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THE LURE OF SHORT-TERMISM

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In the face of mounting pressures -- whether economic, political, or social -- organisations often find themselves tempted by the allure of short-term gains. These decisions may boost immediate profits, address fleeting crises, or satisfy vocal constituencies. However, such thinking comes at a significant cost.

Recent developments, such as the rollback of diversity, equity, and inclusion (DEI) initiatives and renewed emphasis on the exploitation of oil and gas in key markets, underscore how easily short-term priorities can undermine long-term resilience and sustainability. These choices may offer immediate relief or political advantage, but their ripple effects on governance, stakeholder trust, and global sustainability cannot be ignored.

The dangers of short-term organisational thinking

Short-termism erodes the foundations of good governance and hampers an organisation's ability to deliver long-term value. Critical areas of impact include:

Erosion of governance standards

Leaders often face conflicting demands between short-term financial performance and long-term sustainability. When organisations focus narrowly on immediate returns, they deprioritize ethical practices, transparency, and accountability.

Decisions driven by short-term pressures often neglect stakeholder inclusivity, weakening trust among employees, customers, and investors. The risk of regulatory non-compliance also increases as organisations are relentlessly forced to cut corners to meet immediate goals. These matters are compounded when incentive plans are more heavily weighted to rewarding short-term financial performance with little to no emphasis on environmental, social and governance (ESG) aspects.

By failing to capitalise on the value of good governance, organisations undermine their ability to maximise return on investment (ROI). Poorly implemented governance frameworks curtail the board's foresight and the

organisation's ability to respond to changing circumstances and market conditions, further increasing the risk of being blindsided (or even destroyed) by adverse conditions.

Compromised sustainability

Disregarding or deprioritizing double materiality assessments is a high-risk strategy that exposes organisations to regulatory, financial, reputational, and operational challenges such as higher insurance premiums, supply chain failures, penalties or trade sanctions.

Ignoring the opportunities presented by the circular economy may today lower costs or appease certain audiences, but it undermines the fact that a clean, healthy and sustainable environment is a human right (as recognised by the UN General Assembly). Against this backdrop, organisations should not only be mindful of societal backlash, but also of their future ability to access capital and attract (and retain) talent and customers.

Loss of competitive advantage

Companies that focus on short-term profits often cut funding for research and development (R&D), limiting their ability to innovate. Without sustained investment in new products, services, and technologies, businesses lose their edge to competitors who continuously improve. Short-term cost-cutting measures, such as lowering product quality or reducing customer service, also damages brand reputation and market positioning.

Today's talented professionals seek purpose-driven workplaces. They also want to feel valued and respected. A lack of investment in workforce cohesiveness and training and development often leads to high employee turnover rates and disengaged employees – all factors which ultimately negatively affect productivity, innovation and organisational performance.

The role of leaders in overcoming short-termism

The reality is that short term pressures are real and need to be acknowledged. The trick (as always) is to achieve balance. A rigorous, quantitative and forward-looking view is required to fundamentally understand the short and long-term risks and opportunities of the evolving geopolitical, economic, technological and social landscapes which influence organisational purpose and resilience.

Navigating conflicting priorities will require empathy, discipline, and clarity of vision and organisational values. Extensive stakeholder engagement is essential. By recognising the interconnectedness of stakeholders (from

employees to customers, communities and shareholders) and the interdependence of the organisation on its stakeholders and the natural environment in which it operates, leaders will be better positioned to future-proof their organisations, moving beyond risk mitigation to mobilizing opportunities.

A call to leadership

In these times of heightened uncertainty, short-term thinking may seem expedient, but it is not sustainable. Effective governance and impactful leadership demand that a long-term view be embraced - one that prioritizes integrity, resilience, and sustainability. Effective engagement with stakeholders is critical to ensuring an alignment of organisational purpose and action to address wide-ranging stakeholder needs, wants and concerns.

Organisations need to foster a culture of **ethical leadership and accountability** where decision-making is **driven by principles, not pressures**. Responsible governance which considers societal and environmental impacts, must become a **strategic imperative** rather than an optional initiative. **Organisations need to put people first and commit to inclusive leadership** that values **diversity, employee well-being, and social responsibility**.

We cannot afford to sacrifice the future for the convenience of the present.

ENDS

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