ISSN No:-2456-2165 https://doi.org/10.38124/ijisrt/26jan1011

Short-Term Wins, Long-Term Risks: A Conceptual Review of the Strategic Costs of Managerial Myopia

Dr. V. Lakshmi Vasudev[1]; Dr. R. Raghuveer[2]

[1]Assistant Professor, MBA, Rao Bahadur Y Mahabaleshwarappa Engineering College, Ballari
[2]Faculty, MBA, Yuvarajas College (Autonomous), University of Mysore, Mysore

Publication Date: 2026/01/27

Abstract: In an increasingly performance-driven business environment, managers are often pressured to deliver immediate results, sometimes at the expense of long-term organizational health. This phenomenon, commonly referred to as managerial myopia, reflects a strategic bias toward short-term gains while neglecting long-term risks and sustainability. This conceptual review synthesizes literature from strategic management, behavioral strategy, and organizational theory to examine the antecedents, manifestations, and consequences of managerial myopia. The paper argues that short-termism, while offering temporary performance benefits, can erode innovation capability, stakeholder trust, and strategic resilience over time. A conceptual framework is proposed to illustrate how managerial time orientation influences strategic decision-making and organizational outcomes, with governance mechanisms and organizational learning acting as moderating factors. The study contributes to strategy literature by clarifying the strategic costs of managerial myopia and offers actionable insights for leaders seeking to balance short-term performance pressures with long-term value creation.

Keywords: *Managerial Myopia; Short-Termism; Strategic Decision-Making; Long-Term Performance; Strategic Risk; Organizational Sustainability.*

How to Cite: Dr. V. Lakshmi Vasudev; Dr. R. Raghuveer (2026) Short-Term Wins, Long-Term Risks: A Conceptual Review of the Strategic Costs of Managerial Myopia. *International Journal of Innovative Science and Research Technology*, 11(1), 1923-1925. https://doi.org/10.38124/ijisrt/26jan1011

I. INTRODUCTION

Strategic management fundamentally concerns choices that shape an organization's long-term direction and performance. However, in contemporary business environments characterized by intense competition, quarterly performance evaluations, and shareholder pressure, managers increasingly prioritize short-term outcomes over long-term strategic objectives. This tendency, widely referred to as managerial myopia, represents a cognitive and strategic bias in which decision-makers focus on immediate gains while underestimating or ignoring long-term consequences (Laverty, 1996; Marginson & McAulay, 2008).

Short-term orientation in managerial decision-making is often rewarded through performance-based incentives, market recognition, and career advancement. While such orientation may generate quick wins in terms of profits, stock prices, or market share, it can also lead to underinvestment in innovation, human capital, and organizational capabilities that are essential for sustained competitiveness (Porter, 1992; Graham, Harvey, & Rajgopal, 2005). Over time, these neglected investments manifest as strategic vulnerabilities, making organizations less adaptable to environmental changes.

Behavioral strategy literature suggests that managerial myopia is not merely a rational response to external pressures but also a result of cognitive limitations and biases. Managers tend to discount future outcomes, overvalue immediate feedback, and rely on simplified heuristics when facing uncertainty (March, 1991; Kahneman & Tversky, 1979). These cognitive tendencies, combined with organizational structures that emphasize short-term performance metrics, reinforce short-sighted strategic behavior.

Despite its significance, managerial myopia remains an underexplored construct in mainstream strategy research. Existing studies often address short-termism indirectly through discussions of agency problems, performance measurement systems, or shareholder value maximization, without integrating these perspectives into a unified conceptual framework. As a result, the strategic costs of managerial myopia such as innovation decline, ethical erosion, and long-term performance instability remain fragmented in the literature.

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This conceptual review aims to bridge this gap by systematically synthesizing prior research on managerial myopia and examining its implications for strategic decision-making and organizational performance. By adopting a long-term strategic lens, the paper seeks to reframe short-term success as a potential precursor to long-term risk, emphasizing the need for balance between immediate performance and sustainable value creation.

➢ *Statement of the Problem*

Organizations increasingly operate in environments dominated by short-term performance metrics, investor expectations, and rapid competitive cycles. While these pressures encourage efficiency and quick results, they also foster managerial myopia—defined as a strategic bias toward immediate gains at the expense of long-term organizational health. Managers often prioritize actions that improve short-term financial indicators while postponing or neglecting investments in innovation, capability development, and ethical governance.

The core problem lies in the misalignment between short-term performance incentives and long-term strategic objectives. This misalignment can distort managerial judgment, leading to underinvestment in research and development, talent development, and sustainable business practices. Over time, such distortions weaken organizational adaptability and resilience, increasing the likelihood of strategic failure. Despite its relevance, managerial myopia is often treated as a secondary issue rather than a central strategic challenge, resulting in fragmented theoretical understanding and limited practical guidance. This study addresses this gap by offering a conceptual synthesis of managerial myopia and its strategic consequences.

II. THEORETICAL FOUNDATIONS OF MANAGERIAL MYOPIA

Managerial myopia is rooted in multiple theoretical perspectives within strategic management and organizational theory. Agency theory explains short-termism as a consequence of incentive structures that reward managers for immediate financial performance rather than long-term value creation (Jensen & Meckling, 1976). Performance-based compensation and market pressure encourage executives to focus on outcomes that can be quickly measured and rewarded.

Behavioral strategy theory further explains managerial myopia through cognitive limitations and biases. Managers tend to discount future outcomes, overestimate their control over immediate results, and rely on heuristics under uncertainty (March, 1991; Kahneman & Tversky, 1979). These cognitive tendencies reduce the perceived importance of long-term consequences.

From an organizational learning perspective, excessive focus on exploitation over exploration can lead to competency traps, where firms become efficient in existing routines but fail to innovate (Levinthal & March, 1993). Over time, this imbalance restricts strategic flexibility and adaptation. Collectively, these theoretical lenses demonstrate that managerial myopia is both a structural and cognitive phenomenon embedded within organizational systems.

III. SHORT-TERM WINS VS LONG-TERM STRATEGIC RISKS

Short-term oriented strategies often generate immediate performance improvements, such as cost reductions, revenue spikes, or market share gains. These wins can enhance managerial legitimacy and satisfy stakeholder expectations in the short run. However, the long-term strategic risks associated with managerial myopia are substantial.

Persistent short-termism leads to underinvestment in innovation, weakening the firm's competitive advantage. It may also result in human capital erosion, as training and development initiatives are deprioritized. Additionally, ethical standards may be compromised when managers focus narrowly on results rather than processes, increasing reputational and regulatory risks.

Over time, organizations driven by managerial myopia become vulnerable to environmental disruptions, technological change, and stakeholder backlash. What initially appears as strategic success may eventually translate into declining performance, loss of trust, and strategic rigidity. Thus, short-term wins often mask deeper long-term vulnerabilities.

IV. CONCEPTUAL FRAMEWORK: MANAGERIAL MYOPIA AND STRATEGIC OUTCOMES

This study proposes a conceptual framework in which managerial myopia acts as a central driver influencing strategic decision-making and organizational outcomes. Performance pressure, incentive structures, and environmental uncertainty serve as antecedents that reinforce short-term orientation. Managerial myopia shapes strategic choices related to investment, innovation, and governance, leading to both immediate gains and long-term risks.

The framework further highlights moderating variables, including governance mechanisms, ethical climate, and organizational learning capability. Strong governance and learning-oriented cultures can mitigate the negative effects of managerial myopia by encouraging long-term thinking and balanced decision-making. Conversely, weak oversight amplifies the strategic costs associated with short-termism.

V. MANAGERIAL IMPLICATIONS

This conceptual review offers several practical implications for managers and policymakers. First, organizations should redesign performance measurement systems to balance short-term financial indicators with long-term strategic metrics. Second, governance mechanisms such as board oversight and ethical guidelines can help counteract short-term bias. Third, leadership development programs should emphasize strategic foresight, ethical reasoning, and

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systems thinking. By recognizing managerial myopia as a strategic risk, organizations can proactively build resilience and sustainable competitive advantage.

VI. CONCLUSION AND FUTURE RESEARCH DIRECTIONS

Managerial myopia represents a critical yet underappreciated challenge in strategic management. While short-term wins may deliver immediate rewards, they often conceal long-term strategic risks that undermine organizational sustainability. This conceptual review integrates diverse theoretical perspectives to clarify the nature, causes, and consequences of managerial myopia.

Future research should empirically test the proposed framework across industries and cultural contexts, employ longitudinal designs to capture long-term effects, and explore the role of digital decision-support systems in mitigating short-term bias. Further studies may also examine how organizational culture and leadership styles influence managerial time orientation. Addressing these avenues will enhance both theoretical understanding and practical relevance in strategy research.

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