Open Journal of Business and Management, 2023, 11, 1584-1596
https://www.scirp.org/journal/ojbm
ISSN Online: 2329-3292
ISSN Print: 2329-3284

Under What Conditions Does Short-Termism Compromise Long-Term Performance in Publicly Traded Companies?

Holden Leder

Lumiere Education, Boca Raton, USA
Email: haleder@lederholdings.com

How to cite this paper: Leder, H. (2023). Under What Conditions Does Short-Termism Compromise Long-Term Performance in Publicly Traded Companies? *Open Journal of Business and Management, 11,* 1584-1596.
https://doi.org/10.4236/ojbm.2023.114088

Received: June 7, 2023
Accepted: July 14, 2023
Published: July 17, 2023

Abstract

Today, much of literature on short-termism in public companies focuses on the negative consequences of short-term actions and the foregoing of long-term value-added opportunities. Short-term actions by company managers are often associated with the emphasis on maximizing short-term earnings in the form of quarterly reports to maximize short-term equity performance, even if the actions compromise the long-term ability of the company to create value. Alternatively, the introduction of private equity and the implementation of their short-term strategies on their acquired companies often leave those companies with structures that benefit them long after the private equity firm exits. I find that the current view of the effects of short-termism must be expanded on to include the possibility of an increase in the long-term performance of public companies after private equity ownership and the implementation of short-term private equity strategies. More broadly, I find that the current view of short-termism is incorrect in only correlating short-term actions with short-term performance.

Keywords

Short-Termism, Long-Termism, Agency, Structure, Private Equity, Performance

1. Introduction

Common intuition today relates short-term and long-term actions only affecting their respective temporal periods: short-termism produces short-term benefits and compromises long-term performance, and long-termism produces long-term benefits and sacrifices short-term performance. While this intuition is true in many cases, I find that there are actions within the short-termism category that actually produce long-term structural benefits when a publicly traded company is acquired by a private equity firm.

Short-termism, for this paper, is largely a bias towards producing short-term positive results in a public company. Short-term positive results are in the temporal range of an immediate/present moment to 3 - 5 years. Alternatively, long-termism is the bias towards producing long term positive results (Marginson & McAulay, 2008). Long-term positive results are in the temporal range of any period longer than 3 - 5 years.

In most cases, it is true that short-termism leads to short-term benefits and compromises long-term returns. The best example of this is management compensation skewing company strategies to reward managers for producing short-term results, even if they hurt long-term value accretion. A focus on maximizing quarterly earnings to boost a firm's short-term share price (and executive compensation) is a good example of this occurrence. Another example could be management cutting spending on research and development projects. Research and development (R&D), although accounted for as expenses in financial statements, can actually be investments in "capability" (Repenning & Henderson, 2010) of a firm that can lead to long-term value creation. Therefore, these short-term actions that boost short-term earnings actually can do great harm to the long-term ability for the company to create value for shareholders.

While these short-term structural implementations by public company management can hurt the long-term ability for a firm to create value for shareholders, some short-term structures implemented by a private equity (PE) or takeover firm can actually produce long-term value-added benefits. Because PE firms want to maximize their internal rate of return (IRR), return on equity (ROE), or other types of investment return indicators on an investment over the course of their fund cycle, which can last anywhere from a few months to almost a decade, they inherently have short-termism wired into their business model as the fund life is finite. While it might be easy to believe that because of this short-termism in their actions, the companies they acquire will only produce short-term benefits while they are still owned by the PE firms and falter once they are taken back public or sold to another company, I find that the structures PE firms implement actually produce long-term benefits that endure.

In the following paper, I will first discuss how short-term structural implementation compromises long-term performance. I will also discuss the theory of structuration from sociologist Anthony Giddens and its relation to the discussion on short-termism and long-termism. In the following section, I will introduce private equity and explain the background of the business model of PE firms and how it inherently creates short-termism in their strategies and structure implementation. Further, I will discuss how the short-term strategies of PE firms actually produce enduring structural benefits long after the PE firm exits. Lastly, I will provide three different well-known companies that underwent private equity takeovers and show different metrics on each company's performance after their private equity firm exited the majority of their position in the firms.

Unlike prior research on short-termism which strictly look at the strategies individual companies use to maximize short-term financial and performance results, this paper expands the realm to consider the impact a certain investment vehicle, a private equity firm, has on the short-term results a company achieves while concurrently setting a foundation for long-term financial performance. Accordingly, this paper argues that negative perceptions associated with private equity are incorrect when viewed in terms of the benefits of their structural implementation in acquired firms.

2. Short-Termism Leads to Short-Term Gains and Compromises Long-Term Performance

Short-termism is best defined as the focus on maximizing current benefit and performance without due regard for the action's long-term consequences. In publicly traded companies, short-termism can best be seen in management seeking to maximize quarterly earnings in order to best maximize the company's day-to-day share price without regard for how the actions will hurt long-term value accretion. "If decisions can be made to transfer value from the future into the present day, the management will do so-even if it will decrease the total value of the firm aggregated over time" (Greenfield, 2011).

Long-termism in public companies often produces the opposite results of short-termism. Investments in research and development and the maintenance of profitable divisions (and possibly the cutting/selling of unprofitable ones) often lead to positive value creation, however over a longer period of time. This positive value creation is referred to as "capability" in Repenning and Henderson's study. Their study finds that "organizational practices that protect investments in capability from the inevitable desire to cut them during down periods are likely to be a key source of persistent above average firm performance." Put simply: long-termism leads to long term performance, whereas short-termism only leads to short term performance and compromises long term gains (Hayes and Abermathy, 1980; Kaplan, 1984; Johnson and Kaplan, 1987; Porter, 1992).

The ideas of short and long-termism are related to the idea of agency and structure. Agency is "the activities of individual members of [a] system" and structure is the "abstract templates which guide human behavior in social settings" (Busco, 2009). Agency can be associated with the short-term actions of companies that lead to short-term results. This agency is associated with actions that change on a moment-to-moment or month-to-month basis with public companies using short-term strategies to maximize quarterly earnings. Structure is associated with longer-term actions and the enduring properties of current actions. Structure, as it relates to companies, can be seen in management sacrificing quarterly profits in order to invest in a new business acquisition or invest in research and development projects that have a positive net present value.

The concept of structuration places the agent and the structure in a recursive process, where "human agents draw on social structures in their actions, and at the same time these actions serve to produce and reproduce social structure"

(Jones & Karsten, 2008). In companies, agency sacrifices the ability of a company to produce positive returns in the future and therefore limits structural implementation in the firm. Structure sacrifices current positive returns of a company in order to produce positive returns in the future, and therefore limits agency in the firm. Together, structure limits agency while agency limits structure in firms.

There are many theories as to why short-termism exists in public companies, however all center around the competitiveness of capital markets, especially in the United States. One example Gracia (2003) provides is the competition among American automobile manufacturers in the 1960s and 1970s to out-profit one another in the short-term. The best performing company could attract the greatest number of shareholders, thus boosting its share price more than its competitors and maximizing executive compensation. To do this, manufacturers degraded the quality of their products in order to boost profit margins and foolishly expected consumers to accept an inferior product. However, this short-sighted plan by management inevitably led consumers to quickly lose confidence in the brands and seek alternatives, such as purchasing Japanese automobiles. Gracia (2003) also observed another strategy to boost short-term performance: high financial leverage. During the deregulation of airlines and the junk bond era in the 1970s and 1980s, airline competition and consolidation grew rapidly. To grow profits, airlines relied on large amounts of financial leverage to finance expansions in both operating regions and airplane fleets. Simultaneously, the airlines engaged in fare price-wars. Management assumed that the airline with the widest reach and lowest prices would ultimately win. However, by lowering fares in fierce competition with other airlines, management no longer had the cash flow to sustain the high leverage that financed the expansion, ultimately resulting in the bankruptcy of many popular airlines such as Eastern, Pan American and Trans World Airlines (Petzinger, 1995).

Additionally, Gracia (2003) explains that as markets become increasingly competitive, companies and the individuals who manage them cannot count on retaining their current market/job position over a longer temporal range, therefore their "planning horizon" will become shorter, directly leading to more shortsighted action plans of the companies they are involved with. Executives of public companies are often incentivized to maximize short-term equity performance by the public shareholders and the firm's board of directors who often tie the executives' pay to meeting quarterly performance goals. Greenfield supports Gracia's (2003) argument as to the competitive market in the United States leading to short-termism among companies and their executives by explaining that "[c]urrent shareholders may prioritize present returns over future returns, and current shareholders may not expect to be future shareholders at all" (Greenfield, 2011), therefore the executives are forced into focusing on those current shareholders. In a quantitative report on short-termism, Repenning and Henderson reference a survey of CFOs and CEOs by Graham et al. (2005) which found that 78% of these executives admitted to "sacrificing long-term value to achieve smoother earnings", therefore maximizing short-term returns. Repenning and Henderson also reference Brav et al.'s (2005) findings that capital market pressures as a result of increasing competitiveness led executives to steer away from decreasing company dividends even if it meant that the company was passing on positive net-present value investments (Repenning & Henderson, 2010). Dividends offer short-term benefits to current shareholders, however investments in positive net-present value projects primarily benefit long-term shareholders that are patient enough to reap the project's rewards, which could take multiple years to reach.

As a result of the increasing competitiveness in capital markets, there are a number of different strategies that public companies can implement to maximize short-term results that can inadvertently compromise long-term performance. In his report on corporate short-term thinking, Gracia picks out three of the most widely used strategies and effects of short-term thinking: high financial leverage, fast profit growth, and low levels of customer and/or employee satisfaction. Greenfield expands on this list and explains each of the strategy's implications for the company (emphasis added):

> Cuts in research and development: in order to use the capital that would be spent for R&D to increase dividends or retained earnings temporarily, at a cost to the long-term health of the company;
> Accounting adjustments (either legal or illegal) to accelerate recognition of revenue and delay recognition of expenses, inflating current earnings at the cost of deflating future earnings;
> The sale of profitable divisions or subsidiaries for cash, realizing future earnings of the division as a cash payment in the present, usually at a discount;
> A greater dependence on debt to finance company expenses and projects, which increases the company's leverage, inflating returns on equity as long as the company is doing well and the market is trending up, but with the increased risk of insolvency if the market goes down;
> The use of executive compensation schemes that prioritize the satisfaction of short-term financial goals, incentivizing management to look only a few steps ahead;
> Breaches in implicit or explicit contracts and understandings with company stakeholders, which allow the company to seize the value of past investments by such stakeholders without paying them their expected returns (an example of this would be a change in company policy away from a commitment to providing stable employment and instead increasing its use of short-term, low-wage employment);
> Cuts in employment generally, since savings in labor costs occur in the short-term and costs to the company arising from a decrease in employee loyalty and specific human capital valuable to the company are incurred in the longer term;
> A disregard for latent risks in the company's products or services, whether

such risks be environmental (such as the risk of global warming brought about by the use of sport-utility vehicles), social (the social cost of violent media, for example), or financial (the risk of financial crisis brought about by the overuse of risky financial derivatives);

Stock buybacks, which increase share price in the short term but deplete the company's capital that could be used for a more productive purpose; and

A focus on share price rather than the corporation's value as a whole or the value of the corporation to its non-equity shareholders.

Many of these strategies, such as cuts in research and development and stock buybacks, will often divert capital away from investment in possible new and profitable business projects, which could reap positive returns for long-term shareholders. Instead, these strategies maximize quarterly earnings which also maximize short-term stock performance. Repenning and Henderson even reference how widespread corporate interest in maximizing quarterly earnings is being used to support the argument "for the perceived decline of the western economy." They also show that the risk of corporate value greatly declining increases as the willingness of managers "to shift investment in response to short term revenue shortfalls increases and the general proclivity of managers to emphasize short term results" increases.

Because of a multitude of different corporate management strategies, public companies are an ideal place to look at the effect of short and long-termism. Two companies in the same industry, one company implementing short-term strategies and one implementing long-term strategies, can easily be compared with the difference in change in share price over a certain time period. Based on the negative impacts short-term actions have on long-term performance, we can infer that the change in share price for the two companies over a long-term period of time, say 7 years, will be greater for the company implementing long-term structures. Likewise, over a shorter period of time, say one year, the share price will be greater for the company implementing short-term strategies. However, this is not always true. A publicly traded company that has been engaging in short-term strategies can actually perform better over the long term than the company already investing in long term capability. This can be seen in a takeover of the company by a private equity firm.

3. Introducing Private Equity

Private equity is a type of firm that acquires publicly traded companies or stakes in privately held ones. The business model comprises a sponsor, the general partner (GP), raising money from outside investors, the limited partners (LPs). Pension funds, university endowments and ultra-high net worth individuals dominate the outside investor pool. For our purposes, we will focus on private equity buyouts of publicly traded companies.

Private equity funds generally target companies that are either undervalued and/or are in financial distress and where under their ownership improvements can be accelerated. A PE firm will hire an arsenal of lawyers, accountants, and consultants to research ways to restructure the company to make it more profitable and hire new management that can create and implement a new roadmap to improved financial performance. A PE restructuring could include taking an acquired company and splitting it into divisions. Often, distinct subsidiaries can be sold at a higher valuation.

PE firms can also specialize in certain industries. Firms such as Vista Equity Partners specialize in acquiring software companies, whereas other firms such as Brookfield Asset Management specialize in real estate and infrastructure acquisitions.

A typical PE fund usually lasts no more than ten years. Over the fund's life, limited partners will be charged an asset management fee (usually between 1.5% and 2% of assets under management) as well as a performance fee (usually 20% of the funds profit after an initial hurdle rate). Once a PE fund nears the end of its term, the firm will initiate the process to exit the position, often through an initial public offering (IPO) of the business to put it back into the public market (Barber & Goold, 2007).

4. Private Equity's Short-Termism

Due to the relatively short life-span of a private equity fund—usually capped at 10 years—PE managers are inadvertently subject to short-termism in their dealings with an acquired firm. Because a typical private equity firm exits almost their entire position near the end of a fund cycle, a PE manager has "skewed incentives" (Sood, 2003) in the programs they put in place at their acquired company. In a case study on PE firms and leveraged buyouts, Nicholas and Masko describe that as a manager, "a GP's incentive [is] to improve [a] company's long-term health; whereas as an investor, [their] incentive [is] to create short-term value for a successful exit" (Nicholas & Masko, 2021).

This conflict of interest is directly related to short-termism in the private equity business model. While short-termism in many cases compromises long-term performance in public companies, I find that the short-term oriented strategies and programs put in place by PE firms actually benefit the company's long-term performance and benefit the future shareholders of the corporation. This is a direct contradiction of common intuition that short-term thinking and actions can only lead to short-term performance and strategic advantages, however for private equity, their short-term actions with their investee companies actually puts in place systems that lead to long-term performance and strategic advantages.

5. Private Equity Produces Long-Term Gains in Their Target Firms

5.1. Private Equity Agency & Structure

In private equity, the idea that agency limits structure is completely broken down. In fact, agency in private equity actually supports and creates structure. During the period the PE firm owns a company, the PE managers' actions to help improve the company serve as the agency. However, instead of those short-term actions hampering long-term performance and returns after the PE firm has exited its position, the agency actually creates structure in the firm so the company can produce positive long-term results. The agency can often be aligned with the short-term strategies given with a negative connotation by Greenfield in his analysis of short-termism in public companies, however when the strategies are implemented by a private equity firm, the results can differ from general thinking that short-term strategies compromise long-term results.

5.2. Private Equity Strategies

I will be using a case study on the acquisition of Burger King Holdings (now under the parent company Restaurant Brands International) by the private equity firm 3G Capital (Groysberg and Abbott, 2022) to demonstrate the different private equity strategies and programs implemented into an acquired company. Listed are quotations of strategies and approaches implemented by 3G Capital in Burger King and the extracted and generalized strategies and approaches used by other PE firms that contradict the negative connotations of the short-term strategies in Greenfield's research (**Table 1**).

Table 1. Generalized private equity industry strategies and connection to Greenfield's short-termism research.

3G Capital/Burger King (Restaurant Brands International)	General PE Industry	Short-Term Strategy from Greenfield's Negative Analysis
"… 3G expanded Burger King's operations via acquisitions into a multi-branded business…" "[3G] acquired Burger King for $4 billion, financed with $1.6 billion in equity and $2.4 billion in debt."	Company expansion through vertical and horizontal integration. Acquisition through a leveraged buyout	"A greater dependence on debt to finance company expenses and projects…"
3G executives and other managers are put onto the Burger King board and start to implement their internal strategy playbook. "Set clear aggressive goals with enthusiastic and aligned teams. Don't over centralize the how, but the what. Maintain focus and ask the right but tough questions. Don't manage the company, manage the people and they will manage the company."—3G manager's management approach playbook "The new management utilized a management by objectives (MBO) process to ensure a 'focus on main initiatives' and the prioritization of actions to support achievement of company results. This involved extensive benchmarking vis a vis peer companies and other objective indicators and using those benchmarks to set goals." "Executives presented to the entire company quarterly regarding progress made on goals." "The compensation system was reworked to incorporate a higher percentage of at-risk compensation with payouts based on the achievement of the KPIs."	Members of the PE firm or selected outside managers are hired to run and manage the acquired company based on how the firm sees fit and how the firm wishes to see its approaches carried out. Frequent updates on acquired company transformation from executives Incorporation of a Key-Performance-Indicator (KPI) system to meet goals of management	"The use of executive compensation schemes that prioritize the satisfaction of short-term financial goals…"

Continued

"As a result of the restructuring, corporate headcount was reduced by nearly half, and the organizational structure was flattened." "…following the 3G acquisition, the organization shifted its approach to hiring, prioritizing capabilities that are analytical in nature, the ability to think through problems and come up with good solutions that address the core of the issue."	Corporate and management restructuring and reduction of employee headcount Acquisition of high value employees to assist more productively in business transformation	"Cuts in employment generally…"
"The 3G team focused on establishing an ownership culture." "In 2010, employees were given the opportunity to reinvest the money they had made as public shareholders of Burger King into the equity of the newly privatized company."	Create an ownership based culture where employees, not just at the senior management level, have an equity stake in the organization. *KKR, one of the pioneers of the private equity industry and among the largest PE firms, has employed an employee ownership program in some of their acquired companies* (*Gottfried, 2023*): "*In the 1980s, KKR sometimes relied on layoffs to cut costs. It now doles out ownership stakes in companies it buys to all levels of employees to encourage productivity.*"	"Stock buybacks…" *Although employee equity ownership and an "ownership culture" are not direct stock buybacks, they are a way of reducing the amount of floating shares on the public market, and capital going to employees to help them reinvest in the business diverts capital away from other corporate investments with possible net present values.* "A focus on share price rather than the corporation's value as a whole or the value of the corporation to its non-equity shareholders." *Incentivizing employees to use their earnings to reinvest in the business helps to raise the company's share price.*

5.3. Results of Private Equity Strategies

To analyze how the short-term oriented strategies of private equity firms have benefitted their acquired companies over the long-term after the PE firm exited a large stake in the firm, we will look at three companies that all underwent private equity takeovers: Restaurant Brands International Inc. (from the list of PE strategies), Hilton Worldwide Holdings, and Dell Technologies Inc. These companies were selected as all had undergone a private equity takeover and each is in a completely separate business from the other, meaning that the structures implemented by each PE firm were successful irrespective of market sector.

Using Bloomberg data, we will analyze the equity price performance, change in earnings before interest, taxes, depreciation, and amortization (EBITDA), and change in earnings per share (EPS) from the period each company was taken public by each respective PE firm to present (May of 2023 using May 1st as a benchmark date for each company). Equity change depicts the company's public market value after the PE firm took the company public. EBITDA change provides an accounting metric of the relative cash flow improvement since being taken public again. EPS change provides a company level overview of how much earnings per share has changed. Since each company's IPO, their change in equity price, change in EBITDA, and change in earnings per share have all had significant increases after the majority exit of the private equity firm. Each company's equity value change was close to or over a 100% from the time of their IPO, with the earliest (Hilton Worldwide) being in late 2013, and the latest (Dell Technologies) in late 2018. Additionally, each of the company's earnings per share had either gone from being negative—meaning that the generally-accepted accounting principles (GAAP) calculated that the company was losing money—to positive, or had drastically increased from earnings already being positive at IPO, as in the case of Hilton Worldwide (**Figure 1**).

For Hilton Worldwide, the private equity firm Blackstone, utilizing strategies similar to those listed in the "General PE Industry", made the hotel chain a more profitable and efficient business, which has yielded long-term improvements in the company's performance, with earnings per share (EPS) increasing 915% since its IPO in late 2013.

Restaurant Brands International, similarly, has gone from having a negative EPS at the time of its IPO in late 2014 to having positive $1.81 in EPS at the end of fiscal 2022. This increase in earnings is attributed to 3G Capital through some of their structural implementations like "driving efficiencies" and a focus on performance goals through 3G's system of "management by objectives". Some of these efficiencies and increases in metrics like EBITDA were directly attributed to 3G cutting selling, general, and administrative expenses (SG&A) by $377 million over the course of three years, from $619 million in 2010 to $242 million in 2013. This short-term cost-cutting that led to long-term increases in profit directly contradicts Gracia's view that fast profit growth, a short-term strategy, compromises the long-term performance of the company. In fact, EBITDA for Restaurant Brands International has increased 352% since the company's IPO. Additionally, it was 3G's implemented strategies that allowed Burger King to expand its operations "into a multi-[branded] business". This includes later acquisitions by management into Canadian franchise Tim Hortons and American franchise Popeyes. Also, new management led the company to increase its international presence. "[Burger King] went from 50 units in China to over 1300 units today. In France, [Burger King] went from basically zero [units] to 400. [They] went from zero sales to over $1 billion dollars in sales in France" (Groysberg & Abbott, 2022)

Although this is a small dataset from the entire private equity industry, it is a good indicator to demonstrate that, contrary to common intuition, not all short-term actions lead to short-term benefits only. Private equity often implements changes immediately after acquisition that yields long-term benefits.

	Restaurant Brands Intnl.	Hilton Worldwide	Dell Technologies
Equity Px Change (IPO to 5/1/23)	99.38%	216.43%	105.40%
EBITDA Change (IPO to FY22)	352.63%	30.26%	14.89%
EPS Change (IPO to FY22)	n/a*	915.22%	n/a**

Figure 1. Data table of Key-Performance-Indicators (KPIs) for former PE owned companies. *For restaurant brands international, its fiscal year Earnings Per Share (EPS) in 2014, the year it went public, was −$1.76. In FY22, it was $1.81. **For dell technologies, its fiscal year earnings per share in 2019, the year it went public, was −$1.47. In FY23 (Covering the twelve months ending on 2/3/23), it was $6.62.

6. Discussion & Conclusion

While common sense implies that short-term thinking and actions compromise the long-term value creation of companies, I show that this is incorrect in certain cases. The short-term strategies that private equity firms implement into their acquired companies actually create enduring structures that produce long-term benefits even after the private equity firms exit their position. This means that the conventional view of the effects of short-termism is incorrect, and the view of the effects of short-termism must be expanded to include additional strategies by different agents causing alternative short and long-term outcomes.

My paper also expands upon literature about private equity. Many authors, such as Nicholas and Masko, see the negative connotations associated with inherent short-termism among private equity managers and their firms. They see the length of a fund cycle and the compensation structure of PE managers leading to negative conflicts of interest in PE firms with their acquired companies. In contrast, my research shows that the compensation structure and finite fund life manifest through new structure implementation, such as better organizational and business structures. While it is true that PE firms are greatly compensated for the short time period they own a company, what the firm does in that time period to refresh the acquired firm can produce long-term benefits for the future shareholders of the company. Therefore, not only do the structure implementations benefit the PE firm during their hold period, but it can also benefit future shareholders of a company, whereby the new structures benefit more than one party.

To expand on my study of how private equity firms overcome the notion that short-termism can only lead to short-term performance, I wish to see future research relating the strategies employed by activist hedge funds to see if the same notion applies. Do their playbooks produce long-term enduring structures in the public companies they pursue? This research can help to broaden the existing research relating the impacts of short-term actions of activist investment firms on the long-term performance of publicly traded companies. If the research on activist hedge funds aligns with my research on private equity firms and their short-term strategies, this will further support my hypothesis that the current notion that short-term actions can only produce short-term benefits is incorrect and that the possible effects of short-term actions need to be widened from conventional wisdom.

Additionally, while I believe my analysis provides perspective, the data set used was limited. Most private equity deals share many of the same characteristics, such as using leverage and hiring new management teams, but there are nuances in strategies each PE firm implements, and the impact of each structure is different for every acquired firm. As such, I only chose three companies which shared similar takeover characteristics. A larger data set, however, must be created to analyze more cases of PE takeovers and the impacts they have on their acquired firms. Such a data set can either confirm my conclusion that PE short-termism can lead to positive long-term results, or it can show that my research found coincidences and that short-termism only leads to short-term results, and PE firm short-term implementations generally hurts firms after the exit them.

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

References

Barber, F., & Goold, M. (2007). The Strategic Secret of Private Equity. *Harvard Business Review, 85,* 53-61.

Brav, A., Graham, J. R., Harvey, C. R., & Michaely, R. (2005). Payout Policy in the 21st Century. *Journal of Financial Economics, 77,* 483-527. https://doi.org/10.1016/j.jfineco.2004.07.004

Busco, C. (2009). Giddens' Structuration Theory and Its Implications for Management Accounting Research. *Journal of Management & Governance, 13,* 249-260. https://doi.org/10.1007/s10997-008-9081-6

Gottfried, M. (2023). Don't Call Them "Barbarians at the Gate". *The Wall Street Journal.*

Gracia, E. (2003). Corporate Short-Term Thinking and the Winner-Take-All Market. *SSRN Electronic Journal.* https://doi.org/10.2139/ssrn.445260

Graham, J. R., Harvey, C. R., & Rajgopal, S. (2005). The Economic Implications of Corporate Financial Reporting. *Journal of Accounting and Economics, 40,* 3-73. https://doi.org/10.1016/j.jacceco.2005.01.002

Greenfield, K. (2011). *The Puzzle of Short-Termism.* Boston College Law School.

Groysberg, B., & Abbott, S. L. (2022). *Restaurant Brands International: Version 2.0.* Harvard Business School.

Hayes, R. H., & Abernathy, W. J. (1980). Managing Our Way to Economic Decline. *Harvard Business Review, 58,* 67-77.

Johnson, T., & Kaplan, R. S. (1987). *Relevance Lost: The Rise and Fall of Management Accounting.* Harvard Business School Press.

Jones, M. R., & Karsten, H. (2008). Giddens's Structuration Theory and Information Systems Research. *MIS Quarterly, 32,* 127-157. https://doi.org/10.2307/25148831

Kaplan, R. S. (1984). The Evolution of Management Accounting. *The Accounting Review, 59,* 71-79.

Marginson, D., & McAulay, L. (2008). Exploring the Debate on Short-Termism: A Theoretical and Empirical Analysis. *Strategic Management Journal, 29,* 273-292. https://doi.org/10.1002/smj.657

Nicholas, T., & Masko, J. (2021). *Barbarians at the Gate or Turnaround Gurus? Private Equity and the Rise of the LBO* (30 p.). Harvard Business School.

Petzinger, T. (1995). *Hard Landing: The Epic Contest for Power and Profits That Plunged the Airlines into Chaos*. Crown Publishing Group.

Porter, M. E. (1992). Capital Disadvantage: America's Failing Capital Investment System. *Harvard Business Review, 70,* 65-82.

Repenning, N., & Henderson, R. (2010). *Making the Numbers? "Short Termism" and the Puzzle of Only Occasional Disaster.* National Bureau of Economic Research. https://doi.org/10.3386/w16367

Sood, V. (2003). Investment Strategies in Private Equity. *The Journal of Private Equity, 6,* 45-47. https://doi.org/10.3905/jpe.2003.320050