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Growing by Reconciling the Short Term and the Long Term

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The success of a significant long-term growth strategy is not merely a continuation of past actions. It requires continuous improvement of what already exists, but also major disruptions and challenges. It demands the ability to work across two time horizons: the short term and the long term. The principle is straightforward, but its implementation is complex.

Two Distinct Time Horizons for CEOs and Management Teams

Sustained long-term value creation hinges on continuous growth. A company that does not grow and increase its value regularly will eventually lose its attractiveness to customers and employees as well as its independence in the long run.

The Management Team must strike a delicate balance between long-term investments for growth and the immedite need for short-term results. They also have to balance their time between strategic planning and operational efficiency, the latter being essential for generating the resources needed to support the strategy.

They operate in four dimensions, which stem from the combination of growth versus profitability and short term versus long term perspectives (see Table 1).

While these dimensions should ideally complement each other, in reality, constant trade-offs are necessary.

These choices are never made exclusively in favor of a single dimension, except in the case of a crisis requiring urgent restructuring. Most often, the management team must develop a set of actions and priorities covering these four dimensions, either through explicit strategic reflection or in implicit response to the group's circumstances.

However, time and resources are always constrained. It is therefore necessary to determine the best balance to adopt over a given period between these dimensions, in terms of management time, priorities assigned to teams, their motivation, as well as internal and external communication.

This balance should not be left to chance. Over-exposure to one of these dimensions does not allow for regular and sustainable growth.

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- Table 1 -

**Growth is the only way to create value in the long-term.
It is necessary to work on two time horizons (short term & long term)
and on both issues (profitability & growth)."**

Stakes \ Time horizons	Short term	Long term
Profitability	**Restructuring** • Industrial and commercial restructurings • Disinvestment • Overheads optimization • Processes streamlining • ...	**Competitiveness** • Large-scale acquisitions • Manufacturing facilities relocation • Technology breakthrough • Value chain streamlining • Industry resegmentation • ...
Growth	**Maximizing revenue** • Pricing strategy • Product range strategy • Distribution channel strategy • Innovation policy • ...	**Strategic Growth** • Choice of businesses & segments • Upstream & downstream integration • Industry Resegmentation • Disruptive innovation • Diversification • ...

Risk of Overexposure on One Time Horizon.

The Management Team must avoid overexposure to a single time horizon, as this could lead to unfortunate consequences (see Table 2).

Risk of myopia. This occurs when a company is focused on short-term goals and is not considering the long-term issues and strategies.

The emblematic example is Kodak, often cited as an example of what happens when one does not follow the evolution of technology, except that the company did not fail in this area. Kodak did not "miss out" on digital photography. It invented the first digital camera. Kodak did not "miss out" on the internet. It bought a popular online photo sharing site ten years before Instagram was even an idea. Kodak's problem was not technological, but strategic; Kodak relied too much on its physical films, which were very profitable. Kodak failed because its original economic model was too strong and the time and resources dedicated to new models remained insufficient. Kodak was unable to overcome the "innovator's dilemma" (C. Christensen).

Risk of presbyopia. This occurs when a company focuses on the long term (and the disruptive end-game business model) without adequately addressing the critical short-term path. Vivendi's strategic vision, led by Jean-Marie Messier, of convergence between technology and audiovisual creation in the early 2000s proved to be relevant. However, Vivendi failed to take advantage of this vision because the bridge between the starting situation and the vision of arrival was not strong enough. This strategy required resources, expertise, and time, which were not sufficiently mobilized.

Successfully integrating the short- and long-term horizons is inherently complex, as they involve different logics in terms of perspectives, business approaches, skill sets, and financial balances.

Steve Jobs provides a compelling example of successfully managing this integration. When he returned to Apple in 1997, he had a visionary grasp of the industry's major dynamics, particularly the convergence of technology and creativity (graphics, music, and video). Yet, in the short term, Apple's turnaround was driven by a relatively modest but highly effective design innovation: the iMac. This success came from a simple product backed by a bold and distinctive communication strategy (see Table 3).

The combination of these two perspectives - short-term execution and long-term vision- is what ultimately ensures sustainable growth (see Tables 4 to 6).

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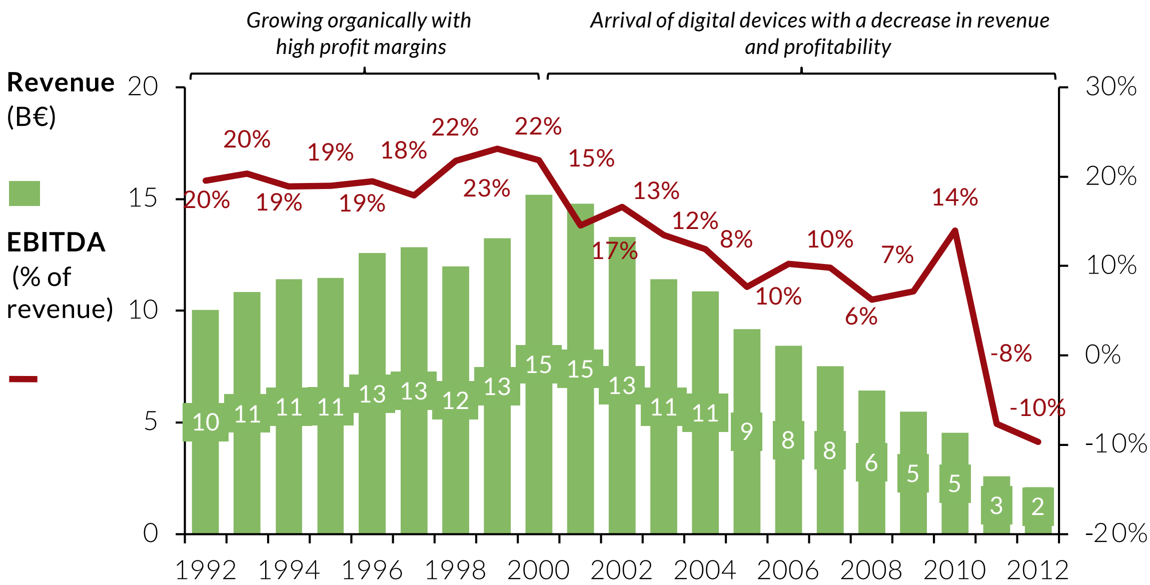
- Table 2 -

There are two strategic perspective risks: Myopia (Kodak) and Presbyopia (Vivendi)"

Myopia (Kodak)

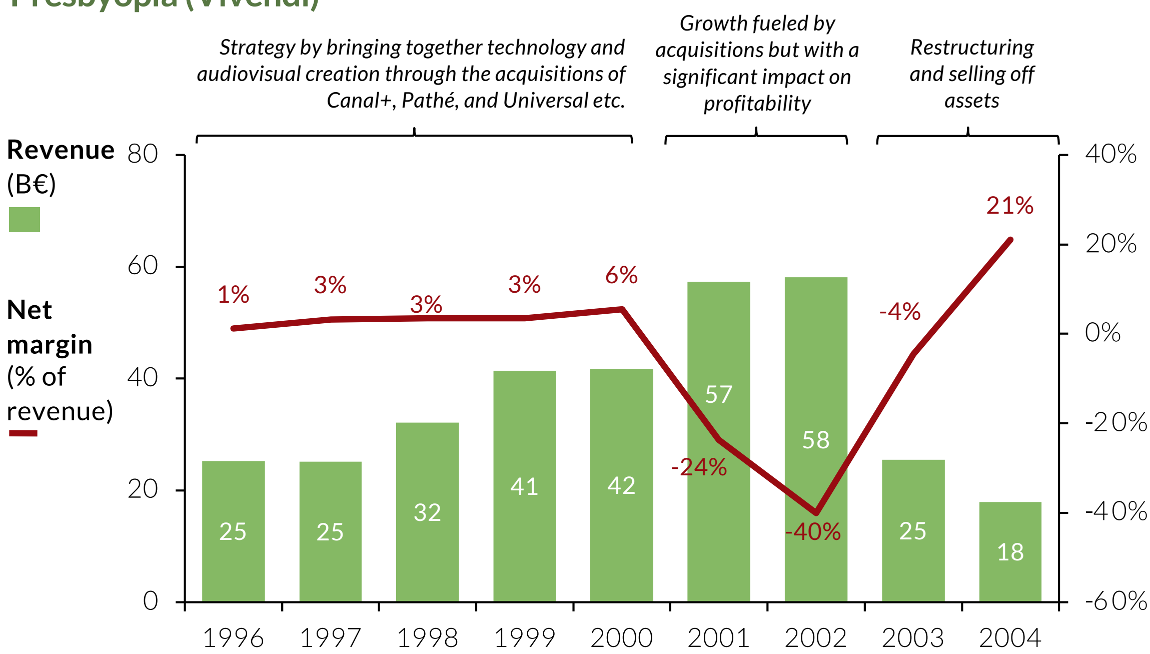


EBITDA (B€)

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
2,5	2,6	2,6	2,8	3,1	2,6	2,9	3,3	3,0	1,9	2,1	1,7	1,6	0,9	1,1	1,1	0,6	0,5	0,8	-0,3	-0,3

	CAGR 92-00	CAGR 00-12
Revenue (B€)	+5%	-15%
EBITDA (% of revenue)	+2 pts	-32 pts
EBITDA (B€)	+7%	n.a.

Presbyopia (Vivendi)



	1996	1997	1998	1999	2000	2001	2002	2003	2004
Net Income (B€)	0,3	0,8	1,1	1,4	2,3	-13,6	-23,3	-1,1	3,8

	CAGR 96-02	CAGR 02-04
Revenue (B€)	+15%	-45%
Net margin (% of revenue)	-41 pts	+61 pts
Net Income (B€)	n.a.	n.a.

The Short-Term Perspective

Short-term strategies are designed to enhance strategic positions and profitability in the short term. They focus on:

- Strengthening short term positions and generating cash flow;
- Allocating resources to specific segments;
- Increasing market share;
- Achieving relative growth by developing competitive advantages;
- Concentrating efforts on the market and establishing clear leadership in selected segments;
- Reducing costs in order to reallocate resources into growth initiatives;
- …

These strategies support growth without dilution.

However, short-term strategies have inherent limitations. In mature markets, it is challenging to indefinitely concentrate markets. Therefore, new sources of growth must be regularly identified.

Furthermore, the segmentations underpinning these strategies are constantly evolving, driven by shifts in demand, emerging technologies, or changes in business models.

Additionally, these segmentations may become obsolete due to competitive strategies that push companies to expand beyond traditional boundaries. Competitors often achieve growth by horizontally or vertically consolidating activities that were previously distinct, thereby transforming entire markets.

Thus, previously national businesses are becoming international (consumer goods, food ingredients, ...), producers are integrating into distribution or vice versa (fashion, luxury...), product or service ranges are expanding in nature or in level of quality (railway components, industrial equipment...), entire value chain segments are disappearing due to new technologies (music, publishing, online TV...), and previously distinct businesses are merging and completely transforming industries (smartphones, optics...).

Short-term strategies are necessary because they provide flexibility. to adapt to immediate needs and opportunities. Nevertheless, they are not sufficient on their own, as their impact is finite. To ensure long-term sustainability, they must be complemented by strategies that address the evolving nature of markets and industries.

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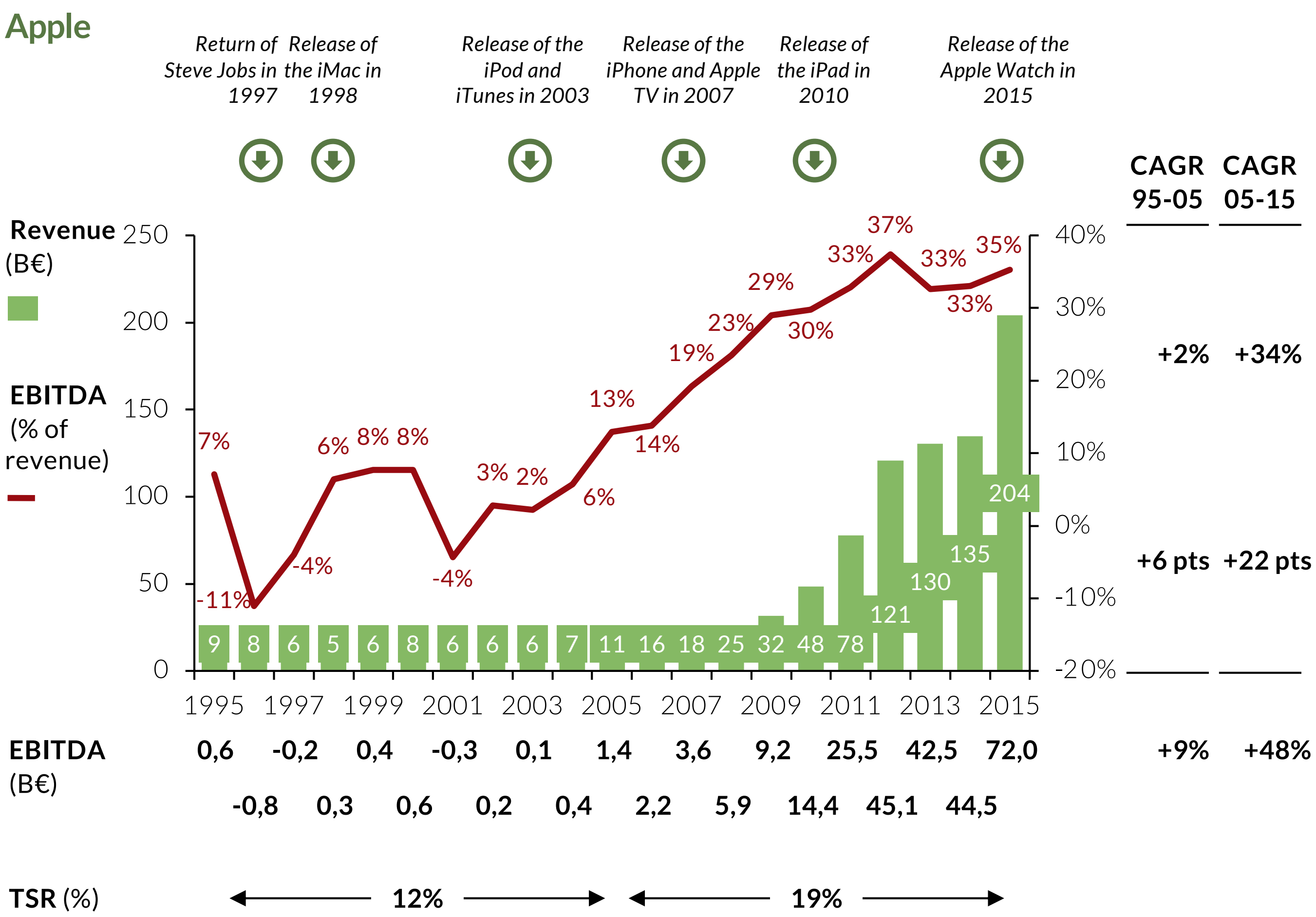
- Table 3 -

Upon his return in 1997, Steve Jobs managed to work on two-time horizons: in the short term to save the company and in the long term to give it perspectives



The Long-Term Perspective.

The long-term perspective requires significant disruptions and deep questioning regarding several key aspects of companies' positioning and business models:

- **Redefining relevant segments to** identify growth opportunities within the group, such as businesses, geographies, distribution channels, and customer groups. This often leads to structural changes within the organization itself.
- **Focusing on a limited number of ambitious objectives** to avoid dispersing efforts and resources.
- **Radically reallocating resources** across branches, geographies, and business units, involving internal redistribution within managerial entities rather than merely recycling cash flows from existing branches.
- **Redesigning critical growth levers**—such as pricing, branding, product value, distribution channels, and positioning—which often requires a complete revision of the economic model.

These changes involve a reorganization of priorities, moving away from "business as usual," tensions within management, higher risk-taking, and potentially increased financial results volatility, thus requiring strict control of operations.

The luxury industry has undergone significant evolution in recent decades.

In the 1980s, luxury products were mainly sold in department stores or multi-brand stores. The brands covered a limited range of products (with the exception of licensees).

They had limited means to advertise. The process between creation and sale was long (especially for ready-to-wear) because the collection was first presented to multi-brand stores to be selected in all geographical areas.

The collection was reworked based on reactions. It was then manufactured and distributed to the store.

The complexity of the process led to a limited number of collections and a lack of responsiveness in case of success (with consumers) or failure of the collection. The industry was volatile and linked to the quality/genius of the designer.

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- Table 4 -

Only by combining both short-term and long-term perspectives can long-term growth be guaranteed

Firm	Short-term view	Long-term view	TSR (%)
Apple	▪ Focus on design and product innovation	▪ Convergence between technology and creativity ▪ Ease of use ▪ Strong and distinctive communication	▪ TSR 95-05 **+31%** ▪ TSR 05-15 **+32%**
Louis Vuitton	▪ Focus on product quality ▪ Rewrite: Outsourcing the distribution model to department stores and multi-brand stores.	▪ Investing in owned distribution channels ▪ Enhancing the in-store consumer experience ▪ Increasing the perceived value of our products	▪ Rewrite: TSR 94-06 **+14%** ▪ TSR 06-23 **+15%**
Monster Beverage	▪ Development of the brand portfolio around fruit juices and sodas	▪ Preemption and development of new consumption trends (energy drinks)	▪ TSR 94-04 **+4%** ▪ TSR 04-23 **+32%**
Nike	▪ Focus on the sports performance of *sports* products ▪ Outsourced distribution model to third parties	▪ Preemption and development of new consumer trends (*lifestyle* products) ▪ Development of BtoC (own stores and online)	▪ TSR 94-01 **+4%** ▪ TSR 01-23 **+12%**
Service Now	▪ Focus on IT services	▪ Comprehensive IT management solutions (including turnkey software and software development) to enhance the customer experience	▪ TSR 13-16 **+27%** ▪ TSR 16-23 **+49%**
Nvidia	▪ Product portfolio centered around *hardware* ▪ Focus on developing video game applications	▪ Creation of *hardware* and *software* solutions and integration services to improve the customer experience ▪ Focus on data center services	▪ TSR 10-15- **3%** ▪ TSR 15-23 **+64%**

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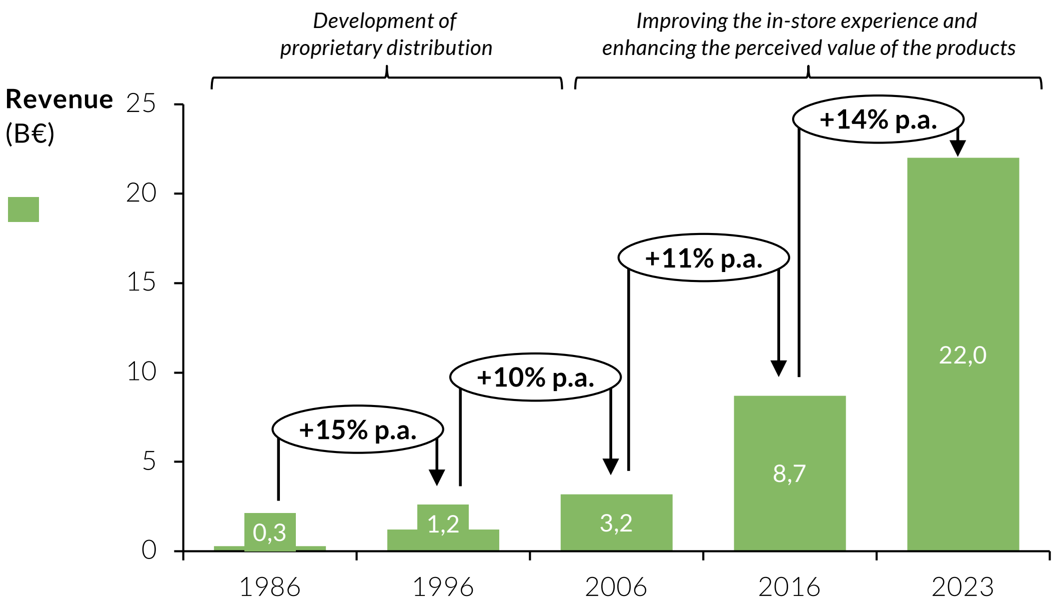
- Table 5 -

Only by combining short-term and long-term perspectives can long-term growth be guaranteed

Louis Vuitton - Expansion of exclusive distribution and international expansion

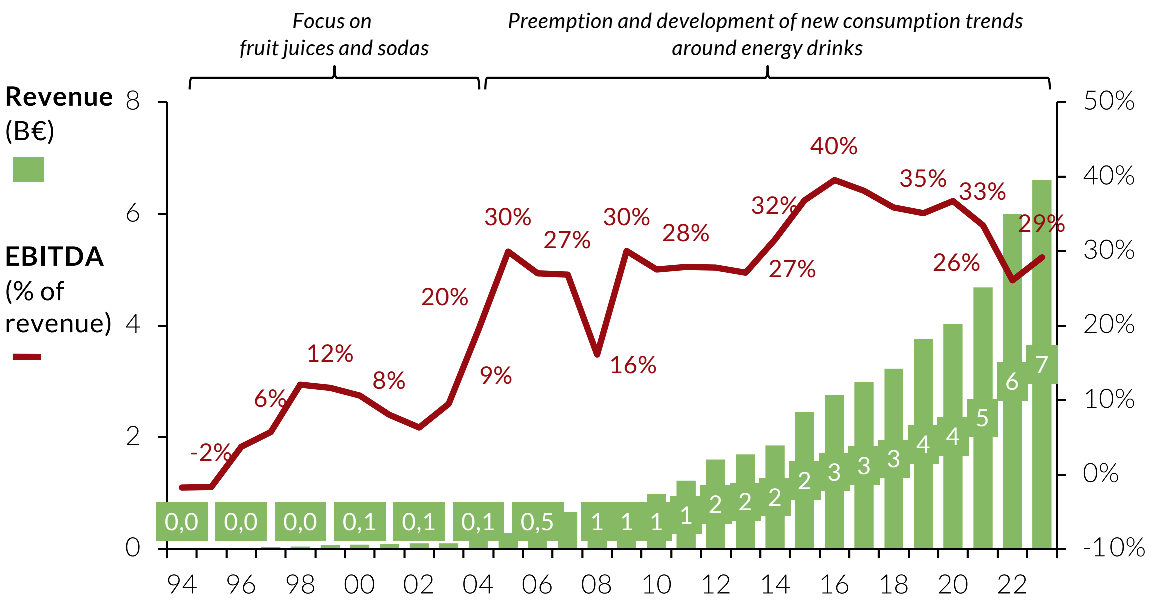


	1986	1996	2006	2016	2023
Store Revenue (in M€)	**3,7**	**5,8**	**9,0**	**18,7**	**42,7**

CAGR 86-06	CAGR 06-23
+13%	**+12%**

Number of stores owned by Louis Vuitton	
1986	**70**
2006	**358**
2023	**515**

Monster - Expectation of a new consumer trend



TSR (%) ← **4%** → ← **32%** →

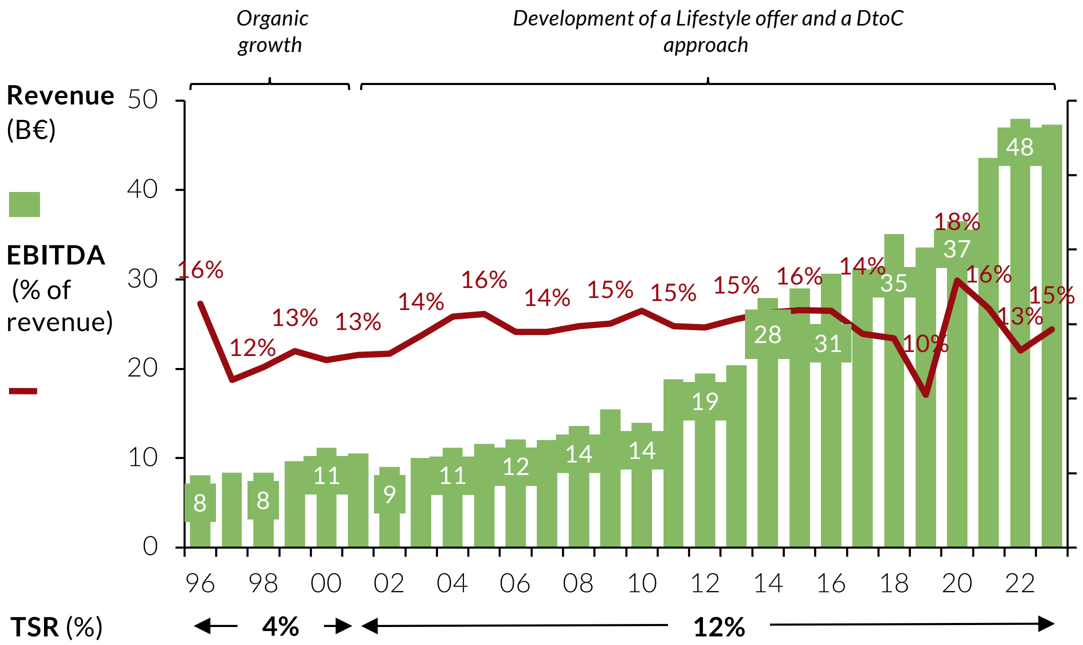
CAGR 94-04	CAGR 04-23
+20%	**+22%**
+21 pts	**+10 pts**

Share of energy drinks sold	
1994	**0%**
2004	**63%**
2023	**97%**

- Table 6 -

Only by combining both short-term and long-term perspectives can long-term growth be guaranteed

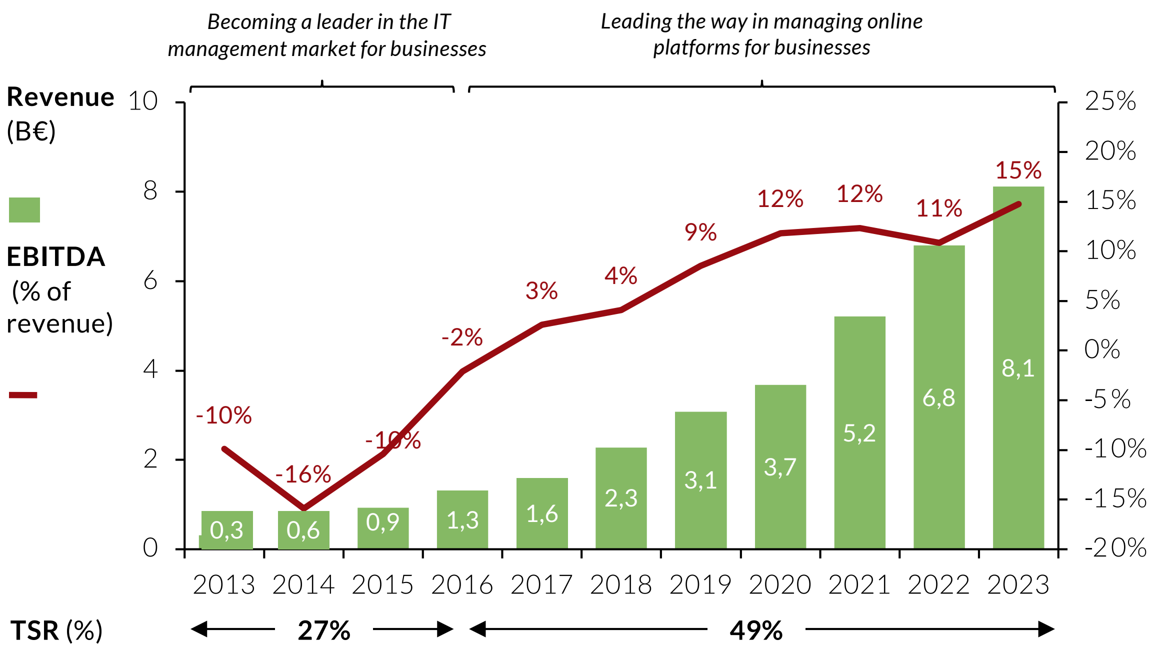
Nike - Anticipating and developing new consumer trends (*lifestyle* products) and expanding B2C (through own stores and online)



CAGR 96-01	CAGR 01-23
+5%	+7%
-3 pts	+2 pts

Revenue share	*Lifestyle*	*D2C*
1996	**10%**	**3%**
2001	**20%**	**6%**
2023	**51%**	**44%**

Service Now – Development of solutions and integration services to enhance the customer experience



CAGR 13-16	CAGR 16-23
+62%	+30%
+8 pts	+17 pts

Increased revenue with long-term goals	
2013-16	**+1,0 B€**
2016-23	**+6,8 B€**

Louis Vuitton, Hermès, and Chanel have revolutionized the luxury industry by heavily investing in direct distribution to improve the consumer experience and increase the perceived value of their products. Their key strategies include:

- Direct distribution integration: Opening flagship stores in prime locations in major cities worldwide;
- Increased advertising and communication budgets: These investments reinforce brand visibility and prestige;
- Strategic product and pricing expansion: Broadening product offerings while adjusting prices to support communication efforts and optimize store inventory;
- Professionalizing operations: Managing complexity and collections efficiently while optimizing supply chains;
- Global expansion: Scaling operations to capture growth opportunities, particularly in Asia.

Long-term strategic changes often concentrate on:

- Investing in downstream operations to be closer to consumers (such as Hermès, Chanel, and Louis Vuitton);
- Anticipating and capitalizing on new consumer trends (like Nike in sport fashion and Monster in energy drinks);
- Streamlining the customer experience (as seen with Apple's iPod, iPad, and iPhone, and Dyson's bagless vacuum cleaners);
- Integration of high-performance, reliable solutions with competitive components (Nvidia in GPU solutions for data centers, Service now in online application software solutions, etc.);
- Expansion of Technology to growing applications by Microsoft in the cloud and by Block in cryptocurrency.

The success of these transformations depends less on identifying long-term growth trends and more on the ability to reconcile short-term and long-term strategies, which require significant financial and human investments. Disruption is only valuable if it is significant and funded, at the start, by the short term. The success of a strategy fundamentally depends on its speed and magnitude.

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Leaders must work on both short-term and long-term time horizons.
Without the former, there is no profitability.
Without the latter, there is no long-term growth

- KEY ELEMENTS -

- Growth is the only way to create value in the long term.
- A company that does not grow and increase its value regularly will eventually lose its attractiveness to customers and employees as well as its independence in the long run.
- The success of a long-term growth depends fundamentally on its speed and magnitude.
- It requires the ability to work across both short-term and long-term time horizons.
  - Short-term strategies drive focus and profitability for current activities
  - Long-term strategies shape the broader vision and growth of an entire industry
- Without the former, there is no profitability. Without the latter, there is no long-term growth.
- Good managers focus on the short term, while visionaries are interested in the long term.
- Only industry captains – know how to work on these two-time horizons. They are effective delegates in implementing short-term actions and realistic visionaries in implementing long-term strategies.
- Three major questions need to be addressed:
  - What is the long-term vision to become the industry leader?
  - How much human and financial resources and how much management time should be dedicated to this long-term vision?
  - How can the gap between short-term actions and long-term vision be bridged? How can the two perspectives be reconciled?

What to conclude?

Both strategic time horizons - short-term and long-term - are necessary.

Short-term strategies drive focus and profitability for current activities, while long-term strategies shape the broader vision and growth of an entire industry. Without the former, there is no profitability. Without the latter, there is no long-term growth.

The transition from *"short-term strategies"* to *"long-term strategies"* is not a smooth process. Long-term strategies are built on a dynamic vision of the industry. Each successful major acquisition changes the company's value, growth potential, and scope, creating a snowball effect. Achieving success requires ambition, adaptability, the ability to manage frequent changes, rapid integration of new organizations, and the skills to balance risks with results.

In the short and medium term, the most competitive companies dominate their market in a specific segment. However, in the long term, in an industry that evolves in its segmentation and size, it is the fastest and most ambitious companies that create value and ultimately dominate an entire industrial sector, with its multiple segments. Once again, the choice of direction is crucial; the speed and scale of human and financial investments are decisive.

Good managers focus on the short term, while visionaries are interested in the long term. The most successful leaders - industry captains - are those who can delegate effectively, maintain realistic visions, and reconcile the two time horizons.

They tackle three essential questions:

- What is the long-term vision to become the industry leader?
- How much human and financial resources and how much management time should be dedicated to this long-term vision?
- How can the gap between short-term actions and long-term vision be bridged? How can the two perspectives be reconciled?

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Strategia Partners *is an international strategy consulting firm based in Europe (Paris & Zurich), the United States (New York & Seattle) and China (Shanghai). It assists Boards, CEOs, Executive Committees of major European and North American groups in their growth strategy. His approach integrates 3 perspectives: strategic and financial performance, environmental performance and human performance.*

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