

The Temporal Myopia in IT: Short-Term Objectives vs. Long –Term Vision

RAKSHA RANI

Amity University Haryana

Abstract- Corporate decision-making has always involved a balance between immediate performance and long-term value creation. In India, this balance has become increasingly visible in recent years, especially in the context of events like the IL&FS crisis and the cautious innovation strategies of major IT firms such as TCS, Infosys, Wipro, and HCL. A noticeable pattern is emerging where organisations seem to prioritise short-term outcomes, sometimes at the cost of long-term strategic strength. This paper explores this issue through the concept of temporal myopia, understood as the tendency to favour immediate gains over future benefits. Using insights from behavioural decision theory—particularly present bias, hyperbolic discounting, and loss aversion—along with perspectives from strategic management, the study develops a three-layer framework covering cognitive, organisational, and institutional dimensions. The analysis is based on publicly available data from leading Indian IT firms. It examines how short-term thinking manifests, why these firms may be vulnerable to it, and what practical steps can be taken to address it. The paper proposes changes in executive incentives, investor behaviour, and organisational orientation toward long-term planning. Overall, it aims to contribute to the discussion on decision-making and strategy within the Indian corporate environment.

Keywords: *Temporal myopia, short-termism paradox, Indian corporate governance, behavioral decision theory, long-term strategy, Indian IT sector*

I. INTRODUCTION

Every few months, companies present their financial performance to investors through earnings calls. These events are not just routine updates they often come with intense pressure. Stock prices can react almost instantly, leadership decisions are scrutinised, and expectations remain high. In such a setting, it becomes quite natural for organisations to focus more on immediate results, even when they are aware that this might not support long-term growth. This tendency to prioritise the present over the future is

increasingly referred to as temporal myopia. While the idea may seem theoretical at first, its consequences are very real. The IL&FS crisis in 2018 is one example where a series of short-term decisions, taken without a strong long-term foundation, eventually led to a major collapse. Even within India’s IT sector—often seen as stable and forward-looking—there are signs of similar pressures. Leaders like Narayana Murthy have raised concerns about whether companies are still maintaining the long-term vision that once defined the industry. With increasing competition from AI-driven firms, the need to invest in the future has become more urgent.

Most of the research on short-termism comes from finance; it looks at things like how companies manage their earnings or structure their dividends to keep markets happy (Graham, Harvey, & Rajgopal, 2005; Lavery, 1996). That is useful, but it does not explain why managers keep making these choices even when they know better. This is where behavioral theories become relevant. Behavioural theories offer a deeper perspective by showing that individuals naturally prefer immediate rewards over future gains. When these tendencies influence organisational decision-making, they can shape strategy in important ways.

This paper explores these dynamics in the Indian IT context. It focuses on three main questions:

- Why are some organisations more prone to short-term thinking?
- How does this affect their strategic decisions?
- What can be done to create a better balance between short-term performance and long-term growth?

This study contributes to the limited literature examining temporal myopia within the Indian IT sector by integrating behavioural decision theory with strategic management perspectives.

II. LITERATURE REVIEW

Kahneman and Tversky (1979) laid the groundwork with their work on prospect theory, showing that people tend to react more strongly to losses than to equivalent gains. In a corporate setting, this can make managers cautious about decisions that involve short-term sacrifice, even if the long-term benefits are clear.

Hayes and Abernathy (1980) argued that the issue is not only external pressure but also internal decision-making patterns. They pointed out that managers often prioritise immediate financial results while neglecting innovation and capability development. Stein (1989) added a financial perspective, explaining how systems that reward short-term performance can encourage decisions that harm long-term value. This is particularly relevant in markets where quarterly performance is closely monitored.

Porter (1992) shifted the focus to the structure of capital markets, suggesting that the broader investment environment itself can encourage short-term thinking.

Laverty (1996) provided a comprehensive view by identifying multiple causes of short-termism, including organisational culture, incentives, and market pressure. His work highlighted that the problem is complex and cannot be solved through a single intervention.

Laibson (1997) introduced the concept of hyperbolic discounting, explaining why individuals tend to give more importance to immediate outcomes. This idea helps explain why short-term bias persists even among experienced decision-makers.

O'Donoghue and Rabin (1999) further showed how present bias leads to delaying important long-term decisions.

Studies focusing on emerging economies, such as Hoskisson et al. (2000), emphasised that institutional environments play a key role in shaping strategic behaviour. In India, factors such as promoter ownership and regulatory frameworks create unique challenges.

Margolis and Walsh (2003) linked short-termism to corporate purpose, arguing that firms focused only on immediate financial results often neglect stakeholder value, which can weaken long-term competitiveness. This concern is visible in India as well, where debates continue around whether IT firms are investing enough in people and long-term growth.

Graham, Harvey, and Rajgopal (2005) provided real-world evidence, showing that many managers knowingly reduce long-term investments like R&D to meet short-term earnings targets. This highlights that short-termism is not just theoretical but actively practiced.

Marginson and McAulay (2008), however, offered a more balanced view, suggesting that short-term focus does not always harm long-term performance. Its impact depends on context, especially governance structures.

Chakrabarti, Megginson, and Yadav (2008) brought this discussion directly into the Indian corporate environment. They examined how promoter-led ownership interacts with pressures from global capital markets, creating a unique governance structure. One key insight from their work is that Indian firms often face a dual responsibility: they need to satisfy promoter families while also meeting the expectations of institutional investors. These competing pressures can pull decision-making in different directions, particularly when it comes to balancing short-term and long-term priorities. This tension is central to the analysis of the IT sector in this paper.

Barton and Wiseman (2014) emphasized the role of investors, arguing that their focus on quarterly performance encourages short-term behavior. In contrast, Flammer and Bansal (2017) demonstrated that linking executive incentives to long-term goals can improve innovation and outcomes.

III. METHODOLOGY AND ANALYTICAL FRAMEWORK

Methodology: -

Methodology

This study adopts a conceptual and case-based approach. The goal is not to measure short-termism statistically but to understand how and why it occurs. The analysis focuses on four major Indian IT firms: TCS, Infosys, Wipro, and HCL Technologies. These companies represent the top tier of the industry and operate under similar regulatory and market conditions. Data is drawn from publicly available sources, including annual reports, investor presentations, and leadership statements. While this approach does not capture internal decision-making processes, it provides valuable insights into observable patterns. The goal is theory-building and proposition development, which is a recognised and legitimate starting point in management research, especially when exploring a problem that has not been studied much in the Indian context.

Analytical Framework: -

The framework used in this paper has three layers:

Cognitive Layer: - This focuses on behavioural biases such as present bias and loss aversion, which influence how decisions are made.

Organisational Layer: - This examines internal factors like performance metrics, incentives, and governance structures.

Institutional Layer: - This considers external influences such as regulatory norms, investor expectations, and market dynamics.

Together, these three layers: cognitive, organizational, and institutional, form the lens through which the case firms are analyzed. The goal is to show how myopia is not just a personal failing of individual managers but something that gets produced and reproduced by a whole system of forces operating simultaneously in the Indian corporate context.

IV. FINDINGS & DISCUSSION

When you look at how India's top four IT companies- TCS, Infosys, Wipro, and HCL Technologies- have been making strategic decisions over the past decade, a pattern becomes hard to ignore. Each of these firms built its identity on delivering reliable, high-quality services to global clients. That discipline is genuinely impressive. But somewhere along the way, the very consistency that made them great started to double as a reason to avoid the kind of bold, uncertain, long-term bets that the next phase of the industry demands. The result is a sector that is operationally strong but strategically cautious and that caution is starting to look a lot like temporal myopia.

TCS: -

TCS is probably the most consistent large company in Indian corporate history when it comes to financial delivery. Quarter after quarter, it has met or exceeded margin expectations, maintained strong revenue growth, and kept investors reassured. There is real skill in that. But the same consistency has led to a kind of strategic conservatism that is becoming a liability. TCS has been relatively slow to build out genuine AI and cloud capabilities compared to global peers like Accenture or IBM, who have made much larger bets on platform-based and product-led models. The argument inside the company has always been that the services model works and clients want it, which is true, until it suddenly is not. The present bias at play here is subtle but real: the rewards of maintaining the current model are immediate and certain, while the risks of underinvesting in the next one will only show up years from now.

Infosys: -

Infosys offers perhaps the most visible and publicly documented case of temporal myopia tension in Indian IT. The conflict that played out between 2017 and 2019, where Narayana Murthy and other co-founders publicly raised concerns about governance, compensation, and strategic direction under then-CEO Vishal Sikka was not just a personality clash. At its core, it was a disagreement about time horizons. Murthy's camp felt the company was spending too much on acquisitions and innovation experiments that had uncertain returns, while the

board and management felt that staying purely in the services lane would leave Infosys behind. Both sides had a point, which is exactly what makes this such a useful case. The company eventually settled into a more measured approach under Salil Parekh, but the tension between short-term margin delivery and long-term capability building has never fully gone away. Infosys's R&D spend as a percentage of revenue has remained modest compared to technology companies that are serious about building proprietary platforms.

Wipro: -

Wipro's recent strategic behavior illustrates a different but equally telling version of short-termism. Under CEO Thierry Delaney, the company went on a significant acquisition spree picking up Capco, Ampion, Rizing, and several other firms in quick succession. On the surface, this looks like long-term investment. But a closer reading suggests something more complicated. Many of these acquisitions were aimed at rapidly filling capability gaps that Wipro had not built organically, which raises the question of why those gaps existed in the first place. Buying capability is faster than building it, and faster maps more neatly onto quarterly expectations. The problem is that acquired capabilities are often harder to integrate, retain, and scale than organic ones. Wipro's growth numbers improved after the acquisitions, but questions about integration depth and long-term margin impact remain open. This is present bias operating at a strategic level choosing the faster visible win over the slower, more durable one.

HCL: -

HCL deserves credit for doing something the other three have largely avoided: building a genuine products business. HCL Software, which manages and develops legacy software products acquired from IBM, represents a real attempt to move beyond pure services dependency and create a recurring revenue stream with different economics. This was a long-term bet that took years to show returns and required absorbing short-term complexity. In that sense, it stands as a partial counterexample to the myopia pattern. However, even HCL is not fully immune. The services business still dominates decision-making, and the pressure to keep services margins healthy has at times constrained how aggressively HCL Software can be invested in. The products

business exists alongside the services mindset rather than reshaping it, which limits how far the long-term logic can actually go.

What Drives Myopia Across All Four: -

Looking across TCS, Infosys, Wipro, and HCL together, three common drivers of temporal myopia emerge. First, the investor base which is a mix of domestic institutional investors and foreign portfolio investors that sends consistent signals that margin stability and revenue predictability matter more than speculative long-term investment. Second, executive compensation in all four firms remains heavily weighted toward annual performance metrics, which naturally pulls managerial attention toward the near term. Third, the competitive benchmark these companies use is each other, and since all four are similarly cautious, none of them feels the urgency to break out of the pattern until an external disruptor forces the issue. The real competitive threat is not from each other but from AI-native companies and hyperscalers, and that threat is still being processed slowly.

Propositions for the Future: -

First, IT firms need incentive structures tied to long-term capability milestones. Right now, the dominant performance metrics inside Indian IT companies are revenue growth, operating margins, and deal wins, all of which are measured quarterly or annually. If even a portion of executive compensation were linked to five-year capability indicators, the share of AI-native revenue, depth of proprietary platform development, and talent retention in high-skill roles, it would begin to shift the internal logic of how decisions get made. SEBI's BRSR framework is a starting point, but it needs to be complemented by voluntary board-level commitment to longer planning cycles.

Second, Boards need to create a protected space for long-term investment. One of the structural problems in all four companies is that long-term investment has to compete with short-term margin targets in the same budget conversation. Firms that have successfully navigated this like Amazon globally, or HCL to a limited degree in India have done so by ring-fencing long-term investment budgets that are not subject to quarterly margin pressure. Indian IT boards need to institutionalize this kind of protected

space, with transparent reporting to shareholders about what is being invested and why, rather than letting long-term investment be the first casualty of a tough quarter.

Third, the industry needs a new benchmark for what success looks like. Perhaps the deepest problem is that all four companies are benchmarking themselves against each other, which means the standard for success is set by the most cautious player in the peer group. A more useful benchmark would be global technology firms that have successfully transitioned from services to platform-led models. If Indian IT leadership teams were regularly evaluated against what Accenture, Capgemini, or even Palantir are doing in terms of long-term capability building, the conversation inside these boardrooms would shift considerably. Changing the reference point changes the ambition

V. CONCLUSION

This paper started with a simple but important observation, that many of India's biggest and most respected corporations are making decisions that look good on paper today but may quietly be hollowing out their ability to compete tomorrow. Through the lens of behavioral decision theory and strategic management, and using evidence from India's IT sector, the paper has tried to show that this is not just a coincidence or a character flaw in individual managers. Temporal myopia is a systemic problem; one that gets produced and reinforced by the cognitive biases of decision-makers, the organizational systems that surround them, and the institutional environment that shapes their incentives. The behavioral roots of the problem are present bias, hyperbolic discounting, and loss aversion, which help explain why even intelligent, well-intentioned managers keep making short-sighted choices.

The three propositions this paper offers- reforming executive incentive structures, recalibrating how institutional investors engage with listed companies, and institutionalizing long-term orientation in promoter-driven firms are not meant to be exhaustive solutions. They are meant to open a conversation about where meaningful intervention is actually

possible within India's specific governance and regulatory landscape.

Limitations

This paper has a few honest limitations worth acknowledging. First, because it relies entirely on publicly available information - annual reports, investor communications, leadership statements it cannot access the internal deliberations where short-term versus long-term trade-offs are actually debated. What companies say publicly and what actually drives their decisions inside the boardroom can be quite different things.

Second, the case selection, while representative of India's top-tier corporate landscape, is not exhaustive. Mid-sized and family-run businesses, which make up a huge portion of the Indian economy, are largely outside the scope of this analysis.

Third, the propositions developed here are conceptual rather than empirically tested; they are grounded in theory and observed patterns but have not been validated through surveys, interviews, or statistical analysis.

Directions for Future Research

There are at least three directions where future research could meaningfully build on this work. The first and most obvious is empirical validation; testing whether the propositions developed here hold up when examined through primary data, whether through CFO surveys, board-level interviews, or longitudinal financial analysis of Indian firms.

The second direction is sector-specific deepening, applying the same framework to industries like pharmaceuticals, renewable energy, or fintech, where the tension between short-term returns and long-term investment is playing out in very different ways.

The third direction is a comparative study examining how Indian firms manage this tension relative to firms in other emerging economies like China, Brazil, or South Africa, which face similar institutional pressures but with different governance traditions and regulatory environments.

Temporal myopia is ultimately a problem about time, about how organizations relate to their own future. In a country like India, where the economic opportunity ahead is genuinely enormous, getting that

relationship right is not just a corporate governance question. It is a question about what kind of companies, and what kind of economy India wants to build.

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