship-code/.

[43] Sridhar Arcot, Valentina Bruno, and Antoine Faure-Grimaud, "Corporate Governance in the UK: Is the Comply or Explain Approach Working?" International Review of Law and Economics 30, no. 2 (2010): 193–201, https://doi.org/10.1016/j.irle.2010.03.002.

[44] Arcot et al., "Corporate Governance in the UK: Is the Comply or Explain Approach Working?"

[45] Arcot et al., "Corporate Governance in the UK: Is the Comply or Explain Approach Working?"

as an indicator of sustainable financial management and governance.[46] In Sweden, dividends are closely linked to long-term performance. Additionally, Swedish companies complement their dividend policies with substantial investments in research and development.

Due to this system, a group of researchers at the Stockholm School of Economics found "no material implication of short-termism" in the Swedish corporate context, suggesting that the dividend system combined with equity-based financial structure effectively mitigate the negative impact of short-term pressures.[47] This approach creates a cycle of stability and innovation, in contrast to the more volatile, short-term oriented practices observed in the U.S. and U.K.[48] Together, these elements underscore why the Swedish equity-based system is more successful in promoting sustainable growth while minimizing the adverse effects of short-termism.

IV.E. United Arab Emirates

The UAE presents a unique case of short-termism, unlike the other countries examined. Short-termism in the UAE is particularly evident in its labor market, real estate and investment strategies, and is driven by rapid economic development, reliance on foreign labor, and regulations that prioritize short-term over long-term economic gains. For many years, government regulations like the "Kafala" sponsorship and short-term visa policies have built a transient workforce that fueled immediate short-term development but left no room for long-term labor stability and growth.[49] In the real estate sector, Dubai has recently seen a surge in vacation

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[46] Simply Wall St, "Top Swedish Dividend Stocks Yielding Up to 5.5%," *Yahoo Finance*, August 20, 2024, https://finance.yahoo.com/news/top-swedish-dividend-stocks-yielding-020515699.html.

[47] Martin Carlsson-Wall et al., *Corporate Governance and Short-Termism: An In-Depth Analysis of Swedish Data* (Stockholm: Stockholm School of Economics, 2021), https://ecoda.eu/wp-content/uploads/2019/08/Carlsson-Wall-et-al-2021-Dividends-in-Sweden_final.pdf.

[48] Esbjörn Segelod, "A Comparison of Managers' Perceptions of Short-Termism in Sweden and the U.S.," *International Journal of Production Economics* 63, no. 3 (1999): 243–254, https://www.sciencedirect.com/science/article/pii/S0925527399000183.

[49] Hamza, Sara. "Migrant Labor in the Arabian Gulf: A Case Study of Dubai, UAE." Pursuit - The Journal of Undergraduate Research Pursuit - The Journal of Undergraduate Research at The University of Tennessee at The University of Tennessee. Accessed March 25, 2025. https://trace.tennessee.edu/context/pursuit/article/1244/viewcontent/Sara_Hamza.pdf.

rentals, supported by looser property laws that attract global investors seeking immediate profit.[50] A recent study also found that short-term corporate goals are affecting youth career aspirations, with few pathways for long-term growth.

Nevertheless, recent regulatory decisions suggest that the UAE is rethinking its strategy. The introduction of long-term residency visas and policies allowing 100% foreign ownership in various sectors reflect efforts to reduce short-termism by encouraging long-term investments, talent retention, and sustainable future.[51]

V. Conclusion

In conclusion, short-termism remains a challenge, but its impact varies significantly across national and institutional contexts. Some argue that short-termism results in reduced innovation, earnings manipulation, and poor long-term investment, while others argue that short-term performance is crucial for business survival and does not necessarily undermine long-term growth. International comparisons highlight how institutional differences offer unique mechanisms for balancing immediate returns with sustainable growth. Case studies from the U.S., China, and other global markets further illustrate how regulatory and institutional factors shape corporate behavior. A combination of regulatory oversight, long-term investor engagement, and corporate governance reforms can help firms navigate the tension between short-term pressures and long-term success. Moving forward, businesses and policymakers must take an approach that acknowledges the trade-offs while fostering an environment that prioritizes sustainable growth.

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[50] R, Kristine. "The Evolution of Vacation Rentals and Short-Term Property Management in Dubai." Kaizen Asset Management Services, July 8, 2024. https://www.kaizenams.com/the-evolution-of-vacation-rentals-and-short-term-property-management-in-dubai/.

[51] Parambath, Pushpakaran. "New Mindset of Foreign Investments to UAE – Case Studies." Kreston Menon, January 22, 2025. https://www.krestonmenon.com/new-mindset-of-foreign-investments-to-uae-case-studies/.

Exhibits

Exhibit 1: Models of Corporate Governance across countries

	United States	United Kingdom	Germany	Netherlands	Switzerland
Goals of Corporate Governance	Shareholder model	Shareholder model	Stakeholder model	Shareholder model	Shareholder model
Board Structure	One-tiered	One-tiered	Two-tiered	Two-tiered	One-tiered
Mandatory	Required by SOX	Comply or explain	Required by law	Comply or explain	No
CEO/ Chair Duality	Permitted	Not Permitted	Prohibited	Not Permitted	Permitted
Appointment of Independent Auditor	Independent Audit Committee	Independent Audit Committee	Supervisory Board	Shareholders through the Audit Committee	Shareholders elect
Required Disclosure	Limited in 10K, details in Proxy Statements	In Annual Report, less than U.S. requires	In Annual Report	In Annual Report	In Annual Report
Independence Achieved	Committee Structure	Committee Structure	Board Structure	Board Structure	Shareholder Autonomy