Time rationalities: Complementing “the orientation from the present” and the focus on “short” and “long terms” in performance measurement

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Abstract

Performance measurement is an acknowledged topic within the accounting literature. The temporal features of performance measurement systems have been claimed to affect the time orientation and attitude towards time of the subjects of those systems. Research has also shown that listed company managers may suffer from short time orientation, largely resulting from the performance measurement to which they are subjected. The present study shows that the research on performance measurement is based on a linear-quantitative view on time that implicitly assumes one point in time, the present, from which humans predominantly orient towards the future. It is shown that this view on time excludes other time-related constructs, particularly those related to the past, and highlights the importance of a choice between the short term and the long term, idealising the long term. Using constructivist data gathered from executives in one listed and one non-listed company, this study shows that time is constructed by non-listed company managers through oscillation between (1) past-based, (2) present-based, and (3) future-based rationalities: executives 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 contrast, listed company managers construct time predominantly through the present-based time rationality.

The study suggests that "the orientation from the present" and the "short" and "long terms" in the performance measurement literature could be enhanced with different time constructs, namely time rationalities, which relate more closely to managers' own experience of their performance measurement. It is shown that what appears as listed company short-termism according to the linear-quantitative view on time, originates from an excessive emphasis on the present-based rationality and on the present within this rationality; however, this rationality also possesses beneficial attributes that go unseen when time is analysed through the linear-quantitative view. Other sources of short-termism are explored: surprisingly, short-termism may also result whenever the past or the future is overemphasised within past- and future-based rationalities. The evaluation periods within performance measurement systems do not determine the time orientations of the actors subjected to the systems; time rationalities affect such time orientations. Performance measurement is here also tied to the past through the continuity of this measurement.
Keywords: short term, long term, time rationality, performance measurement

1 Introduction

The time orientation of performance measurement has been extensively studied in the accounting literature (Abernethy, Bouwens & van Lent, 2013; Bhojraj & Libby, 2005; Chakhovich, Ilkäheimo & Seppälä, 2010; Chow, Kato & Merchant, 1996; Dechow & Sloan, 1991; Merchant, 1990; Van der Stede, 2000; van Rinsum & Hartmann, 2007). Much of this research relies on the ideas that formal periods input within the performance measurement systems such as the evaluation period (the period that is considered when evaluating a given manager’s performance) and the overall rigidity of performance measurement are related to the length of the time orientation of those persons who are being measured by such systems. For example, Van der Stede (2000) and Merchant (1990) warn that rigidity in performance measurement systems can lead to short-termism. Van Rinsum and Hartmann (2007) show how the time orientation of managers is generally positively impacted by the evaluation period in the performance measurement systems that those managers are subject to.

In addition, the alignment of interests between listed company owners and managers has been brought up in relation to time orientation (Aglietta & Rebérioux, 2005, p. 256, 260; Bebchuk & Fried 2005, p. 18, 21; Brickley, Bhagat & Lease, 1985; Dikolli & Vaysman, 2006; Lambert, 2001). Concerns have been raised that the frequent reporting and other performance requirements imposed on listed companies by financial markets, as well as the emphasis on the relentless and continuously pressing performance measure of share price, encourage management in these companies to embrace a state of alarming short-termism (Bhojraj & Libby, 2005; Ezzamel, Willmott & Worthington, 2008; Graham, Harvey & Rajgopal, 2005; Jensen, 2004; Lazonick & O’Sullivan, 2000, p. 29-33).

Traditionally, short-termism has been conceptualised as the preference for actions in the near term that have negative consequences for long-term success (Marginson & McAulay,
In accounting, it has been seen as the focus on the short term at the expense of the long term (Dechow & Sloan, 1991; Van der Stede, 2000, 609-610), for example failing to pay attention to new ideas that could result in future success (Chow et al., 1996). Such conceptualisations of short-termism have typically been based on the perceptions of corporate outsiders — accounting researchers and financial market critics — not those of managers themselves. Relying on a constructivist framework (Berger & Luckmann, 1966; Latour & Woolgar, 1986; Searle, 1995), and on the sociology of time (Emirbayer & Mische, 1998; Hassard, 1990), the present paper investigates the content and the extent of pervasiveness of managers’ time constructs. Short-termism is set into this wider context of time constructs.

The focus on the dichotomy of short and long time orientations is shown here to be based on the linear-quantitative view on time (Hassard, 1990). This view on time in the performance measurement literature is shown to assume, more or less implicitly, the following: (1) an imaginary person standing at the point of present and “looking” at time linearly from there, predominantly towards the future, occasionally glancing back over his/her shoulder to “see” the past, (2) time flowing unilinearly from the past, through the present point, and towards the future, and (3) the objective measurability and quantifiability of time. Out of these, the first one, termed here “the orientation from the present”, has not been explicitly elaborated before although its implications are perhaps the most far-reaching of these three assumptions. The elements and composition of the linear-quantitative view on time are thus shown here in a novel way. It is demonstrated that this view on time takes its more specific form in performance measurement and time orientation studies (Bebchuk & Fried, 2005, p. 18, 21; Bhojraj & Libby, 2005; Chow et al., 1996; Dikolli & Vaysman, 2006; Ezzamel et al., 2008; Graham et al., 2005; Lambert, 2001; Van der Stede, 2000; van Rinsum & Hartmann, 2007) as a distinction between the short term and the long term – a distinction between the two types of views on the future that the imaginary person “standing in the present point” is assumed to “see” (notions such as

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1 Time constructs can also function as mental models (Johnson-Laird, 1983; Knechel, Salterio & Kochetova-Kozloski, 2010) of time, but because of their integral attachment to a certain rationality of acting, these constructs are here referred to as time rationalities.
“farsightedness” and “shortsightedness” draw attention to the idea of using the vision: e.g. Dikolli & Vaysman, 2006, p. 446). The present paper reveals and challenges these underlying assumptions of the literature.\(^2\)

The paper uses the sociology of time (Emirbayer & Mische, 1998; Hassard, 1990) in order to acknowledge that “time” is more diverse than merely linear-quantitative time. Objective “clock time” and subjectively experienced time as well as cyclical and linear approaches to time have been combined in multifaceted ways in accounting (Anderson-Gough, Grey & Robson, 2001; McSweeney, 2000; Quattrone & Hopper, 2005) and organisational studies (Crossan, Cunha, Vera & Cunha, 2005). There is also a lot of research on how the constructs of “past”, “present” and “future” can have diverse relations to each other (Chakhovich, 2013; Emirbayer & Mische, 1998; Jaques, 1982) and can be contemplated analytically in different ways: time can be experienced to flow “backwards” (i.e. from the future, through the present and the past), and there are other relevant points than the present from which to look at time. This paper, however, differs from much research within the sociology of time by studying managerial episodes and events that do not contain an explicit reference to time (for example, a clock or timetable, e.g. Zerubavel, 1982b, 1979) but which clearly, albeit more obliquely, demonstrate time constructs drawn together within processes set in time (see the connections between narrative and temporality acknowledged within the field of philosophy as presented by Ricoeur, 1983). The research question is as follows: What are the consequences of a linear-quantitative view on time for performance measurement in relation to “the orientation from the present” and the time orientation in listed companies, and how can this view be extended?

The study analyses two Finnish companies in the financial services industry; one listed and one non-listed. The listed company representatives claim to be profoundly committed to the performance measure of share price and, consequently, according to the literature, the company can be expected to exhibit a type of vulnerability to short-termism that is inherent in the financial markets (Aglietta & Rebérioux, 2005, p. 256, 260; Ezzamel et al., 2008;

\(^2\) See Alvesson and Sandberg (2011) on questioning the assumptions within a literature as a means of generating theoretically interesting and relevant research questions.
Graham et al., 2005; Lambert, 2001; Rappaport, 2005). The non-listed company managers, focusing on traditional retail banking instead of aggressive financial market manoeuvres, emphasise their mental separation from the financial markets and mostly take a negative stance towards those markets; their time orientation could thus, based on this, be expected to “extend longer”. This setting allows the comparison of these cases in order to show the time constructs underlying any “short” or “long” time orientations in performance measurement and the theoretical consequences of relying on “the orientation from the present” for the interpretation of these cases. The investigation was conducted predominantly via interviews with managers and board members of the companies, with archival data (media texts and internal company material) to support the analysis. Two analyst interviews were also undertaken in order to provide additional context with regard to the listed company.

When looking at the socially constructed character of “time” within performance measurement in the case companies, short term and long term no longer necessarily emerge as the predominant — or the most appropriate — tools for analysing time. Instead, in relation to performance measurement the managers in the non-listed company appear to acknowledge several time constructs: a past-based rationality (whereby the past, e.g. the continuity of measurement in the past, is constructed as a base on which to build the present and/or the future), a present-based rationality (whereby present actions are conceived as the basis for success in the future), and a future-based rationality (whereby the future is planned first and present tasks are derived from future plans) (present- and future-based rationalities are adapted from Chakhovich, 2013). The empirical analysis thus shows that the time constructs of the non-listed company managers are complex. With regard to listed company managers, a different position is found; time is predominantly constructed through the present-based rationality.

When looking at these rationalities through the linear-quantitative view on time and its associated “orientation from the present” and short term/long term distinction, the present-based rationality easily comes to be seen as short-termism, and thus inferior, due to its focus on action in the present and the lesser apparent or formal emphasis on the future. Its
beneficial attributes thus go unnoticed. The future-based rationality can erroneously be seen as long-term orientation and become idealised, and its inferior qualities are easily ignored. Finally, past-based rationality can be seen as either inertia, or not really considered at all as a relevant time construct in performance measurement because it seems unrelated to the short and long terms. In addition, long time orientation is shown to implicitly mean the complexity and profundity of time constructs in the earlier literature, and short time orientation the lack of those attributes; thus, the company with more complicated time constructs may appear as long-term oriented compared to the company with simpler time constructs – regardless of the length of time toward which they orient themselves. “The orientation from the present” and the short and the long term are constructs intended to assist us in understanding “time” in the literature, but their deeper analysis shows that they may blur other conceptualisations of time and mould the thinking on time into certain predetermined formats, excluding others. The study shows that a different conceptualisation of time is needed. While, in the listed company case, short-termism can present itself as an overemphasis of the present and an inability to move thinking towards the future (a failure of the present-based rationality), it is conceivable that either the future or the past could be overemphasised in other cases, resulting in different types of short-termism (failures of the other time rationalities) that have not been paid enough attention in the literature. The past can also be related to performance measurement through the past continuity of this measurement.

The paper thus contributes to the performance measurement literature on time orientation (Abernethy et al., 2013; Chow et al., 1996; Van der Stede, 2000, van Rinsum & Hartmann, 2007) by showing how time rationalities emerge more profoundly in the empirical data related to company performance measurement than the linear-quantitative “short” and “long” terms. Performance measurement is embedded within more complex temporal relations than those simply represented by the evaluation period (Anderson-Gough et al., 2001; Ezzamel & Robson, 1995). By elaborating the characteristics of short-termism, the paper also contributes to the literature on short time orientation that is associated with the financial markets and the maximisation of shareholder value (Aglietta & Rebérioux, 2005, p. 256, 260; Bebchuk & Fried 2005, p. 18, 21; Bhojraj & Libby, 2005; Ezzamel et al., 2008;
Graham et al., 2005; Rappaport, 2005). It is shown that the listed company (non-listed company) presented in this paper would appear to be short-term (long-term) oriented based on the linear-quantitative view on time and the associated “orientation from the present”, whereas the new categorisation of time constructs sheds additional light on the time constructs underlying these claims, explaining the bases of these claims but also casting some doubt on these claims. The distinction between the short term and the long term is undoubtedly of interest: it can be considered highly relevant to find whether given decision-makers are considering the consequences of their decisions in a more distant future or whether they are only concerned with any immediate consequences. This study suggests that the linear-quantitative view on time is complemented with time rationalities, which also provide an effective way of analysing other time constructs, including short term and long term.

The paper is structured as follows. First, theoretical reflections on the topic are presented. This is followed by a description of the method applied. Time constructs and performance measurement in the case companies are then demonstrated, and the paper ends with a discussion and conclusions.

2 Theoretical reflections

2.1 Linear-quantitative view on time and “the orientation from the present”

The time orientation of performance measurement has been a popular topic in accounting (e.g. Abernethy et al., 2013; Chakhovich et al., 2010; Chow et al., 1996; Dechow & Sloan, 1991; Merchant, 1990; Van der Stede, 2000; van Rinsum & Hartmann, 2007). Much of this research either implicitly relies on or explicitly studies the theme that certain time-related technical features in performance measurement systems induce certain temporal attitudes and actions by managers subject to those systems (Bellemare, Krause, Kröger & Zhang, 2005; Chow et al., 1996; Dechow & Sloan, 1991; Graham et al., 2005; Merchant, 1990; Van der Stede, 2000; van Rinsum & Hartmann, 2007). Such technical features typically include the evaluation period of the systems as well as the extent to which a
performance measure functions as a leading indicator instead of a lagging one (Bellemare et al., 2005; Dikolli & Vaysman, 2006; van Rinsum & Hartmann, 2007). Here the evaluation period refers to the period used to evaluate the performance of a given executive (i.e. the interval of performance measurement; van Rinsum & Hartmann, 2007), and leading indicators typically mean measures such as customer satisfaction whose changes may eventually result in effects in the levels of lagging indicators, such as company profit (Dikolli & Vaysman, 2006). The dependent variable in such studies is usually what is termed the “time orientation”, “time horizon”, “short time/term orientation” or “long time/term orientation” of a given manager or executive, predominantly indicating whether this person orient him/herself towards the short term or long term (Dechow & Sloan, 1991; Merchant, 1990; Van der Stede, 2000; van Rinsum & Hartmann, 2007).

In this line of research, Van der Stede (2000) shows how a rigid budgetary control style representing an evaluation period of one year can cause short-termism in managers subject to such style, and Merchant (1990) provides evidence that pressures to meet certain short-term financial targets can induce short-termism. Moreover, van Rinsum and Hartmann (2007) report a positive relation between the time orientation of managers exposed to certain performance measurement systems and the evaluation period in those systems: Lengthening the evaluation period evens out the measure by removing some of its random variation while if the period is short, investment could be seen as a one-off case rather than as a part of a larger and more profitable investment chain. Graham et al. (2005) provide evidence that the majority of company executives would sacrifice long-term value in order to reach a certain level in reported quarterly earnings.

Agency theory, whose important tenet is that company managers function as agents of the owners (Bebchuk & Fried, 2003; Fama, 1980; Jensen & Meckling, 1976), forms a popular theoretical lens in accounting (Bhojraj & Libby, 2005; Brickley et al., 1985; Dechow & Sloan, 1991; Dikolli & Vaysman, 2006; Graham et al., 2005; Lambert, 2001, 1993). Agency theory emphasises that the interests of the managers and owners should optimally be aligned, for example with incentive systems (Bebchuk & Fried 2005, 2003; Brickley et al., 1985; Dikolli & Vaysman, 2006; Jensen & Meckling, 1976; Lambert, 2001); this
alignment is also desired in relation to time orientation (Brickley et al., 1985; Dikolli & Vaysman, 2006; Graham et al., 2005; Lambert, 2001). In this literature managers are potentially perceived as excessively short-term oriented compared to the optimal time horizon from the owners’ point of view (Bebchuk & Fried 2005, p. 18, 21; Bhojraj & Libby, 2005; Graham et al., 2005).

The shareholder value approach has become popular in the Western hemisphere (Ding, Richard & Stolowy, 2008; Lazonick & O’Sullivan, 2000), the creation of shareholder value being naturalised and reinvigorated as the foremost objective and overriding goal of company management (Ezzamel et al., 2008). The approach has recently been criticised for its short-termist tendencies (Aglietta & Rebérioux, 2005, p. 256, 260; Ezzamel et al., 2008; Jensen, 2004; Lazonick & O’Sullivan, 2000, p. 29-33). Moreover, the financial markets and their quarterly reporting requirements have been claimed to encourage short-termism (Bebchuk & Fried 2005, p. 18, 21; Bhojraj & Libby, 2005; Graham et al., 2005; Rappaport, 2005).

Short-termism has been conceptualised as “a preference for actions in the near term that have detrimental consequences for the long term” (Marginson & McAulay, 2008, p. 274). The specific concept of short-termism in the financial markets has assumed various forms (see e.g. Ezzamel et al., 2008; Lazonick and O’Sullivan, 2000, p. 29-33). In the accounting literature, Ezzamel et al. (2008, p. 134) warn against the shareholder value approach, specifically against the short-termism inherent in its emphasis on the legitimacy of the status quo. Ding et al. (2008, p. 723-724) are concerned that because diffuse shareholders enjoy less visibility over a focal company’s future than, for example, committed owner-managers and banks as owners, these shareholders are likely to be excessively focused on the short-term performance of the focal company. Companies might exhibit a preference for smooth earnings in the short term at the expense of long-term value-increasing investments (Graham et al., 2005) and an obsession with the level of short-term earnings

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3 This relates to corporate governance research encompassing issues such as the performance measures meant for incentivising “optimal” time orientation of managers or, more generally, “optimal” alignment of manager and owner interests (Bebchuk & Fried, 2003; Jensen & Meckling, 1976; Shleifer & Vishny, 1997).
(Rappaport, 2005). There is also the risk of a short time orientation caused by a financial view of companies as mere collections of assets rather than an industrial logic concerning the connections between those assets and their potential for the long-term development of production (Espeland & Hirsch, 1990, p. 88-91).

The study of the sociology of time has explicitly recognised a twofold meaning of time: time as linear-quantitative (clock-time) and as cyclic-qualitative (social time) (Hassard, 1999, 1990). Accounting research has also acknowledged this division (Ezzamel & Robson, 1995). The linear-quantitative tradition perceives time as essentially linear, distinguishing clearly between the past, the present, and the future (see e.g. Medlin, 2004). In this tradition, time is equated with value, being both objective and measurable.

Underlying the linear-quantitative view on time, there is an assumption of “the orientation from the present”, very explicitly shown in the figure created by Laverty⁴ (1996, p. 828), a figure which illustrates the problem of intertemporal choice on a unilinear time line: two investment options are presented, one which promises only small incremental improvements in production technology but maintains short-term profitability, and another which yields substantial benefits later on but results in a loss in the short term. Intertemporal choice is the choice between these two options. A deciding manager is assumed to stand in the point of the present and evaluate these options from there. This idea underlies much of agency theory and accounting literature: time orientation, as the length of time that managers look “ahead” towards the future, is seen as an important variable to be optimised for the benefit of the owners and the company itself (Aglietta & Rebérioux, 2005, p. 256, 260; Bebchuk & Fried 2005, p. 18, 21; Brickley et al., 1985; Dikolli & Vaysman, 2006; Graham et al., 2005; Lambert, 2001). This underlying idea of “the orientation from the present” is also exemplified by the notion of the “near term” employed by Marginson and McAulay (2008, p. 274) in relation to the short term; inviting the perspective of a person positioned in the present and looking towards the future, either “near” him/herself, or far. Moreover, the focus on “the orientation from the present” is

⁴ Laverty (1996) otherwise vastly extends the thinking on time by including the individual and organisational dimensions in the discussion on time orientation.
more explicitly seen in the notions of “time orientation”, “short-term orientation”, or “future orientation”, employed in the literature (Lewis & Weigert, 1981, p. 437, 445; Rappaport, 2006; Van der Stede, 2000) and in common speech. It is noteworthy that the interest here has been in “the orientation towards” a given time construct (such as short term or the future), not in “the orientation from” a time construct (the present). It appears that “the orientation from the present” has been so prevalent as to have become taken for granted, thus drifting out of sight, becoming implicit or hidden.

It is worth noting that it is only a convention in the literature that the concept “time orientation” has come to denote “orientation towards the short or the long term”; there is nothing inherent within this concept to prevent its use as, for example, “the orientation towards time… as socially or individually experienced”, “… as more or less tightly tied to spatiality” or “… as linear or cyclic”. Moreover, “a time orientation” could also denote an orientation towards spatial issues but through the lens of time such as in “a temporally influenced orientation towards a given industry”, this industry being seen spatially here. The issue of short and long terms may be so important for the human nature that we are bound to think about this issue as one of the first and most “natural” when considering “time”.

Regarding performance measurement, van Rinsum and Hartmann (2007) show how the managerial time orientation is positively influenced by given fundamental characteristics of performance measures: the lead-time (the time elapsing between a leading performance measure and the lagging result in terms of accounting figures) and the evaluation period of performance measures. Here lead-time and evaluation period are shown to extend linearly from the present towards the future in the figures drawn by van Rinsum and Hartmann (2007, p. 34-35). Similarly, for example Van der Stede (2000) and Merchant (1990) assume a person stationed in the present to be incentivised by certain performance measurement systems to gaze towards a longer or a shorter time period into the future.

Figure 1 provides a stylized presentation on the linear-quantitative view on time. Here, a given decision-maker is assumed to stand at the single point of present and to look at time
predominantly towards the future, either for a shorter or a longer term. This person is also acknowledged to glance irregularly at the past. Implicit here is the idea of a unilinear flow of time, from the past, through the present and towards the future. However, as the figure indicates, the flow is not unilinear from the perspective of the decision-maker of interest: due to this person standing “in the middle” of the time line, he/she looks towards the past and towards the future in two different directions. The assumption that this linear-quantitative view on time is a simple and thus a “natural” way of contemplating time can be questioned based on the figure. In order to fully grasp this view on time, one has to consider that time flows unilinearly, but, simultaneously, it does not necessarily always flow unilaterally from the point of view of the person looking at time while positioned in the present. There is thus implicit complexity and paradox in the model, complexity that here is structured, but not explicitly shown in the literature so far.

**Figure 1.** Linear-quantitative view on time, according to which a person standing in the present is assumed to look at time either for the long or the short term, occasionally glancing at the past (the top part of the figure). In addition, time is assumed to flow unilinearly through the past, the present and the future (the bottom part of the figure).

“The orientation from the present” results in the associated claim that “time” in performance measurement consists of two principally relevant categories, “short” and “long”; a person may “orient” towards a shorter or a longer time horizon from the present on a time line, depending on the specific performance measurement systems he/she is subjected to. Of these, “short” usually implies a period of (about) one year, a period relatively “close” to the present, whereas “long” implies an emphasis on the “future” away from immediate present concerns, longer than one year (Merchant, 1990; Van der Stede,
2000). Variably “long” may either imply a focus on predominantly “long” (Marginson & McAulay, 2008) or both “short and long” (van Rinsum & Hartmann, 2007). In the former case, “short” and “long” thus represent mutually exclusive opposites between which intertemporal choice is to be made (Aglietta & Rebérioux, 2005; Laverty, 1996; Marginson & McAulay, 2008). Dechow and Sloan (1991, p. 52) acknowledge the setting as one of comparison between short and long terms by suggesting that annual earnings as a performance measure may encourage managers towards short-term instead of longer-term performance. Moreover, the literature that criticises shareholder value often analyses its two potential, distinct implications: short-term value gain by executives and long-term value loss by owners and society (Aglietta & Rebérioux, 2005; Davis, 2009; Harvey, 2010; Jung & Dobbin, 2012, 2010).

It has been proposed that the situation reducing to a mere dichotomy of either long or short term implies the use of inferior management practices; “optimally”, both the short and the long term should simultaneously be taken into consideration (Abernethy et al., 2013). Kaplan and Norton (1996) and Abernethy et al. (2013) maintain that both short and long term should be incentivised, in a balanced way, with performance measures.

It has been implicitly assumed that a long time orientation acknowledges the complexity of time constructs more effectively than a short time orientation: a short-term oriented actor only has to think about the short term, whereas a truly long-term oriented actor has to consider both short and long term, their interrelations and the balance between them (Abernethy et al., 2013; van Rinsum & Hartmann, 2007). The existence of both short and long-term oriented groups of actors in an organisation implies diversity, which is helpful for effectively considering both the short and the long term and balancing between them (Marginson & McAulay, 2008, p. 287). Laverty (1996, p. 830, 843) shows that the consideration of the long term is more demanding than the analysis of the short term due to the need to take account of both time lag and uncertainty.

It is also often assumed that the problem with short-termism centres predominantly around “short-term action” taking place in the present or in the very near future. For example,
Laverty (1996, p. 826) defines short-termism as the pursuit of a course of “action” that is optimal in the short term but suboptimal in the long term. The definition by Van der Stede (2000) also refers to short time orientation as an excessive focus on short-term results, which are presumably achieved with so-called short-term (oriented) actions, and Marginson and McAulay (2008, p. 274) define short-termism as the preference for “actions in the near term” with negative consequences for the long term. Here “action” is seen as short-term oriented and future planning is easily idealised. Problematic inaction and its potential relations with excessive planning (Levinthal and March, 1993, p. 102-103; Mason, 1986, p. 76; Mintzberg, 1994) are considered less.

In addition to “the orientation from the present”, the linear-quantitative view on time also entails the assumptions that time flows unilinearly from the past, through the present and towards the future, and that time is objectively measurable and quantifiable. Time is rendered measurable and quantifiable when it is neatly set on a unilinear time line; unilinearity is therefore an underlying construct in the majority of quantitative time-related research in business and economics (less so in physics, see e.g. Einstein on the theory of relativity and the warping of time, 1916/1920). Studies that rely on mathematical models are particularly prone to these assumptions, requiring the variable “time” to be measurable on a linear scale. This can be observed, for example, in the literature on time preference, an economic concept that refers to a personal interest rate or the propensity of people to prefer present income over future income (Böhm-Bawerk, 1891; Fisher, 1930/1965; Frederick, Loewenstein, & O'Donoghue, 2002). In investment analysis, net present values are also quantified and measured using discounting along the time line (Brealey & Myers, 2003).

Short-termism and time orientation have often been measured in accounting research by using the construct originally developed by Lawrence and Lorsch (1969), and further used, for example, by Merchant (1990), Van der Stede (2000), and van Rinsum and Hartmann (2007). Here, time orientation is measured as the percentage of a given respondent’s working time that is used for issues that affect the profit of that respondent’s company within given time periods. These periods are then specified as a series that is linearly
organised and oriented from the present towards the future: the period within one month or less, between one month and a quarter of a year, between one quarter and one year, and one year or longer (Lawrence & Lorsch, 1969), or between one year and five years (Merchant, 1990; Van der Stede, 2000). Merchant (1990) and Van der Stede (2000) then combine the effect within one year to represent a short time orientation. Van Rinsum and Hartmann (2007) also use the instrument but modify it by using categories between one year and five years, and longer than five years, summed up, to indicate long time orientation. Time orientation has also been measured, for example, by the use of research and development (R&D) expenditures (Bushee, 1998; Dechow & Sloan, 1991) and payback period (Liljeblom & Vaihekoski, 2009). In addition to representing the assumptions of unilinearity of the flow of time and the measurability of time, these ideas also imply “the orientation from the present” towards the future: a larger amount of R&D expenditures and a longer payback period imply a longer time orientation, extending from the present towards the future.

To summarise, underlying the current research is the implicit presupposition that humans experience time by orientating predominantly from the present towards the future and, to a considerably smaller extent, towards the past. Mostly the focus here has been on how “far” people look into the future, i.e. the distinction and relations between the short and the long term, performance measurement and particularly its associated evaluation period being acknowledged as affecting this balance. Any orientation towards the past has implicitly been disregarded as unimportant and inertial; not worthy of research. Therefore, in the performance measurement literature there are hardly any contributions explicitly referring to the past.

2.2 Alternative views on time

The cyclic-qualitative tradition recognises the socially constructed as well as subjective meanings of time (Hassard, 1999, p. 330-331); in this tradition, the past, the present and the future are fused together dynamically (Jaques, 1982). Here time can be perceived in multiple different ways, depending on the context and the actors involved (Gurvitch, 1990;
Lewis & Weigert, 1981). As an example of a constructivist approach in the cyclic-qualitative tradition, Zerubavel (1985) shows how the specific length of the working week is not an objective measure determined by an underlying characteristic common to all humans. Rather, he shows that this measure is formed as a part of multifaceted, predominantly cultural processes, similarly to the times of religious celebrations such as Easter (Zerubavel, 1982a) and standardised time zones (Zerubavel, 1982b).

Much accounting-related research on time has followed the linear-quantitative tradition (Ezzamel & Robson, 1995, p. 156). Moreover, practitioners may be so immersed in economic rationality and, with it, the deceptively obvious nature of time as a benchmark for measuring progress (typically defined in linear-quantitative time), that they may forget its constructed and subjective nature (Quattrone, 2005). However, there are also selected pieces of accounting research that reflect, for example, the multifaceted nature of actor time consciousness (Anderson-Gough et al., 2001), and the complexities of conceptualising time in relation to financial statements (Chambers, 1989; McSweeney, 2000).

The sociology of time often separates time into three components: the past, the present, and the future (Emirbayer & Mische, 1998; Maaninen-Olsson & Müllern, 2009; Tuttle, 1997). Emirbayer and Mische (1998) theorise agency as the culmination of three forms of temporal orientation, the past (iterative), the present (practical-evaluative), and the future (projective). Tuttle (1997) describes the temporal orientation towards the different components as the extent of the awareness of these components, which implies how much a person (1) thinks about each component, (2) values each component, and (3) feels that each component is full of activities and events. For example, an orientation to the future can be seen as a function of the extent of planning, of attaching importance to these plans, and of the number of activities contained in these plans (Tuttle, 1997, p. 357). Different components of time have been acknowledged as interrelated and interdependent (Emirbayer & Mische, 1998; Jaques, 1990; Tuttle, 1997). For example, path dependence refers to how the past can affect the present and the future (Arrow, 1951). Emirbayer and Mische (1998) point out that the past, the present and the future each can be seen
analytically to possess two subcomponents that connect to each of the other two main time components. McSweeney (2000) sees the interrelations between the past and the future as beneficial and enabling the accomplishment of effective financial reporting: although reports are prepared about the past, their implementation requires estimates on the future, such as the estimated useful life of a given asset to be depreciated.

Present-based rationality has been presented as a time-related construct which acknowledges thinking directed from the present and extending towards the future; efficiency and effectiveness in the present are rationalised to lead to success in the future (Chakhovich, 2013). On the other hand, future-based rationality represents a construct by which it is rationalised that the future should initially be planned and then actions at present should be made fit the future plans; here thinking can be visualised as moving from the future to the present (Chakhovich, 2013). Figure 2 illustrates these rationalities, differing visually from the time rationalities by Chakhovich (2013) in the way that the time line below them is not seen as necessary. It is worth noting that the order of time constructs does not have to be that presented in Figure 2; here the past, the present and the future are only presented in this order so that the rationalities can more conveniently be compared to the linear-quantitative view on time (Figure 1). In this comparison, the simplicity of the time rationalities is noteworthy.
Figure 2. Present-based (above) and future-based (below) time rationalities (adapted from Chakhovich, 2013).

The present-based rationality entails a form of reasoning whereby actors’ present judgments are first prioritised. 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. The present-based rationality could be utilised in unpredictable environments where elaborate plans are typically futile or even counterproductive. This rationality can be related to Brunsson’s (1982, p. 36-37) concept of action rationality, whereby decisions are implemented on the basis of the assumption that action will be taken after the decision is made. The rationality also reflects emergent strategies that are not planned but emerge from the present (Mintzberg & Waters, 1985).

The future-based 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 the future vision. This rationality predominates in the traditional normative business literature, where companies have typically been instructed to first prepare extensive plans
and subsequently formulate their immediate actions in order for them to fit with and implement these plans (Ansoff, 1987; Mintzberg & Waters, 1985). The future-based rationality follows the logic of deliberate strategies (Mintzberg & Waters, 1985) and decision rationality (Brunsson, 1982, p. 36-37), favouring extensive planning.

Time rationalities are based on the ordering of time constructs. These rationalities describe which time construct is the first focus and which time construct forms the focus after the first one. The time base is posited as the starting point of actor thinking: it is a construct that is typically perceived quite extensively and concretely. For example, in the present-based time rationality, the base is the present. The time target is the time construct towards which thinking is oriented from the initial base. In the present-based rationality, this target is the future. The term “time orientation” can be seen to implicitly denote the direction, in time, towards which actors orient themselves. This study proposes that the basis from which this time “orientation” originates can also matter. For example, present actions guided by a present-based model are oriented towards the future but oriented from the present.

With an ethnomethodological undertone, the research acknowledges actors’ accounts to be reflexive: the activities of these members in their everyday lives are identical to those methods with which they analyse their everyday lives for practical purposes (Garfinkel, 1967, p. 7-9) and build a world that they can consider “reasonable” (Coulon, 1995, p. 17). The practical method of analysis is targeted at itself; hence the term reflexivity (Handel, 1982, p. 35). By describing a situation, actors simultaneously constitute it (Coulon, 1995, p. 23). Time rationalities reflect the activities people engage in as well as the method by

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5 From each base, actors can orient themselves towards two other constructs. For example, from the present it is possible to orient oneself towards the past or towards the future. However, each direction is not necessarily empirically equally likely. Orientation from the present or from the future towards the past would imply that actors plan the future or work efficiently in the present in order to succeed in the past. Such activity is not easily witnessed in modern companies. Therefore, the orientation towards the past is excluded from further study as irrelevant in this context. It is noteworthy that this only implies the exclusion of time constructs in which the target is the past; time constructs in which the base is in the past are not excluded.

6 Garfinkel (1967, p. 8) describes reflexivity: “Member’s accounts, of every sort, in all their logical modes, with all of their uses, and for every method for their assembly are constituent features of the settings they make observable.”
which they make sense of these activities. These time constructs are relevant for actors precisely because these actors refer to these specific methods; time constructs define reality for them in such a way that they perceive they are able to function effectively in practical situations (Handel, 1982, p. 36).

Different experienced times can also be assumed to be fused together dynamically in other ways (Jaques, 1990), not only in relation to past, present and future. Lewis and Weigert (1981) describe self time (as the experience in the mind of the solitary ego), interaction time (as an intersubjective reality), cycles of social time (such as days and weeks), and institutional timetables (such as the times for graduation and retirement) as “times” that overlap each other routinely and continuously. Hassard (1999) demonstrates how scheduling and sequencing of activities as well as the management of the scarcity of time are achieved with diverse time constructs. Crossan et al. (2005) show how improvisation can be enhanced by creatively combining objective clock time and subjectively experienced event time, as well as cyclical and linear time-related approaches. Mohammed and Nadkarni (2011) demonstrate how team members’ temporal diversity in terms of time urgency, pacing style and time perspective (orientation towards shorter or longer term) can be managed in order to achieve balance in the team.

Actors make sense of time by drawing on events that could, in principle, be seen as unrelated to time. For example, the actors researched by Roy (1960) drew meaning from “bananas” and “peaches” during their monotonous daily work, “banana time” meaning a time when an employee took another employee’s banana, and “peach time” referring to sharing a peach that an employee always brought to work with him. Leisure or free time is inextricably linked with work time; a person without work cannot have leisure either (de Grazia, 1962, p. 409). Zerubavel (2003) introduces time maps as representations of historical time in a visual format, and presents space in rich formats alongside time, showing how time can be tied to spatial dimensions in multiple ways. Moreover, as noted earlier, financial reports can be related to experienced time (McSweeney, 2000). Auditing firms affect how trainee auditors envision their future and life plans: the passing of professional tests (tests of time use, not necessarily of substantive knowledge in
themselves) is perceived as vital for future success in terms of careers and otherwise (Anderson-Gough et al., 2001). Quattrone and Hopper (2005) show how the introduction of a new management control system in two companies varied in its implications for experienced time; in one company, the new system maintained the multilayered control structures in space and time between headquarters and subsidiaries, whereas in the other, the distances of control in time and space were minimised and became unstable as anybody could input and extract any data at any time and in any place.

To summarise, it was shown here that “time” can be seen as a more comprehensive construct than “the orientation from the present”, “long”, and “short” time orientation, as parts of the linear-quantitative view on time, would imply: time consists of constructs such as the past, the present and the future, but also, for example, “self time”, “interaction time” or even “banana time”. Time constructs are tied to each other and to space in multiple ways.

Thus, as a whole the theoretical section has described how the present theoretical discussion on time orientation in performance measurement is being conducted predominantly on the basis of “the orientation from the present” and “short” and “long terms”, although the cyclic-qualitative view on time has provided an ample number of pathways away from these perspectives. The fieldwork will illustrate how time rationalities are empirically more clearly tied to performance measurement than the linear-quantitative view on time and assist in revealing additional implications of these different time constructs.

3 Method

This study relies on the approach of social constructivism (Berger & Luckmann, 1966; Searle, 1995) underlining that the understanding of the nature of a multifaceted concept such as time can be enhanced if it is studied as constructed within its own context (Berger & Luckmann, 1966; Gendron & Bédard, 2006, p. 212; Searle, 1995). However, referring to Latour and Woolgar’s (1986) proposition of the redundancy of the “social” as any entity can be seen in principle as social or from a social point of view in such research, references
to “social constructs” have been minimised, thus predominantly employing the term “constructs” here.

Data were gathered in two Finnish companies, here called Singlex and Triplex. Both companies operate in the financial services industry but represent different governance structures; one is listed and one is not (see Appendix A for the organisation charts of the companies). The paper relies on empirical evidence gathered by semi-structured interviews and from archival data. Because the study investigated time- and performance measurement-related issues hidden in the confines of actors’ minds, interviews were judged to be the preferred method of investigation: they provide an opportunity for interviewees to reflect upon and speak up on specific issues, unlike observation, for example. The paper is based on the teleological explanation logic in which people’s explanations are given prime attention in producing the mechanisms of the emergence of the phenomenon of “time” in performance measurement.

The interview data were prepared as interview transcripts. The majority of the interviews took place in 2007-08, with four additional interviews undertaken in 2010 in order to clarify details on specific events. In total, 30 interviews were conducted, 13 in Singlex, 15 in Triplex, and two with analysts who commented on Singlex (see Appendix B for data sources). Two key individuals in Singlex and three key individuals in Triplex were interviewed twice. The interviews in Singlex were conducted predominantly with executives, but two board members and three middle managers were also interviewed. The interviews in Triplex were conducted with bank managing directors, managers, executives in the central unit (called the Association; see a description of the company below) and board members.

In order to develop the theory on time constructs, the study was undertaken using two extreme cases, and an attempt was made to elicit the underlying tensions between the two companies (Ahrens & Dent, 1998), on which more later. The two participant companies selected here were expected to provide an excellent contrast because they represent distinct types of governance and perceptions of temporality. Listed companies have previously
been claimed to be temporally one-sided and focused on the present quarter due to the explicit and implicit performance measurement related pressures imposed on them (Aglietta & Rebérioux, 2005, p. 256, 260; Ding et al., 2008, p. 723-724; Ezzamel et al., 2008). The Singlex executives were thus selected because they are closely tied to the financial markets. The focus on the executive level allowed a maximum extent of contact between respondents and financial markets; a focus on middle management would have mixed the impacts of financial markets, for instance, with product market-related issues while still not providing a distinct contrast in the form of a non-listed alternative; for this reason the perceptions of this group were not focused on. Triplex management, on the other hand, represents an extreme case of an absence of interest in financial market contacts and a generally negative attitude towards these markets. Board members were interviewed in order to complement the other interviews. Analysts were interviewed for context on and additional details about the listed company.

The duration of the interviews varied between 30 and 100 minutes. All interviews were carried out by the author. With one exception, all were face-to-face meetings (the exception was carried out by telephone). All interviews were recorded and transcribed.

The investigation was initiated as a broad endeavour (Gendron & Bédard, 2006, p. 216; Glaser & Strauss, 1967, p. 243-244) – to increase the understanding of the constructs of time, time orientation and performance measures of managers. The interviews followed a semi-structured format (Rubin & Rubin, 1995, p. 4-5) in order to permit the respondents to provide information relevant to their own meanings and experiences (Rubin & Rubin, 1995, p. 158-163). The interview themes are presented in Appendix C, which is divided according to the timing of the interviews. Earlier interview data provided access to the time constructs and information on performance measurement, and subsequent interview data clarified particularly the time constructs in the context of specifically identified episodes.

The study demonstrates through episodes how “time” was constructed in the companies. An episode was selected in each company in order to gain a perspective on two separate contexts regarding time constructs. In Singlex, two major episodes emerged from the initial
The data gathered were analysed in a theoretically informed manner in order to contribute to the existing theory (Ahrens & Chapman, 2006) on the time orientation of performance measurement. Time constructs as empirical findings originated from the interview data as follows. During data gathering, the data were continuously perused, and manual notes taken on issues related to time. It was first noted that in Singlex respondents accounted for “time” as constructs in a given, rationalised and preferred, order (namely, first the present, then the future). This was theoretically interesting because of the focus of the prior theory of time orientation on the periods of the long term and the short term separately, not on their subjectively experienced respective order. This led to an investigation of whether a similar theme might emerge in Triplex. The existence of such a theme, and a similar theme within which the order of the time constructs was reversed (first the future, then the present) were confirmed by critical and repeated analysis of the transcripts of the Triplex interviews (see also Chakhovich, 2013). Moreover, the importance of the past was stressed in the literature (e.g. Emirbayer and Mische, 1998) in addition to the present and the future, and this suggested rereading the transcripts in an attempt to conceptualise how the past was
constructed in the data. This led to support for a past-based rationality. Time lines were dropped as redundant from the figures on time rationalities as shown by Chakhovich (2013). Finally, data on performance measurement in each company was analysed and connected with both long and short terms as well as time rationalities.

The issue of contrasts deserves a further mention in relation to the analysis of the data. When choosing the case companies, the expectation was to locate short-term and long-term oriented executives and the associated tensions between the short and the long terms in performance measurement; however, something else outside this paradigm – the time rationalities – was located in the process of the analysis of the data. This made me reflect on time not only along the short term/long term axis but with different time constructs, inducing me to see the present focus in the literature on the short term and the long term and “the orientation from the present” that underlies this focus.

4 Empirical investigation

The empirical material is presented in the following. In order to clarify the time constructs early on, Triplex is discussed before Singlex.

4.1 Time rationalities in Triplex

In what follows background information on Triplex is described in order to provide a context for the empirical material later on. After this, an episode from the history of the company is presented in order to illustrate time rationalities and to show that the data fit constructs other than only the short term/long term distinction. Interviewees’ perceptions about financial market listing are also presented and it is shown that the general negative attitude towards and lack of interest in financial markets may be partial sources for the observed variety in time constructs. Performance measurement in the company is then further analysed and tied to the time constructs. Appendix D contains a time map (Zerubavel, 2003) that ties this episode together with the episode relating to Singlex.
Triplex background

Triplex is a coalition of 38 independent regional savings banks and related central organisations, most prominently Triplex Association. Triplex is committed to an ideology that favours personal saving. Its customers are mostly private individuals, small to medium-sized businesses and farmers. The company is heavily focused on very traditional retail banking business, not on the operations of and manoeuvres on the financial markets as such. 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 1,178 and the operating revenue was over €200 million. The company has also been successful in the longer term after the study: the operating revenue reached almost €300 million in 2015, and the result has amounted to clearly over 20% of the operating revenue every year since the study. The gearing ratio has been about 10% since the study. Triplex banks are mostly not owned by any actor, and the company has often been referred to as an “ownerless” company. This is possible because the assets of the banks have been accumulated mostly from proceeds and donations over centuries of operation; they are not financed by investors of any kind.

The Association does not serve as a headquarters and is not entitled to issue orders binding on the banks. The boards of directors of the independent banks consist of local decision-makers elected by a group of 30-50 trustees (representatives of customers) in each bank. New trustees are elected by old trustees and by other customer representatives. The supervisory board of the Association consists of individual banks’ board members or trustees, and the board of the Association is composed of individual banks’ managing directors.

Until the 1990s, the company grew aggressively, being one of the dominant financial institutions in the Finnish financial services industry. However, in the 1990s the financial services industry was plunged into a deep crisis as a result of which Triplex, at the time one of the most troubled institutions in the field, was dissolved. Its business was absorbed by its major competitors by the order of the government. Before these events, about 40 Triplex banks had opted to remain outside the official coalition. After the abolition of the
original Triplex, these remaining banks then formed a new Triplex and therefore survived to form the present company structure.

The history of Triplex was a powerful survival story for many of those involved: both a source of resentment and pride. Company managers perceived the entire treatment of Triplex in the crisis as unfair and representing a kind of a moralistic and accusing “crime and retribution” mentality, in which anybody connected with the savings banks during and after the crisis, particularly the management and board members of the banks as well as those who were heavily indebted due to business difficulties at the time, were considered guilty of horrific crimes and punishable without any doubt (Turunen & Kangas, 2011, p. 29). It was also felt that the crisis could have been resolved in another way, for example, by the government assuming control of listed banks (Documentary, 2008). This perceived unfairness caused considerable resentment, particularly in Triplex Association and among the representatives of the banks which were sold, and to a considerable extent these feelings persist to this day, as referred to below.

In certain issues we come up against the fact that [some people in the company] do not wish to allow [the company] to make enough reforms because they are afraid of [what happened in history], the burden of history is so powerful in some banks. It is often an issue experienced at a very personal level: naturally a person who has not passed through that turmoil cannot truly understand what kind of a turmoil it was. (CEO of a subsidiary, Triplex.)

Pride, on the other hand, originated from the lengthy history of Triplex and the survival of its employees in the face of hard times. The bank representatives felt pride because they had achieved the most effective performance of the whole of Triplex even during the banking crisis and, as a result of the demise of the company, had been able to attract customers and employees from the dissolved banks, thereby gaining both influence and volume by also founding a sizeable number of new bank branches in the process. Finally, bank independence was a distinct source of pride; the banks that had remained independent
of the rest of the old Triplex had been saved during the turmoil and had thus been able to sustain their operations. The following quote illustrates the attitude towards independence.

The “ghost” of [the official coalition of Triplex] exists, that history… [The representatives of those] independent banks [that stayed out of the coalition and] that succeeded in salvaging the entire savings bank and the savings bank movement in Finland, perceived that they succeeded precisely because they were independent and stubborn and did not believe the “big shots” from the capital and the large banks. The smaller the bank, the more powerful [this feeling] is: the genes and roots and hearts of the people [contain the knowledge] that by being independent and headstrong, they were saved. (Board member, Triplex.)

The founding of a bank

This section illustrates first how a founding of a new bank within Triplex took many turns, during which respondents felt that they had been acting in the present in order to achieve a successful outcome in the future; the present-based rationality can thus be observed in many ways. Later on, the future-based and the past-based rationalities are shown.

At the beginning of 2002, Triplex initiated discussions with the purpose of forming an alliance with a sizeable Finnish insurance company. Triplex aspired to widen its product offering to include insurance, especially life insurance, because that product line provided tax benefits that were highly valued by customers and was perceived to offer potential for long-term growth. At the time of opening the discussions, Triplex had consisted of a sizeable bank in the metropolitan area of Finland, along with just under 40 notably more compact banks in other localities in Finland. The metropolitan area bank focused on the Swedish-speaking Finnish minority in the area, whereas the insurance company represented an alternative, purely Finnish political culture and values.\(^7\) In March 2002,

\(^7\) Approximately 5% of Finland’s population is Swedish-speaking and forms what is known as the Finland-Swedish minority.
mainly as a result of such ideological differences, the supervisory board of the metropolitan bank overruled the discussions already undertaken by management and the board of the bank. The insurance company representatives, for their part, only desired to participate in an alliance in which they would have a bank partner in the vital metropolitan area. Triplex representatives themselves also wanted a representative in the area; however, the metropolitan Triplex bank did not intend to remain with Triplex after these developments. Therefore Triplex initiated preparations for the founding of a new bank.

When the alliance [with the insurance company] was born, and simultaneously [the existing metropolitan bank] opted out of the alliance, it formed a concrete impulse [for the founding of the bank]. (Board member, Triplex.)

Thus, present decisions and actions, as a result of this “concrete impulse”, were seen to be important and to constitute potential for future success for the entire Triplex in the form of the creation of a new, important entity within the existing Triplex. The present-based rationality is thus clearly seen here.

However, certain problems emerged. The existing metropolitan bank continued to function as the central bank of Triplex even following its withdrawal from the alliance. Moreover, the IT (information technology) facilities of Triplex were jointly owned by the company and the existing metropolitan bank. A new Triplex member would require a contract allowing it to receive central banking services and access to IT facilities. Because relations between the existing metropolitan bank and the remaining Triplex were strained at this point, certain Triplex executives feared that it would be demanding for a new bank to obtain access to such services without opposition from the existing metropolitan bank that was now close to receiving a direct competitor. The answer, it was thought, might lie in locating an existing Triplex bank willing to discontinue its operations in order for its operating licence to serve as a licence embryo for a new metropolitan bank. The contracts would thus exist by universal succession, tied to the existing licence. However, initial enquiries into the subject revealed difficulties in locating such a bank.
The solution was unexpected. Unrelated to the developments described above, three small Triplex banks in Southwest Finland had planned a merger in 2002. Suddenly, in September 2002, one of the banks withdrew from the merger, wanting to retain its independence. However, without the third bank, the two other banks lacked the necessary initial capital to implement the merger. When a Triplex executive was told about this, he promised the two banks the required capital on the condition that Triplex would receive the operating licence from one of them. He made this promise on the spot, without authority from the Association board, due to the need to secure the co-operation of the banks expeditiously for the long-term benefit of Triplex. Again, the present-based rationality was seen as important: acting quickly in the present would ensure potential for the future bank to be established.

Behind the speed of the founding of the bank was a sudden insight from me … I had talked to [the representatives of] over ten banks, if they would agree to participate, but I had not found one [that would agree]. But in the [Helsinki] Exhibition Centre, when the guys told me that the third bank had withdrawn, I said to them immediately, that you shall have that million. So that we can make it all happen. (Executive, Triplex.)

The existing metropolitan bank separated from Triplex at the end of 2002, and the new bank was founded on the basis of the existing licence, with existing contracts, in May 2003. A respondent underlined, following present-based rationality, how vital it was for the founding to occur expeditiously, in order to prevent the existing bank from discovering the existence of the contracts prematurely, thereby jeopardising the future success of the project by perhaps influencing the processes at the Southwest banks. The existing bank was thus faced with two options: either (1) to withdraw from functioning as the central bank for the entire Triplex, a decision that would have had dire financial consequences for the existing bank, or (2) to recognise the existing contracts of the new bank, its new direct competitor. It opted, reluctantly, to recognise the contracts.
The leading project manager evaluated the atmosphere in the founding project as “achievement-oriented” and “excited”. Respondents also underlined how it had been vital to maintain the momentum of the process, in order for those bank managing directors who might doubt the process to be silenced by constant successes and new developments. Thus, in order to secure the long-term success of the process of the founding of the bank, this process had to be kept continuously in motion in the present, following the present-based rationality. A biological metaphor was employed to expedite the process:

We set an ambitious goal… We even used a metaphor that a normal pregnancy is nine months, and in that time, since the making of the decision, “the child” should be born, and that is what happened. The bank then opened for business… eight months and two weeks [after the decision], in any case before the end of the nine-month period. (Executive, Triplex.)

The respondents also underlined that during the project the business plans relating to the operations of the new bank had been compiled in considerable detail, because the managing directors of the other Triplex banks had to be convinced that the new bank would be a profitable investment for Triplex. The Association board created long-term scenarios that were meant to direct the more detailed plans that the Association executives and the leading project manager thus prepared. The respondents explained that the detailed plans included forecasts on customer-related trends in the metropolitan area, analysis of competitors, budgets and the logistics of the area. These plans were always prepared on the underlying assumption that they would eventually form the basis of present decisions and actions. For example, profitability and volume growth were followed according to the targets set in the scenarios planned. The respondents indicated that the plans had been transformed into present operations at the bank level very much as envisaged. A respondent explained how plans formed the basis of present actions, according to the future-based rationality.

If the vision is painted clearly, that is what we are going to do, then it becomes understood and then, as in the case [of the founding of the bank],
it turns into practical deeds and actions. That is when the strategy really functions. (Executive, Triplex.)

However, the present and the future were not the only relevant time constructs for respondents. In their narratives, the respondents typically underlined that the founding of the bank in the present, and its subsequent success in the future, were based on multiple historical strengths. This “base” on the past was thus important for present and future success, resulting in an additional type of rationality in the coalition; the past-based rationality according to which the past forms the basis for present and future. The respondents explained that the ownership of the new bank was divided as shares among the other Triplex banks. One of the reasons for this arrangement was that Triplex already had (past) experience of common ownership of its IT facility and of its previous central bank. The ownership model was built in the present, relying on prior experience. A board member elaborated on the role of experience and culture:

The IT facility ownership has been in the common hands of [Triplex], and it has produced a certain common ownership culture in this company, and when at the beginning of the 1990s… when [Triplex] went together to capitalise… the central bank, and we had ownership there… these were operational models for the founding of the new metropolitan bank. We did not have to start from scratch. (Board member, Triplex.)

Respondents typically also felt that the experience of the employees who realised the project formed a strength that had originated in the past, but assisted in the implementation of the project in the present and towards future success, according to the past-based rationality. Moreover, respondents underlined that historically Triplex itself had a considerable amount of experience related to the founding of banks. The respondents also felt that the lengthy, centuries-old history underlined attributes such as trustworthiness and responsibility in a more meaningful way than in companies without such a history. Furthermore, the company brand and customer loyalty in specific localities, built during an extensive history, were generally considered strong. The preferences for independence
and risk avoidance were also valued historical strengths based on the earlier bitter sufferings of Triplex representatives.

Figure 3 demonstrates the past-based rationality, whereby the past (for example, in the form of history or experience) is acknowledged to exist as the basis of optimal actions now, or in the future. Again, the order of time constructs (past, present and future as listed from left to right) need not necessarily be that presented in Figure 3, and similarly to Figure 2 above, the time line is not necessary in order to interpret this figure on the basis of the data. This is again a relatively simple figure.

![Figure 3](image-url)  

**Figure 3.** Past-based rationality, according to which it is rationalised that the past is the basis of success now, or in the future.

This past-based rationality refers to a form of reasoning whereby the past is initially prioritised and the present and the future are perceived as its extensions. This rationality is enabled if there is a distinguished history, valued experience, or appreciated rules or routines on which to build the present and/or the future. In the past-based time rationality, the base is the past, and the time target is either the present or the future.

The present-based rationality is typically powerfully represented in any narrative form, because the narrative takes place in a present experienced by the narrators. The past and the future are located in the background whenever events take place in the present. However, past-based and future-based rationalities may influentially underlie any narrative although they may be more difficult to detect. It is worth noting that in the narrative, rationality use shifted flexibly with management emphasis: Past-based rationality
accounted for events in relation to historical strengths, present-based rationality in relation to present concerns, and future-based rationality in relation to plans.

All rationalities were related to each other in highly complex ways, as the following analysis indicates. Despite the merger between the three Southwest banks having already been planned, one of the banks was still able to withdraw from these plans. The three banks had intended the merger to take place in the present as planned, but a surprising opportunity was reserved for the third bank to drop out when its managing director deemed this change of direction necessary for the future benefit of his bank. The respondents also emphasised that it had been the focus on independence with its historical connotations that had encouraged this bank to abandon the negotiations. The decision of the independent bank had, for its part, caused a shortfall in the capital required by the other two Southwest banks, and provided an opportunity for Triplex management to seize the necessary contracts for the benefit of the new bank at that very moment. For Triplex management, the intention of the Southwest bank presented an opportunity for a quick reaction that was meant to lead towards the ultimate potential for the future success of Triplex. In summary, the general future-based rationality of the three Southwest bank managing directors was contradicted by the present-based rationality, and its underlying past-based currents, of one of the directors. The past-based and present-based rationalities of this Southwest bank managing director provided the Triplex executive with an opportunity, and he invoked a present-based rationality in seizing it.

The existence of multiple time constructs entailed contradictions between these constructs, such as those between the rationalities of one of the Southwest bank managing directors and the other two. These contradictions were typically considered acceptable within Triplex, despite their admitted potential to produce considerable turmoil. Figure 4 presents the time rationalities referred to earlier all in one figure, which thus becomes more complex than those on individual rationalities. This figure shows that there are elements of cyclicity implied in the parallel application of these constructs, following the cyclic-qualitative view on time; time can also be experienced to flow “backwards”.

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Figure 4. Present-based, future-based and past-based rationalities represented in the order (from top to bottom) in which they have been presented in this paper.

Public listing related perceptions at Triplex

Interviewees were asked about their perceptions concerning public listing. The majority were negatively disposed to listing on the exchange and claimed to appreciate the fact that neither the coalition nor any parts of it were listed. A respondent termed the financial markets “betting markets”, implying that the returns earned in those markets were not necessarily well deserved but were based on issues such as the general development of asset prices and the general feel in the market. An executive explained his doubts concerning the relation between company business and its share price as a performance measure:

For example, when options or share prices are used as performance measures, it may lead to such wrong tracks, like when often the issue is formulated so that the task of executives is to increase the value of the company and the value is measured by the share price, then [the executives] little by little drift onto a path where they begin a kind of manipulation of the share price, and the share price development may become separated from the true situation of the company. Then, at some point, [the executives] unavoidably reach the [share price] spike when, a kind of, the extra bubble disappears from the share price and it returns to a more realistic level. For that reason I am skeptical that with share price we could, in reality, measure the long-term success of a company; rather, the measures should be based
on the real world business of the company, what is really being done in the company. I would even dare to claim, that [financial] markets are not always right. (Executive, Triplex.)

In the interviews, the respondents were also asked how they would react to a public listing of Triplex. The consensus seemed to be that this was a purely hypothetical situation and that the strengths and defining characteristics of Triplex were heavily dependent on it not being listed. For example, a respondent noted that the central bank of Triplex at the time of the banking crisis of the early 1990s had been listed and this had negative connotations, the central bank having been perceived as having acted in a short-term oriented way at the time.

A minority of Triplex respondents reacted more positively to the idea of listing, particularly those who were responsible for investing or otherwise more connected with the financial markets due to their own work. Even they, however, tended to admit that following share prices every day can lead to short-termism and that they preferred to follow the average long-term trends of such prices. A few of the interviewees with more positive attitudes admitted they were not really aware of the exact benefits and costs of listing, possessing no prior experience of it.

Mostly the interviewees had no experience of how listing could, hypothetically, influence them, compared to a situation of not being listed; thus, they did not connect the lack of listing directly to their own time rationalities or performance measures. However, commenting on listed companies, a Triplex interviewee did claim that those companies had a tendency to focus on one single idea at any given time, in that they, for example, mounted single-faceted campaigns in their marketing efforts, relying solely on a price offering or a selected technical product feature; after the campaign ended, they would invent another focus in a stop-go process. In contrast, the interviewee felt that Triplex representatives considered customer relations to be based on the overall ideas of trust and long-term relationships, representing more multifaceted issues in his view. Moreover, interviewees at Triplex did acknowledge that having a listed status implied ambitions towards efficiency.
that foreclosed many opinions and channelled listed company efforts towards singular focuses. These perspectives hint at the conclusion that the variability of the time rationalities in Triplex resulted partly from not being listed.

**Performance measurement at Triplex**

The performance measurement data emerged mostly in the interviews with bank managing directors, Association executives and bank board members, who held fairly similar views on such issues; the Association supervisory board members were so detached from the operations that they were sometimes unable to express very specific views on this.

In Triplex’ formal performance measurement and compensation systems roughly similar measures and compensation components were used throughout the company. Measures generally included a given bank’s (annual) financial result (in relation to certain customers, products or services), market share, growth in the number of customers, as well as capital within funds and fund performance (the two last in the investment unit). A few executives in the Association and all bank managing directors were paid an annual bonus that generally ranged from zero to four months’ salary (from half a month to three months for bank managing directors, one month for Association executives, four for the investment executive), often determined as “drawn from the hat” (in the words of a member of the Association supervisory board and a member of one bank board), perhaps partly, but never entirely, based on certain measures. As an illustrative example, one Association executive said that his bonuses were not agreed on in any formal way but that the “[Association] board has just [each year] decided to evaluate [me]”. It was said that often the targets were so demanding that the bonus granted based on any formal reaching of targets was rather small.

Respondents often noted that it was the time horizon of business that mattered to them, not that of their formal performance measurement and compensation systems. The bonus compensation was only “an *ex post facto* thank you” and “a nice gesture”, a kind of feedback. For bank managing directors, their work was described as “a way of life”, thus
not determined by the evaluation period in performance measures. It was generally thought that one should not try to strive for certain compensation, but rather do important work that contributed to the long-term success of the company – compensation would then be something that may or may not be forthcoming as a consequence. A few executives cited examples of how they had ignored their formal measures, associated targets and evaluation periods when situations changed. For example, an Association executive explained how he had been given a measure and a target to set up four funds in a year, but he did not do this as the situation on the financial markets changed so that it was obvious that those funds would flop. Another executive termed measures in general “wretched” and said that he could not imagine what kinds of measures he should have been given so as to have accomplished optimal work in the past; when working, he claimed that he took into account the entire picture of his work and did not follow only certain measures. Executives sometimes said that they thought that performance measurement related compensation motivates others, like their subordinates, but they themselves consistently denied being motivated by such compensation. Thus, for example during the episode on the founding of the bank, the executives claimed that they were not really following their performance measures but rather acted according to what they deemed best for the company. For this reason, the performance measurement systems are presented here only after the episode.

The time rationalities were integrally tied to performance measurement; the connection that most often came up in interviews was that between performance measures and future-based rationality. Executives would talk about deciding first on a vision or a strategy, then long-term targets, and then on the more specific shorter term performance measures that were assumed to form “a path” towards the long-term success and that were supposed to be formulated based on the long-term goals. Interviewees sometimes preferred to talk about the targets of measures, not directly about measures, as the targets of the measures were more related to time. Measures in themselves were described more in spatial terms.

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8 Interviewees sometimes preferred to talk about the targets of measures, not directly about measures, as the targets of the measures were more related to time. Measures in themselves were described more in spatial terms.
been given to the personnel; such initially planned actions were then supposed to lead to short term as well as long term results. Another bank managing director said that in his bank the strategy was always formulated five years in advance and based on this strategy, measures and targets were then decided on for the following year. The performance of the new bank that was founded was also being evaluated based on the measures that had been derived from the vision, strategy, and plans of this new bank. The following quote shows how performance measures and targets were in line with the future-based time rationality.

I think that one cannot treat [the short and the long term targets as conflicting] each other because a given long term target… at some point always becomes concrete short term actions… it is this implementation and…. if one cannot do that, then planning is futile as well in the first place.

(Bank managing director, Triplex.)

As in this quote, it was many times said that the long term / short term distinction was not very important when considering performance measures; conversely, performance measurement was more tied to time rationalities. Executives and board members would say that they did not see a remarkable difference between short-term and long-term targets for performance measures; the short-term targets were derived from the long-term targets and thus these effectively represented the same thing. Below an executive describes how the linear-quantitative view on time and its associated focus on the long and short terms was not relevant for executive work; rather, he reflects on targets and associated measures based on the future-based time rationality.

Incentives have a significance but anyway I am really more directed by a [long-term] clear target which by itself guides actions. The incentive system [with its measures] of course supports this [guidance] but that it would direct actions in the short and long term so that I would a kind of optimise on which [short or long term] to use time and [other] inputs, I really cannot distinguish it in that way… At least in my work… the shorter term targets are sub-targets in reaching the long term targets… My success in the end
always means whether that [final] major target is getting fulfilled or not.

(Association executive, Triplex.)

There was also a connection between the present-based rationality and performance measures. Thinking every day about issues that will or may become relevant in the future only, thus not being surprised by developments in the field, and acting fast, partly guided by relevant performance measures, were seen as important. This could be observed in the episode on the founding of the new bank; fast and efficient actions had been perceived as vital in the process. Performance measures could form a kind of a checklist to achieve this efficiency, but they would not function as central motivation behind the actions. The present-based rationality could be perceived as functioning within the future-based rationality; as the short-term measures and associated targets – that were supposed to lead to long-term success and that had been formulated based on plans – were acted on in the immediate present in a fast and efficient way.

The past-based rationality was connected to performance measures rather generally when implying that experience accumulated in the past would be a way to reach a required level of performance. However, this rationality was also tied to performance measures more specifically when interviewees talked about performance measure values being determined based on past two to three years’ performance; this was seen as wise as then the measured individual could not artificially produce a very good result during one year without being able to maintain consistent performance; the “real” performance would thus be seen. The performance measure base, the evaluation period, for e.g. three years was thus a base on which to build success in the present and the future. This could be seen in the forming of the bank, as consistently good performance in this project and similar others were seen as a favorable basis for present and future success. The quote below shows such ideas more generally; it is also interesting how the interviewee moves the performance measurement outside himself by talking about himself with his last name (here Mr. X) and in the third person.
[Long term orientation would mean that] your performance is evaluated for example with a three-year-range backwards, looked at how you have performed over three years. I also believe in this [performance measurement] procedure that [the board] follows for my part although no [specific] time periods have been set, the basic question is whether Mr. X has done his work well overall… I believe that the evaluation period basis is longer [than one year]…. like how the [company] has developed over three years. Not how it swings in one year in one direction or another, but three years,… that is not quarterly economy. (Association executive, Triplex.)

Sometimes it was acknowledged that there were certain risks of short-termism at the expense of long term; seen for example in a short-termist quarreling between banks or aggressive selling of certain financial instruments at the expense of the long-term trust of customers. Actions performed by listed companies were also seen as potentially short-term oriented as such companies could be under excessive performance measurement pressures from financial market participants. However, it was noteworthy that such talk on short-termism was usually hypothetical, or about “someone else”; others in the organisation, other people working in a listed company – it was never about the interviewees themselves or about their immediate colleagues. As explained, when interviewees talked about their own performance measures, they would more often see such measures as positioned within the framework of time rationalities, sometimes explicitly denying the connection of such measures to short and long term altogether. However, the short and long terms and time rationalities were sometimes tied together; as time rationalities refer to the present (short term) and the future (long term), such tying together was rather natural. For example, an Association executive described how the long term and future-based rationality were tied together in relation to bank size: “The larger the bank, the more longer term targets it has… and it systematically implements actions that lead towards those targets.”
4.2 Time rationality in Singlex

As in the case of Triplex, background information on Singlex is presented below. After the background data, an episode regarding the company is presented in order to illustrate the time rationalities that are shown as alternatives to the short term/long term- and “the orientation from the present”-related paradigm. Discussion on the financial markets being the source of the time rationality and on company performance measurement and its relation to the time constructs are placed after the time rationalities. Appendix D contains a time map on the episodes.

Singlex background

Singlex operates in the financial services industry, consisting of a holding company and two subsidiaries, a property and casualty insurance subsidiary that accounts for about 61% of Singlex revenue and a life insurance subsidiary. The Singlex customer base ranges from sizeable corporations to private individuals. The company has exhibited stable performance in recent years; return on equity was above 20% during the two years prior to this study. The operating revenue of the company at the time of the study was over €2.2 billion and its employees numbered over 6,800. The financial success of the company has also continued in the longer term after the study; the financial result has been substantially positive and return on equity between 7.7% and 55.7% during the years after the study, excluding 2008, when it was negative following the trend of financial institutions in general. 2015 was the seventh successive year when the company raised its dividend, and the company gearing ratio was about 30% in the period 2009-2015. Table 1 presents the ownership structure of Singlex, reflecting an institutional dominance.
Table 1. Ownership structure of Singlex (as of 31 December, 2008).

<table>
<thead>
<tr>
<th>Owner group</th>
<th>Ownership (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign owners (mostly institutions)</td>
<td>53.3</td>
</tr>
<tr>
<td>Domestic owners (mostly institutions)</td>
<td>30.5</td>
</tr>
<tr>
<td>Finnish state</td>
<td>14.1</td>
</tr>
<tr>
<td>CEO (Chief Executive Officer) of Singlex</td>
<td>2.1</td>
</tr>
</tbody>
</table>

The Singlex website presents extensive information for investors, potential and current. However, the historical record of company events presented there only covers the 2000s. The company’s roots extend further than that: Its longest-standing parts date from Norway in the 1700s, and it was originally established in Finland in the beginning of the 20th century as a mutual insurance company. In 2001, its general form was recreated in a merger between an investment bank and a group including an insurance company and a bank. After this merger, the head of the investment bank became the CEO of the entire Singlex.

The holding company executives openly advertise their focus on shareholder value. In the media, the holding company has been outspokenly characterised as “a heat-seeking missile that has been programmed to constantly gravitate towards the direction where shareholder value can be increased” (Magazine Talouselämä, 2010, p. 37). An interviewee commented:

[The share ownership] gives the fantastically nice structure that you very concretely benefit yourself from what your shareholders wish you to do. When there has been public discussion around these options and share-based compensation systems, everybody usually agrees that it would be terribly nice if the executives truly felt that they should be doing this… I can promise that I do sincerely feel. Not only financially, which is self-evident, but it has become for me a very powerful moral imperative. Which I believe everybody should have. Companies exist for one purpose and one
purpose only, which is the maximisation of shareholder value. (Executive, Singlex.)

The analysts also shared this view on Singlex. They felt that the company executives were, in practice, very eager and aggressive in their efforts to increase shareholder value. The following quote illustrates this.

In Singlex, through the executives, this shareholder value increase and that kind of thinking is emphasised. It is like that in most listed companies, of course, but it is brought to the fore in Singlex especially much. (Analyst, Investment bank B.)

**Sale and repurchase of the property and casualty insurance business**

The narrative below recounts an episode that demonstrates the focus of Singlex executives on the present-based rationality. The episode commences outside of Singlex. In 1999, a merger between the insurance divisions of two sizeable Nordic financial services companies, one Swedish and one Norwegian, had created a separate Nordic property and casualty insurance company. The original intention had been to make this company a leading Nordic insurance company. At the beginning of 2002, this target appeared to materialise: Singlex divested itself of a substantial part of its ownership of one of its main businesses, a property and casualty insurance business, and this business was merged to form a part of the separate Nordic insurance company, constituted as a Swedish-Norwegian-Finnish ownership alliance. After the divestment, the ownership share of Singlex in the separate insurance company remained at 38%.

The aim of this divestment had been for Singlex to divest itself entirely of the property and casualty insurance business by eventually listing the separate insurance company on the exchange. This intention was also included in the contract between the owners. Executives at Singlex experienced the property and casualty insurance business at the time as cyclical and highly unprofitable, and their intention was to engage in retail banking and pension
insurance, which was perceived as particularly lucrative. According to the present-based rationality, the present decision was to lead to future success.

Before the divestment, the executives had considered at least three options. First, they had considered accepting an offer from an extraneous internationally dispersed insurance company to purchase the property and casualty insurance business. Second, they had contemplated the purchase of the Norwegian financial service company referred to earlier. Third, they momentarily considered the purchase of the Swedish insurance company referred to earlier. Finally, they concluded that the prime potential for shareholder value creation would be materialised by partly divesting themselves of ownership and subsequently seizing a sizeable share of the separate insurance company. The existence of multiple options was typical of decision-making at the Singlex executive level. Executives vacillated between options, bringing novel ones to the fore and discarding obsolete ones with a lightweight touch. They were continuously assembling a puzzle whose pieces were in perpetual motion, in line with the present-based rationality where present decisions are vital and future plans, in the extreme case, may not even exist.

The interviewees explained how the separate insurance company underwent an extensive restructuring in 2002-2003. Radical personnel-related changes were perceived to form the first aspect of this restructuring. The chair of the board and a considerable number of company management were replaced. The holding company executives complained that, prior to their involvement, a multitude of company executives had lacked the required expertise; the company was thereby professionalised by putting on the executive board personnel with expertise in property and casualty insurance practice. Another aspect of the restructuring concerned abandoning unwanted company businesses, and confining operations to what was judged to be the core of the company: businesses perceived as cyclical, such as worldwide energy and marine insurance, were abandoned and the focus was placed on Nordic property and casualty insurance. These actions were meant to lead towards future success, according to the present-based rationality.
The contract between the owners of the separate insurance company stipulated that when the performance of the company had improved sufficiently compared to a given threshold (i.e. whenever the Combined Ratio$^9$ of the company fell below 103) any of the owners was entitled to demand the listing of the company on the exchange. In this event, the other owners would either be obliged to agree to the listing or, alternatively, initiate a purchase offer to the remaining owners regarding the entire company. In the second quarter of 2003, the ratio fell under the threshold stipulated, and subsequently the Swedish company demanded listing according to the contract clause. In response to this, despite the fact that the plans for listing were already advanced, Singlex executives initiated the purchase from the other owners in February 2004. Thus the insurance company was reborn as a subsidiary within Singlex.

In retrospect the combined actions of the sale and subsequent repurchase appeared contradictory to outsiders. The comments in the press in February 2004 could be characterised as confused: What could the mysterious motive be behind first selling and then repurchasing practically the same asset? The general expectation in the financial markets and the press had been related to listing. However, according to present-based rationality, the executives had been willing and eager to change their minds whenever they perceived that the prevailing situation had altered. An executive explained the completeness of the reversal as follows.

The idea was that we turn [the separate insurance company] into profit and then we list it, and that is how we withdraw from the whole property and casualty insurance business. But then the idea, in effect, was turned upside down, when we bought the other owners out of it. (Executive, Singlex.)

Executives felt that after the company had been turned around, its business was becoming extremely profitable. They were reluctant to list the company prematurely, fearing the risk that existing shareholders would forfeit opportunities. They felt that the entire industry had changed: since the 1980s, continuously appreciating share prices had automatically

$^9$ Combined Ratio = \[\frac{\text{Claims incurred} + \text{Operating expenses}}{\text{Insurance premiums earned}}\] * 100
covered any losses of the underlying insurance business. After the stock market crash in 2000, a new need and basis for the development of the insurance business itself gradually emerged. Following the present-based rationality, the executives adjusted to the new situation.

After the acquisition of the unit in 2004, the respondents also felt that Singlex had achieved undoubted success within the unit, a considerable part of which resulted from the turnaround. An executive had calculated that the purchase of the company would have been very profitable to Singlex shareholders if the Combined Ratio of the company had fallen to the 97-99 level. In effect, it declined to 90, resulting in enormous profitability. The executives were thrilled, and claimed that financial market actors and the press had thereby been compelled to acknowledge that fast and surprising moves, based on present situations and the present-based rationality, can prove advantageous. The following quote describes this.

Earlier, there was talk regarding the acquisition, that [our CEO] 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, Singlex.)

Despite their early surprise, the press soon began to report that the decisions demonstrated the “genius” of the executives, and especially the CEO, in increasing shareholder value. The executives were typically referred to as “gamblers” in the press: Their comments and actions were perceived in the framework of a successful ongoing game.

When discussing this episode, the executives generally reasoned as follows. They had analysed each decision in its own context. As a result of this analysis, they had perceived each path of action, at the time of its execution, as rational in the long term. A board member also argued for the surprising and contradictory actions by claiming that each action had allowed Singlex to capitalise on each situation at the time and improve its
profitability. This present-based rationality appeared to be a manner by which respondents rationalised themselves as long-term oriented.

The focus on the present-based rationality was almost exclusive. The executives claimed that they did not prepare traditional strategic plans extending into the future. “Strategic analysis” was not in their vocabulary. Thus, future-based rationality was not favoured by the executive board. Instead, the executives reacted to the financial markets. This reaction was claimed to take the form of moving upstream: purchasing undervalued companies at a time when others were selling, and selling overvalued companies at a time when the market was (still) buying. One executive explicitly articulated that “plans” existed predominantly in the form of “reactions” (the sentence where this is stated is underlined for clarity).

"We are not that kind of traditional strategic planners that we would have prepared a five-year plan explaining that this is how it will go. We are more like, and wish to be more like, that those businesses that we hold we, naturally, develop persistently, especially when it is now the insurance business, which consists of really long-term issues. But we can, at Singlex holding company level, move very fast if situations develop… None of [our] plans are like five-year-plans, but more like reactions to different issues. And those are something that is, of course, considered daily. We follow on what the [financial] market brings along. (Executive, Singlex.)"

When specifically probed about the historical strengths based on which the company had achieved success, the executives typically initially experienced difficulties in pinpointing any strengths related to history. In this connection, in an interview with two executives, the researcher asked them whether they felt that there were any historical or past strengths on which the success regarding the sale and the subsequent repurchase was built. Here the very mention of “history”, and the entire question, induced, first, a complete and confused silence on the part of both executives, and, subsequently, wholehearted laughter from one of the executives. Further elicitation on this reaction in the interview showed that “history” and “past” were not terms that the executives were used to hearing and thinking about.
When analysing this, they commented that the appointment of the new CEO in connection with the merger in 2001 had constituted a major watershed and the time before that had lost a lot of its significance. The CEO and other executives with investment banking experience and shareholder value-related mindsets were perceived to be the most material historical advantage of Singlex. Contrary to the new “buy at a low price, sell high” financial market culture, the culture prior to 2001 would not have condoned the sacrifice of any parts of the company. One of the respondents stated explicitly that it was pointless to discuss the more distant past of Singlex:

I think that the situation is such that along with the arrival of [the new CEO in 2001]… you can say that quite a large part of that earlier Singlex history at the same time, if it did not exactly get annulled, then at least it lost its [previous] meaning… It was a sort of point of discontinuity, in which ways of thinking and acting changed quite radically. (Executive, Singlex.)

Thus, although the executives were, on being questioned, able to identify a past-based strength on which they were building their present and future, even that strength, in effect, incorporated the birth of the present-based rationality that aggressively guided them.

Interrelations and contradictions between rationalities similar to those in Triplex were rare, because one form of rationality emerged as dominant. Plans to list the property and casualty insurance company had existed; plans that were contradicted by the sudden insight of Singlex executives in purchasing the unit. However, these plans had been prepared not by Singlex, but by the entire ownership consortium that also included the Swedish and Norwegian companies. Moreover, plans were prepared in the separate property and casualty insurance company that later formed a subsidiary within Singlex, but less at Singlex executive level. Nor were the Combined Ratio calculations referred to earlier based on extensive plans.
Public listing at Singlex

It appeared that because their environment consisted of financial markets and the associated rapid upturns and downturns, the executives rationalised that it was perhaps pointless to plan and then try to fit any present actions to these plans. The present-based rationality, not the future-based one, was thus encouraged by the financial markets. Board members also shared the view that the requirements of financial markets are conducive to speed and efficiency, which they assumed to lead to success in the long term. For example, a board member emphasised the vitality of basing long-term success predominantly on present actions and developments. Analysts also acknowledged the present-based reaction mentality of the executives; one of them underlined how the executives perceived the necessity to adjust to each situation:

In [Singlex], the emphasis is on raising the value of the stock and there is not necessarily a very clear strategy related to it… The strategies reside in the separate subsidiaries that [Singlex] is composed of. The executives [at the holding company level], which manages these subsidiaries, function more opportunistically [than the separate subsidiaries], more related to the [financial] market situation. (Analyst, Investment bank B.)

The major contribution of the actions related to the insurance company was to enhance the share price and obtain monetary rewards for the shareholders “here and now” in the form of raised share price. An executive described how prices and values as relevant performance measures strongly affected executive actions.

The values of these pieces of property are determined on the [financial] markets. If we buy or sell something, the price is typically heavily dependent on the [financial] markets. Of course we think about everything that we do along the lines of how it affects share price, that is obvious, because through it the shareholders naturally receive their own returns. (Executive, Singlex.)
The ideology of shareholder value was integrally tied to the present-based rationality, particularly for the executives in the holding company. Their extraneous stakeholders consisted almost entirely of financial market participants, and the listing decisively pervaded almost all of the executives’ decisions and actions. Any strategy-related development and planning tasks were implemented by management within individual subsidiaries, management that was insulated from the financial markets by the executive layer.

In general, the present-based rationality functions most effectively in unpredictable and volatile environments, where prompt actions rather than elaborate plans or past lessons learned are termed the key to long-term success. On the other hand, a certain unpredictability of asset prices is a fundamental characteristic of an even weakly efficient stock market. In Singlex, due to it being listed, the ties of present actions with both the company history and with any future plans were much weaker than in Triplex, whose history and future plans impacted the current actions of the company.

**Performance measurement at Singlex**

At the time of the study, there were two kinds of share-based systems at Singlex: “long-term incentive systems” and a “share-based incentive system”. In the former, the size of the bonus paid depended on “calculated bonus units” exemplified in 2008 by the average share price for ten consecutive trading days beginning on the day of earnings announcement of 2008 third quarter earnings, with a predetermined price in the beginning of 2007 subtracted. The actual payment then depended on the margin of the dominant division of the company; if the margin reached certain thresholds, the payment would be made either in full, partly, or not at all. Out of the bonus received, 20% was required to be used to buy Singlex shares, and executives were required to hold those shares for two years. In the “share-based incentive system”, in 2008-2010, half of the payment was based on the Singlex share price and half on the margin of the dominant division and/or Singlex’ return
on equity. Here payment was made in shares, of which 40% were required to be held at least for two years. The interviewed executives did not distinguish between these two plans; rather, they would generally talk about a “share-based system”, “bonus point system”, or “synthetic options system”. Annual bonuses were predominantly determined by an overall performance evaluation, not based on exact criteria, in the size range of 0-9 months’ salary. However, executives mainly focused on the share-based systems and the share price when talking about their formal performance measurement systems.

As at Triplex, several executives emphasised not exact performance measures but rather general discussions with their superiors in which they could get feedback. Again similarly as at Triplex, executives often felt that they first of all did their work well and then they received some kind of performance measure level and compensation based on that performance measure level. An executive noted that if there was a large change in business, like the sale of a part of the company as in the episode above, one would suddenly have to focus only on that issue, regardless of what the measures and evaluation periods were. Another executive said that his intention to think long-term and thus spread company operations abroad were “supported” by share price based systems; however, this executive was motivated even without those systems to execute such actions. One more executive pointed out that there were biologically short-term and long-term oriented people, and that one could only motivate the short-term oriented to become long-term oriented or vice versa to a limited extent. He also admitted not having read his bonus contract before it expired and felt that exact measures were not very informative of his performance. Overall, it appeared that the executives did not themselves feel that they acted according to the performance measurement systems’ evaluation periods. Thus, similarly to Triplex, it appeared that the episode described above would have unravelling in a very similar way regardless of the formal time horizons in the performance measurement systems of the executives.

10 For executives working fully in the major division, most of this 50% was based on the return of that division; for executives not in the major division, most of this 50% was based on company return on equity.
One executive talked generally about how the time orientations and evaluation periods of systems can direct the time orientations of the people exposed to the systems. However, he said that this did not seem applicable to him personally; at a time when he had been offered only systems with short time orientation, he still had considered the long-term consequences of his business-related actions. Similarly, another executive, while claiming a biological component to long-termism and claiming that he himself was long-term oriented regardless of systems, still said that time horizons of systems motivate generally for the durations of the time horizons that are within those systems. Yet another executive felt that some people in the organisational levels below him tended to follow more the time horizons of incentive systems. However, concerning himself, he had another point of view; when asked whether he counted how much he earned from the systems, he said that he did not but instead “counts how much [the systems] cost the company” and he preferred not to be included in the systems as that gave him a better position to negotiate with his subordinates on the systems. Thus generally executives acknowledged that the systems directed people, mostly “other people” they did not know so well, but their specific examples tended to suggest the opposite. As at Triplex, it was as if the executives had been taught to think in a certain way about the time horizons and evaluation periods of the systems while their practical examples from their own work lives had a different story to tell.

These executives would rather refer to time rationalities when considering their time horizon and their horizon related to performance measures – as at Triplex. An executive gave an example of unneeded long-term orientation which demonstrated itself so that certain executives who had been unsuccessful in their work in other companies (not at Singlex), perhaps making unwise acquisitions or investments, referred to almost a “religious setting in which it is said that doing something stupid today will lead us to heaven sometime in the future”. He thus used an inverted version of the present-based rationality (in which it is assumed that performing wisely and effectively in the present will lead one to future success) in order to show the illogicality of the approach preferred by such “wrongly” self-acclaimed long-term oriented persons. It was noted in another interview that sometimes acting wisely in the short term would not appear to outsiders that wise in
the short term but only in the long term that wisdom would be revealed; for example this took place when Singlex was using money received from selling a part of the company to purchase a bank’s shares during financial crisis in 2008 when people were generally selling bank shares, and thus gained a successful bank’s shares at a huge discount. Similarly, the contradictory actions in the episode described earlier had been initially doubted by the press. The increase in shareholder value was not to be achieved by greedily and continuously watching the performance measure of the share price but rather innovatively trying to find in the financial markets certain trends which others could not (yet) see. The performance measure might be pressing but the executives stated with confidence that they did not care about the pressures; they claimed that they were doing what they considered right regardless of those pressures. It was also said that it was not fruitful to see long term and short term as conflicting in this company: discounting would anyway bring the values achieved in both of these terms to the present in a similar way.

An executive tied the long term, time rationality, and the performance measure of share price together rather nicely as he explicated how present-based rationality assisted in creating shareholder value and how it was not long-term oriented to move slowly and inefficiently:

I do not think that [the long and the short term] are in conflict, I think that speed is [important]… By acting slowly one does not usually make any profits… I think it inconceivable that I would give money to someone who would say that during this quarter I will play with your money the way I want… and will not create any added value for you…. Every quarter you must, every day when you come [to work], you must… create added value better than yesterday. Wanting to do better than yesterday does not mean that you have a short time horizon, of course. If long time horizon means doing things well only after five years, first five years doing things badly, I do not approve of that. (Executive, Singlex.)
Analysts and board members generally referred to the linear-quantitative view on time in performance measurement; if a performance measurement system had a certain in-built time horizon, that horizon would then be assumed to be fairly automatically reflected in the actions of a given executive. Thus this received “wisdom” was repeated parrot fashion. However, interestingly, a board member said that certain non-listed companies had difficulties in acting fast when they did not have strong governance-related pressures from outsiders like the financial markets; in his words, such (in)action may “look like a great [long term] wisdom but actually what is taking place is that [such companies] are unable to… mobilize resources quickly…. resulting in unused potential”. In the episode on the insurance company, Singlex had certainly not been guilty of such slow reactions, using the present-based rationality.

5 Discussion and conclusions

Previous research has perceived a fairly clear correspondence between the technical time orientation of performance measurement systems and the resulting time orientation of executives (Chow et al., 1996; Dechow & Sloan, 1991; Graham et al., 2005; Merchant, 1990; Van der Stede, 2000; van Rinsum & Hartmann, 2007). This paper shows time constructs that at first sight could be seen as unrelated to performance measurement systems and their evaluation periods. However, the analysis indicates that such time constructs can actually be rather more deeply connected to performance measurement than the traditional long term / short term -distinction. It could be said that we should not naïvely believe executives when they say they are not following their performance measures in a short-termist way; however, this is not seen here as an issue of naivety as the point is not that the executives were trying to claim that they were long-term oriented despite the measures, but instead that they were looking at the entire topic of performance measurement through the lens of time rationalities, not predominantly through the short and the long term.

Respondents do construct the long term and the short term as important in performance measurement, but not related to their own or to their colleagues’ situations; rather, this
construction is made as a more general one, as a received “fact” (Latour & Woolgar, 1986). The respondents take the time rationalities as the constructs most tightly tied to the performance measurement directed personally at themselves, although such time rationalities are not taken as “facts” because such constructs have not circulated as heavily for years as have the constructs of the long and the short term in public sphere.

As elaborated in the section on method, the intention in the study was to identify the most distinct differences between the companies. In general, the time constructs in Singlex appeared to be more uniform than in Triplex. Overall, it was observed that respondents claimed to be long-term oriented, but that the justifications for this differed between the companies. In particular, the justifications in Singlex appeared to be more unanimous than in Triplex. The attitudes towards financial markets and listing were very different, almost opposite, in the two companies.

However, surprisingly, the resulting time-related tensions from the differing attitudes towards financial markets and within the associated performance measurement turned out not to be as large as could have been anticipated. The interviewees in both companies recognised certain types of time rationalities, and the tensions between the short term and the long term did not emerge as striking. The most important underlying tension in the study was that between (1) the existing literature based on “the orientation from the present” and the short term and the long term, and (2) the data on time constructs and performance measurement that did not follow these perspectives. This led to the associated theoretically interesting finding that time constructs alternative to “the orientation from the present” and long/short term could be appreciated in the context of performance measurement. The fitting of the empirical data to the performance measurement literature proved demanding and troublesome because the literature imposed the terms “short-term oriented” (from the present) and “long-term oriented” (from the present) on time, whereas these concepts were alien to a large part of the data. In order to let the data speak fully for itself, it proved necessary to rationalise why time rationalities appeared closer to the performance measurement related findings than “time orientation”. The study is the outcome of this rationalisation. The empirical data thus formed a path away from the
paradigm through which the literature was organised. The lack of profound tensions between the “short term” and the “long term” was a finding that supports the theoretically oriented narrative of the paper.

The interest in the literature in the distinction between the short term and the long term emanates partly from the linear-quantitative view on time and its associated “orientation from the present”. However, time constructs may be related to each other in alternative, diverse ways. People can mentally switch between the past, the present and the future (Emirbayer & Mische, 1998; Jaques, 1982), and between many other kinds of time constructs, such as self time, interaction time (Lewis & Weigert, 1981), as well as time urgency and pacing style (Mohammed & Nadkami, 2011). Time can be related to space such as financial reports (McSweeney, 2000), the passing of professional tests for auditors (Anderson-Gough et al., 2001), and management control systems (Quattrone & Hopper, 2005), in complex ways. As time rationalities and other constructs show, it is possible to orient oneself from time constructs other than the present only towards other time constructs than the short term and long term only.

The above-mentioned “orientation from the present” and the associated focus on the “long” and “short terms” within the linear-quantitative view on time have been shown here to underlie the time-related performance measurement literature (Chow et al., 1996; Dechow & Sloan, 1991; Graham et al., 2005; Merchant, 1990; Van der Stede, 2000; van Rinsum & Hartmann, 2007). In addition, short-termist performance measurement and the focus on the financial markets induce short-termism in shareholder value-oriented listed companies (Aglietta & Rebérioux, 2005, p. 256, 260; Bebchuk & Fried 2005, p. 18, 21; Brickley, Bhagat & Lease, 1985; Dikolli & Vaysman, 2006; Lambert, 2001). In this paper, a very shareholder value-oriented company makes decisions based on the performance measure of share price as follows. First of all, it is very serious in its efforts in increasing its share price. However, it does this not by short-termist reactions to the faceless demands of the market, as the concern has been in previous literature, but instead by intuitively moving ahead of share prices in order to increase its own share price; taking share prices in the market rather lightly as pieces in its own puzzle rather than as pressing short-termist
concerns. On the surface due to its shareholder value focus, Singlex should be very short-termist but has consistently been successful for years before the study and after the study. Overall, the time horizon within performance measurement alone and the details of the systems do not seem to determine executives’ time horizon; the mechanism is more complex. The time rationalities function as mediating instruments between any evaluation period within performance measurement and the resulting executive time horizon, so that sometimes the evaluation period influences the time horizon of executives more than in other times. For example, a performance measure with a very short evaluation period can cause executives to behave excessively hastily, relying on present-based rationality while desperately and hopelessly hoping for the future to take care of itself – in this instance, the performance measure time horizon and the executive time horizon would match. As another example, the resulting haste may cause efficiency that could be beneficial in the long term; thus the performance measure time horizon and the executive time horizon would not match each other. The way the time rationality functions affects the outcome.

However, it should be acknowledged here that this paper does not suggest that listed companies are in general long-term oriented, only that not all of them are categorically and always short-term oriented based on performance measurement related pressures directed at them: other time and performance measurement related constructs may impact the situation in surprising ways. It should also be noted that neoliberalism based on which listed companies operate has short-termist qualities that are not immediately apparent as they are so systemic; however, such considerations are beyond the scope of this paper.

The performance measurement system literature assumes a person positioned in the present, looking into the future, to the time horizon when a given performance measure’s evaluation period ends (see e.g. Bellemare et al., 2005; Chow et al., 1996; Dechow & Sloan, 1991; Graham et al., 2005; Merchant, 1990; van Rinsum & Hartmann, 2007; Van der Stede, 2000). As has been said, the present-based rationality and this time horizon are of course not the same construct. However, such rationality and performance measurement time horizon can be related: The measured person may think that performing efficiently in the present can lead to future success, this “present” or “future” being represented by the
lengths of evaluation periods. Here the measurement period can primarily define the length of the time horizons to look at within the wider time rationality. In addition, the idea of looking at the future first and then only at the present within the future-based rationality is very different from the linear-quantitative view on time: such a view assumes that the person stays in the present, not that he/she moves to the future. However, it is possible to again integrate the two so that the person takes the performance measurement system’s evaluation period as the planned future length within the time rationality. Finally, it can be noted that the past-based rationality is particularly difficult to tie to the linear-quantitative view on time, as this view perceives performance measures as existing related to either the short or long term future – past performance or its measures are thus not considered relevant.

However, a past-based rationality can show how a consistent past performance may function as a basis for reaching the set goals in the present and the future; thus performance measurement can be tied to this rationality. The present paper has tied performance measurement more to the past, showing how past performance measures can affect present and future measurement for example through measurement consistency in the past – something the linear-quantitative view has struggled in taking into account.

It thus appears that the performance measurement-related linear-quantitative view on time is a simplified ideal while time rationalities can more effectively be connected to performance measurement in “real life”. The linear-quantitative view on performance measures can provide a framework in the form of the length of the present or the future that the rationalities can then use as a reference point for the relevant “present” or “future”. However, such linear-quantitative view is restricted to specifying this quantitative “length” while the time rationalities provide a much fuller and more complex picture of the time-related thought processes that take place in relation to performance measurement. For example, the commonly used cybernetic\textsuperscript{11}, planning-oriented performance measurement

\textsuperscript{11} 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).
systems tend to be tied to the future-based rationality; the future is planned first and measures are then introduced based on such plans.

Research has posited that listed companies are short-term oriented due to their emphasis on shareholder value and quarterly reporting, thus experiencing rigid performance measurement (Aglietta & Rebérioux, 2005, p. 256, 260; Bebchuk & Fried 2005, p. 18, 21; Bhojraj & Libby, 2005; Ding et al., 2008, p. 723-724; Ezzamel et al., 2008; Graham et al., 2005; Rappaport, 2006). The present data can be used to explain the time constructs behind this observed short-termism. The data reveals how short-termism can be conceptualised with the time constructs in Singlex as an emphasis on the present-based rationality and on the present within this rationality, while the future is conceived of as a rather unclear concept. Time rationality in a listed company is potentially limited with regard to the future and the past. Hovering between divergent rationalities, and shifting the direction of rationalities are not construed as acceptable tasks. The focus on the all-encompassing present, and the lack of orientation away from it, form potential sources of short-termism, as seen by outsiders. Short-termism appears when the present-based time rationality is not built as a complete whole — when its future period component becomes a mere extension of the present; in other words, when the time base excessively impacts the time target. In practice, this happens when present concerns are given excessive attention without considering exactly whether and how any present actions could lead to future success and what the exact attributes of this future success would be like.

Earlier research has defined the concept of short-termism as the preference for near term actions possessing negative consequences for the long term (Marginson & McAulay, 2008, p. 274). This way of defining short-termism appears to be effectively based on only one specific type of short-termism, namely that resulting from excessive emphasis on the present-based rationality; an approach whereby “action” in the present is prioritised and future plans are left relatively ambiguous. The seeds of short-termism here are tied to the dominance of the present at the expense of the future; to rigid performance measures with excessively short evaluation periods. Traditionally conceived short-termism thus originates
from the present-based time rationality (slightly later it will be shown how different kinds of short-termism can be tied to future-based and past-based rationalities as well).

The literature has suggested that financial markets and the focus on shareholder value entail forsaking industrial logic and, along with it, long-term planning (e.g. Aglietta & Rebérioux, 2005, p. 256; Espeland & Hirsch, 1990, p. 88-91). This study has extended the concern towards the past. Not only may listed shareholder value oriented companies be limited in terms of planning for the future; they may be subject to emerging restrictions towards considering the past and perhaps learning from it. According to this study, interestingly, a company that is less focused on the financial markets does not appear to be subject to these effects. The short-term/long-term paradigm and the consequent hesitant attitude of performance measurement researchers towards studying the past have resulted in the past receiving relatively limited attention in this research. The present paper shows that the past can be studied with a more relevant construct than “the orientation from the present towards the past”; the base on the past can matter, as in the past-based rationality.

There are several negative aspects in the present-based rationality. However, it also has positive attributes, but the traditionally conceived linear-quantitative view on time cannot account for these positive attributes. Still, there is literature hinting at these. The long-term orientation has been criticised (Laverty, 1996; Marginson & McAulay, 2008; Merchant & Manzoni, 1989) and it has been shown that a focus on the present can be beneficial in certain circumstances, for example when survival in the short term is a necessary precondition for success in the long term (Marginson & McAulay, 2008; Van der Stede, 2000), in case of a sudden need to signal stability to outsider stakeholders, such as customers or debtors, or in order to demonstrate a dramatic strategic change to employees (Merchant & Manzoni, 1989). A long time orientation is not always superior to a short time orientation (van Rinsum & Hartmann, 2007, p. 5). The literature has thus provided perspectives whose underlying rationality can now be more effectively and thoroughly understood with time rationalities. Short evaluation periods in performance measurement systems can function well if they encourage a beneficial and functional use of the present-based rationality.
The traditional conceptualisation of short-termism leaves relatively unexplored the short-termism in future-based and past-based rationalities. It is possible to speculate that in many companies and in multiple circumstances, the future or the past may dominate, contributing to other types of anomalies in time rationalities. In addition to the seeds of short-termism originating in the use of the present-based time rationality, there are seeds that may originate in future-based and past-based time rationalities, as follows.

Traditionally, the emphasis on the future is favoured because in the framework of the linear-quantitative view on time and its associated “orientation from the present”, it represents a person who is able to see unilinearly “far”, perhaps subjected to performance measurement systems with sufficiently long evaluation periods. However, paradoxically, in the case of actors using the future-based rationality, short-termism may manifest as the result of excessive emphasis on the future. The clarity of future vision can lead to the perceived content of the present being predetermined by that vision; if a new and unexpected direction for action presents itself, it can be ignored if it does not fit the vision, even if altering the plan in the present could lead to benefits in the long term. In this case, the present is not appreciated for all its potential nuances; again, the time base (here future) excessively affects the time target (here present). The literature supports this view. The strategic planning literature has acknowledged limitations in feedback oriented planning culture (Mason, 1986, p. 76; Mintzberg, 1994). These limitations have also led to alternative strategy formulations, such as that of emergent strategy (Mintzberg & Waters, 1985). Levinthal and March (1993, p. 102-103) tie short-termism to problems 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 derive from them optimal responses to acute problems. Again, the underlying rationality of these views can now be more effectively understood with time rationalities. Performance measurement with long evaluation periods may not make the measured individuals long-term oriented if they thus become excessively focused on the future, unable to react to current developments, thus also losing ground in the long term. In addition to rigidity in short evaluation periods, rigidity in plans could also cause problems in the long term.
Despite its name, the past-based rationality is not automatically myopic – it may simply imply an effective use of resources whose origin is in the past. However, it is possible that 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, hampered by short-termism (or inertia). Occurrences in the past may become a guideline for future plans and present actions even though the circumstances may have altered. The present or the future is not considered in its entirety; again, the time base (here past) determines the time target (here present and/or future) to an excessive extent. This issue can be linked to research on inertia in which tendencies of resistance are embedded within company structures and practices (Burgelman, 2002; Hannan & Freeman, 1984; Jermias, 2001). As explained by Levinthal and March (1993, p. 102), this mode of short-termism can also be observed in the case of organisational actors that value the skills acquired in the past (and having proven effective in the past) over skills needed in the present or in the future. Similarly, since the time of Lewin (1951), change management and managing resistance to change have become widely discussed topics. The dilemma of change in the face of institutional pressures thoroughly conditioning individuals’ existing perspectives is a well-documented phenomenon (Barley & Tolbert, 1997; Giddens, 1984; Holm, 1995; Seo & Creed, 2002). Again, the time rationalities shed light on what lies behind these divergent views in the literature. Performance measurement focusing on the performance in the past over a lengthy period may induce consistency of performance but with its focus in the past it might hinder necessary fast present reactions or future planning, thus making the achieving of future success more difficult.

The discussion above hints at a conclusion that in order for each of the time rationalities to function, it is necessary for all the components of the rationality to be fully employed and conceptualised as complete entities. Otherwise the associated rationality may malfunction. With the emergence of the appearance of short-termism, the target period within the rationalities appears to be conceptualised as a partial entity – a sole extension of the direction from which it is looked at; the time base determines to too great an extent the manner in which the time target is conceptualised. Constructs restrictively based on past,
present, or future, appear to outsiders to be short-term oriented; not only constructs based on the present. Far-sightedness shows itself as the capability to rid oneself of the initial base position.

For example, with regard to Triplex, the following issues can be raised for each rationality. Was the decision of one of the Southwest banks to withdraw from the merger with the other two Southwest banks based on outdated notions of independence rather than pressing present concerns? If the bank did indeed face present concerns, were these concerns for this bank really so vital as to overrule the planned merger and associated future cooperation? Finally, is it possible that the plans prepared for the new metropolitan bank were so thorough that they did not allow sufficient space for reactions to present challenges?

In the earlier literature long time orientation is implicitly associated with the perceived complexity of time constructs, whereas short-termism implicitly refers to superficiality and a lack of complexity and profundity in the consideration of time (Abernethy et al., 2013; Laverty, 1996, p. 830, 843; Marginson & McAulay, 2008, p. 287; van Rinsum & Hartmann, 2007). Performance measurement encouraging towards complex time constructs could thus implicitly be interpreted as long term oriented based on the literature. It appears that the complexity of time constructs found in Triplex could easily be interpreted as a “long time horizon” in the earlier literature, although more detailed analysis suggests that the issue is one of the complexity of time constructs, not necessarily only orientation towards a certain, given, length of time from the present. Similarly, the singularity of time constructs at Singlex would make it appear short-term oriented according to the literature. In effect, the time construct at Singlex could, in some situations, be the optimal and long-termist response, while the multiplicities and contradictions at Triplex could result in short-sightedness as measured in time periods – or vice versa. Complexity and long term orientation are two analytically separate concepts and would benefit from being treated as such. The complexity of time constructs can have consequences towards both the short and long terms: this complexity affords a more

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12 The third Southwest bank joined the other two in a subsequent merger at the beginning of 2008.
A profound understanding of time, perhaps resulting in a capacity for long-term thinking, but complex constructs are more difficult to manage as they may conflict each other, perhaps resulting in a focus on the short term as such difficulties and conflicts can foreclose visions directed to the future. It appears that the relation between the complexity of time constructs and the long term/short term orientation is a question to be empirically studied, not to be implicitly decided on beforehand. Theoretical avenues could also be opened regarding these issues as it may be possible that certain types of temporal complexity encouraged by a certain type of performance measurement can typically be related to the long term while other types of temporal complexity, tied to a different kind of performance measurement, could be more tied to the short term. Performance measurement could perhaps help in structuring the complexity of time constructs, assisting in managing the conflicts involved.

It is noteworthy that the strict interpretation of the data in the pure framework of the short and the long terms would result in very different findings than those considered above. Triplex executives could be perceived to be “long-term oriented” (due to their extensive plans, complex time constructs and lack of financial market contacts), while their focus on the present could be ignored or considered very paradoxical due to it potentially not being consonant with the long-term orientation. The focus on the past would provide a very discordant note: it would appear to bring short-termism or even inertia into the picture of a long-term oriented organisation. These paradoxes could cause researchers to conclude that there are “restrictions to the long-term orientation in the company”. Similarly, Singlex executives would appear very “short-term oriented” (due to their lack of plans, singularity of time constructs, and extensive financial markets contacts). The rationality by which they connect the present and the future and allow for the focus on the present to possibly lead to success in the long term, would appear very paradoxical: the interpretation would be that a short time orientation is claimed to result in a long time orientation. This paradox could lead researchers studying these data to the conclusion that the executives are simply short-term oriented while simultaneously trying to cover their tracks and rationalise otherwise. The possibility of other time constructs could thus be effectively eliminated by the short term/long term paradigm, and most of the points provided earlier in this discussion section could be “assumed” away.
It is interesting that the conceptualisations of time in both of these companies can thus be fitted with the short and long terms; after all, this fitting has long been achieved in many studies given that this has been the predominant paradigm. However, the present paper has argued that this fit is unnecessarily forced and that there are other interpretations of the data which offer a fuller understanding of the underlying time constructs than the linear-quantitative view on time, “the orientation from the present”, the pure short term/long term distinction and its associated focus on dichotomy. Paradoxically, it seems that the sources of a short time orientation become clearer when time constructs other than only short and long time orientation are considered. Short and long terms can be beneficial and interesting time constructs, as long as their use does not exclude the use of other constructs on time.

What would the time rationalities look like in relation to accounting practices? The present-based rationality would imply that doing accounting and reporting fast could provide additional benefits for the focal company in the future; the company being able to react to new opportunities and threats faster when it has valid information quicker. The past-based rationality would mean that the experience in creating accounting reports in the past has given accountants potential to also prepare those reports more effectively in the present and the future. The future-based rationality would imply that planning how to do the reports helps accountants to effectively prepare them. Such rationalities could potentially thus be applied to accounting practices as well, but further research is needed on the exact applications. So far it is unclear if such time rationalities are as prevalent among accounting personnel as among executives regarding executive performance measurement.

Evaluation periods as well as the real tasks and actions and markets that are tied to the time rationalities are material and simultaneously social. The research on performance measurement is thus a very potential candidate for the rising field of sociomateriality. The seeds of short-termism originating from past-based and future-based rationalities would also be a fruitful target of further research in performance measurement. The implications of de-emphasising the distinction between the short term and the long term in performance measurement and accounting research more generally might also prove quite intriguing,
involving positioning this distinction as representing a certain type of time constructs, not the dominant one. The implications of this paper could also be beneficial for spheres in which “time orientation” has been a relevant construct, such as that of management control systems.
Appendix A: Organisation structures of the case companies

Organisation structure of Triplex
**Organisation structure of Singlex**

Arrows indicate predominant directions of influence.
**Appendix B: Data sources**

**Interviews:**

<table>
<thead>
<tr>
<th>Intervieweer</th>
<th>Date</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Triplex, Association Senior Lawyer</td>
<td>28.11.2007</td>
<td>1 hour 15 min</td>
</tr>
<tr>
<td>Triplex, Association Human Resources Manager</td>
<td>21.1.2008</td>
<td>1 hour 30 min</td>
</tr>
<tr>
<td>Triplex, Association CEO</td>
<td>26.2.2008</td>
<td>1 hour 15 min</td>
</tr>
<tr>
<td>Triplex, Managing director of Bank 1</td>
<td>3.3.2008</td>
<td>1 hour 40 min</td>
</tr>
<tr>
<td>Triplex, Managing director of Bank 2</td>
<td>13.3.2008</td>
<td>52 min</td>
</tr>
<tr>
<td>Triplex, Managing director of Bank 3</td>
<td>7.4.2008</td>
<td>45 min</td>
</tr>
<tr>
<td>Triplex, CEO of a subsidiary</td>
<td>16.5.2008</td>
<td>1 hour 30 min</td>
</tr>
<tr>
<td>Triplex, Chairman of the Association supervisory board</td>
<td>19.5.2008</td>
<td>1 hour</td>
</tr>
<tr>
<td>Triplex, Member of the Association supervisory board 1</td>
<td>30.5.2008</td>
<td>1 hour</td>
</tr>
<tr>
<td>Triplex, Managing director of Bank 4</td>
<td>2.6.2008</td>
<td>1 hour</td>
</tr>
<tr>
<td>Triplex, Member of the Association supervisory board 2</td>
<td>13.6.2008</td>
<td>1 hour 30 min</td>
</tr>
<tr>
<td>Triplex, Association Development Executive</td>
<td>17.6.2008</td>
<td>1 hour 20 min</td>
</tr>
<tr>
<td>Triplex, former CEO</td>
<td>15.2.2010</td>
<td>1 hour 48 min</td>
</tr>
<tr>
<td>Triplex, Board member of Bank 3</td>
<td>10.3.2010</td>
<td>40 min</td>
</tr>
<tr>
<td>Triplex, former Association Development Executive</td>
<td>11.3.2010</td>
<td>1 hour</td>
</tr>
<tr>
<td>Singlex, Head of Investor Relations</td>
<td>18.6.2007</td>
<td>1 hour 30 min</td>
</tr>
<tr>
<td>Singlex, Group CFO</td>
<td>18.6.2007</td>
<td>1 hour 30 min</td>
</tr>
<tr>
<td>Singlex, Chief Investment Officer</td>
<td>19.6.2007</td>
<td>35 min</td>
</tr>
<tr>
<td>Singlex, Human Resources Manager</td>
<td>10.8.2007</td>
<td>1 hour</td>
</tr>
<tr>
<td>Singlex, Subsidiary CEO</td>
<td>21.8.2007</td>
<td>1 hour</td>
</tr>
<tr>
<td>Singlex, Group CEO</td>
<td>29.8.2007</td>
<td>1 hour</td>
</tr>
<tr>
<td>Singlex, Board member 1</td>
<td>31.10.2007</td>
<td>1 hour 30 min</td>
</tr>
<tr>
<td>Singlex, Board member 2</td>
<td>25.2.2008</td>
<td>50 min</td>
</tr>
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<td>Singlex, Manager of a business unit</td>
<td>25.6.2008</td>
<td>1 hour 30 min</td>
</tr>
<tr>
<td>Singlex, Manager of a business sector</td>
<td>11.8.2008</td>
<td>1 hour 40 min</td>
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<tr>
<td>Singlex, Senior Vice President of a subsidiary</td>
<td>15.8.2008</td>
<td>52 min</td>
</tr>
<tr>
<td>Singlex, former Subsidiary CEO</td>
<td>10.10.2008</td>
<td>30 min</td>
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<tr>
<td>Singlex, Head of Investor Relations and Group CFO</td>
<td>26.3.2010</td>
<td>1 hour 30 min</td>
</tr>
<tr>
<td>Investment bank A, Analyst</td>
<td>1.8.2007</td>
<td>1 hour</td>
</tr>
<tr>
<td>Investment bank B, Analyst</td>
<td>21.8.2007</td>
<td>1 hour</td>
</tr>
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</table>
Archival data sources:

Articles in the financial press about Triplex

Documentary about Triplex in the depression of the 1990s: “Lama ja oikeus” (Economic depression and justice, translation by the author), presented on the Finnish television channel TV1, 20.1.2008

Compensation system manuals of Triplex and its banks

History of Triplex

History of Triplex Association

Histories of two Triplex banks

Internal personnel magazine and client magazine of Triplex

Client magazine of one Triplex bank

Strategy manual of one Triplex bank

Internet site of Triplex: Governance model

Internet site of Triplex: Representation of financials

Annual reports of Triplex banks

Annual report of Triplex


Seminar on the banking crisis, 29.1.2010, Helsinki
Seminar on the banking crisis, 19.9.2011, Helsinki

Articles in the financial press about Singlex


Internet site of Singlex: The compensation system of top executives

Internet site of Singlex: Representation of financials

Annual report of Singlex
Appendix C: Interview themes

**Interviews in 2007-2008:**

Introduction: targets, goals, motives

The background of the interviewee (education, previous employment)

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 to stakeholders

Stakeholders’ time frames and the time frames they encourage the interviewee to pursue, 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 and company environment on time frame and freedom at work, especially listed and non-listed status

**Interviews in 2010:**

**Regarding each episode selected:**

The rationality for implementing the episode, the initiation of the episode and initial plans related to the episode

The continuation and process of the episode, functioning at present

Problems and favourable events related to the implementation of the episode

Historical strengths assisting in the implementation of the episode

Plans made after the implementation and their subsequent fulfillment

The impact of company governance structure and company environment on time frame and freedom at work, especially listed and non-listed status, related to the episode
Appendix D: Time map on episodes presented on a time line

<table>
<thead>
<tr>
<th>Year</th>
<th>Industry developments</th>
<th>Triplex</th>
<th>Singlex</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>Pension insurances gain popularity</td>
<td>Preparations for the new metropolitan bank begin</td>
<td>Insurance business moved to new entity</td>
</tr>
<tr>
<td></td>
<td>Consolidation wave</td>
<td>The new metropolitan bank initiates operations</td>
<td>The new entity developed</td>
</tr>
<tr>
<td>2003</td>
<td></td>
<td></td>
<td>The new entity acquired</td>
</tr>
<tr>
<td>2004</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>
References


**Figures:**

**Figure 1.** Linear-quantitative view on time, according to which a person standing in the present is assumed to look at time either for the long or the short term, occasionally glancing at the past (the top part of the figure). In addition, time is assumed to flow unilinearly through the past, the present and the future (the bottom part of the figure).

**Figure 2.** Present-based (above) and future-based (below) time rationalities (adapted from Chakhovich, 2013).

**Figure 3.** Past-based rationality, according to which it is rationalised that the past is the basis of success now, or in the future.

**Figure 4.** Present-based, future-based and past-based rationalities represented in the order (from top to bottom) in which they have been presented in this paper.

**Tables:**

**Table 1.** Ownership structure of Singlex (as of 31 December, 2008).