

Trade-off between Investor's Short- and Long-term Goals

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Abstract – Latest studies and financial literature are analyzed to determine the factors, which influence long-term shareholder value maximization, which is ultimately the goal of the investor and the corporation itself. Content analysis showed that the key to return sustainability is high quality of corporate governance, ethics and social responsibility as well as plausible capital budgeting policy. Moreover, the road to long-term shareholder return sustainability often is “paved” by innovations. Based on the findings the authors propose the model which help to create optimal portfolio with the aim to achieve highest shareholder value in the long-term by managing the risks associated with the above-mentioned factors.

Keywords – shareholder value, investor goal, stakeholder theory, corporate governance, ethics, capital budgeting

I. INTRODUCTION

When searching for the compromise between his or her long and short-term goals, investor always faces a dilemma of whether to receive benefit immediately in the form of dividend payout or invest these funds to get higher return in future.

High immediate benefits, such as short-term corporate profit maximization (which drives stock price), can be achieved by various means: manipulating accounting figures, cutting R&D investments, saving on employee safety or on waste treatment technologies. The problem, however, is seen in sustainability of these returns are and whether long-term investment return can be maximized.

The answer to the question about corporate goal usually is profit maximization, or better – shareholder value maximization. Some speak about the stakeholder theory, which targets to satisfy all interested parties connected to the company: investors, employees, customers, suppliers, environment.

Jack Welch, former CEO of General Electric, for more than 25 years was a proponent of shareholder value importance, but now is questioning the consequences of investor wealth maximization by companies [17]. There appear more and more academic works which criticize the dogmatic theory that the ultimate goal of a company should be shareholder value maximization. The highest credit is given to the agency problem, when managers are engaged in short-term thinking and demonstrating unethical behavior in order to achieve company's maximum market capitalization, not thinking about long-term goals.

Of course, the companies are created to benefit their owners to provide them with maximum return. It is interesting that Jim Collins not directly touching upon social aspect shows that those companies, which provide long-term returns, are acting with the vision to satisfy societal needs, to help people to solve the problem but not to earn as much as possible [4].

ore and more investors are becoming socially responsible by limiting their investment universes to the companies, which care about the environment, employees, customers. Majority of them believe that only this type of investment can provide sustainable long-term returns. Stock indices based on socially responsible investing (SRI) criteria are being created: FTSE4Good, DJ Sustainability World Index, SSE Sustainability index etc. The criteria include corporate governance factors, ethical behaviour of the company towards stakeholders, environmental care.

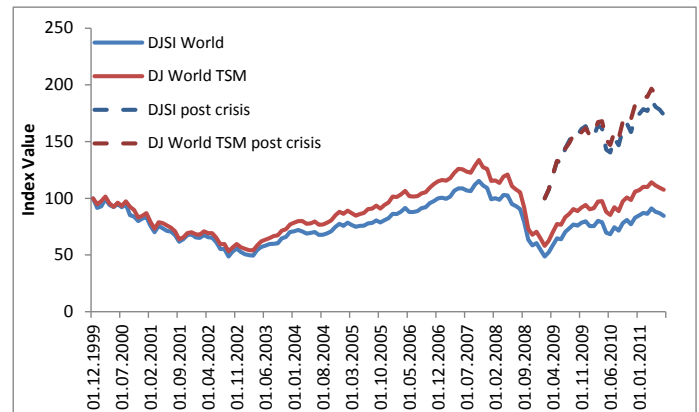


Fig. 1. Comparison of performance of DJ World Total Stock Market Index and DJ Sustainability World Index

The chart shows DJ World Total Stock Market index in comparison to the same index with the sustainability filter. Back to the beginning of 2000s sustainability factors evidently were not taken in the account and the annual performance difference is rather significant. And though the sustainability index still loses to total market index in the post-crisis period, the annual difference in performances is not that substantial: 0.59% versus 2.08% for the total period. We conclude that there appear special class of investors, which invest exclusively in corporate social responsibility (CSR) compliant companies. Besides, we hypothesize that companies which manage their strategic development sustainably are able to deliver higher performance.

Taking into account emergence of new trends on the markets, we try to find out of what is understood under shareholder value maximization in the latest academic publications and how much attention is paid to the social aspect.

The present research aims to crystallize those factors that significantly influence shareholder value using qualitative analysis for that. We employ content analysis tools such as word frequencies and joint frequencies to find the most important themes within shareholder value or investor return issues.

The following hypotheses were stated prior to the research:

Hypothesis I: Shareholder value maximization is the major goal of a company imposed by the investors.

Hypothesis II: Shareholder value is a long-term concept.

Hypothesis III: Shareholder value maximization in isolation cannot provide highest sustainable return for investors.

Hypothesis IV: Accountability, corporate governance and capital budgeting are the major factors, which can sustain maximum shareholder return in long-term.

Besides, the approach to shareholder value creation and maximization in the most widely used academic books is analyzed as well.

Based on the obtained study results and on the well-known Markowitz efficient market portfolio we create shareholder's goal model where try to compromise investor's short (not sustainable) and long-term (sustainable) goals.

II. RESEARCH METHODOLOGY

Literature analysis with the help of content analysis is mainly employed in the course of the present research. To understand the determinants of the long-term shareholder value and the factors, which succeed shareholder value sustainability we stick to the two strategies of the qualitative analysis:

1. Departure from the theory, when there are certain assumptions stated and 'hunches' about critical factors and relationships. This is done when considering the essence of investor's long and short-term goals in academic literature;
2. Departure from the observations, when inspection of the data results in explanation. This approach is used in an attempt to discover the factors which have the major influence on shareholder value in the long-term.

Initial data for qualitative content analysis are extracted mainly from the most popular academic books on the corporate finance and investment management as well as abstracts of the published scientific papers in the Business Source Complete EBSCO database, the world's definitive scholarly business database, providing searchable cited references for more than 1,300 journals. For word frequencies and joint frequencies analysis we use 27 papers published after financial year 2000.

To determine the major constituents of the sustainable corporate development and long-term shareholder value creation, the authors employed two text statistical software programs *TextStat* and *Hamlet II*, which also helped to analyze the relationships between the factors influencing the longevity of the company.

Obtained results create a foundation, on which it is possible to develop shareholder's goal model.

III. SHAREHOLDER VALUE AND INVESTOR GOALS – ACADEMIC LITERATURE REVIEW

The majority of books on corporate finance and investment management define investor's goal as dividend payments and stock price appreciation, which can be either absolute return or outperformance of the relative benchmark. However, these notions seem to be rather simple and not covering the complexity of the shareholder intentions. Moreover, they also are short-term related notions.

The majority of authors speak about shareholder's value maximization. James van Horn puts profit maximization, which is often regarded as one of the proper corporate objective, in contrast to the value creation [10]. He says that there are certain shortcomings connected with EPS maximization:

1. Duration of expected returns is not included;
2. Accounting figures are subject for manipulation;
3. Risk/uncertainty of the future earnings;
4. High EPS does not mean high dividend payments.

Horn scarcely mentions social responsibility, which should be cared about when companies strive to achieve maximum shareholder's return.

Glen Arnold also discusses uselessness of EPS and ARR when finding a solution about the ultimate goal of investor and corporation. He pays more attention exactly to value creation aspect discussing that the most important key elements of value creation are: amount of capital invested, actual rate of return on capital, required rate of return on capital and planning horizon. It is worth to note that the author does not mention clearly the corporate ethics, agency problem, accountability, CSR [1].

The book published in 2009 by Frank Fabozzi and Pamela Peterson provide arguments to prove uselessness of the accounting profit in the owner's wealth maximization process and focus the attention on recently developed tools for measuring shareholder value: economic and market value-added. The authors do not neglect agency problem discussing the costs of agency relationship and the ways to motivate managers to create shareholder value in the long-term. Manipulation with accounting data and social responsibility of the operating entity are also mentioned in this context [8].

Pierre Vernimmen associates shareholder value with various important issues: capital structure decision, dividend policy, various shareholder value creation measures. The truth, he appeals to, is that the only strategy able to create the value for the investor is realized only in the case when shareholder's equity increases by more than the amount of reinvested earnings. Though he mentions agency problem but does not go much into details [18].

The following scheme briefly summarizes the main concepts associated with the shareholders' value creation, which unanimously was admitted to be an ultimate investor's long-term goal.

Shareholder Value			
Measurement of Shareholder's Value: <ul style="list-style-type: none"> • EVA, • TSR; • MVA; • ROCE; • EPS; • ARR. 	Corporate Governance: <ul style="list-style-type: none"> • Agency problem; • Transparency. 	Corporate Ethics: <ul style="list-style-type: none"> • Accountability; • CSR; • Earnings Quality 	Capital Budgeting: <ul style="list-style-type: none"> • Dividend policy; • Capital Structure.

Fig. 2. Main concepts related to shareholder value reflected in the business literature and academic books

IV. SHAREHOLDER VALUE AND INVESTOR GOALS – ANALYSIS AND REVIEW OF CONTEMPORARY RESEARCH

Review of Relevant Literature

A string of events on financial markets forced shareholders to consider sustainability of return on investment and turned attention to such problems as agency cost, social responsibility, accountability.

Enron was worth only 30 bn USD at its peak market value of 70 bn USD, when manipulating with off-balance sheet items [11]. Sino-Forest, Chinese timberland operator, according to Muddy Waters Research, should cost below 1 USD, while company's market capitalization at time, when the report was published, was 3.2 bn USD and stock price was 18.2 USD [19]. Zijin Mining, Chinese gold miner, was trying to keep silent about the devastating accident on one of its mines and was attempting to give bribes to journalists covering this issue [20]. These are just several examples of the unethical behavior of the corporations to achieve higher returns, which definitely had huge negative impact on the investing returns. Just recently investors in many countries started to think not only about the ethics but also about the risks connected with it and its influence on the long-term value creation.

Hart and Milstein speak about the attitude of the companies towards the need to become sustainable which is often viewed as an additional regulation, liability and additional costs as a result [9]. The researchers offer strategies that would make the company sustainable simultaneously increasing shareholder value, calling it "creation of sustainable value by the firm". 4 strategies offered by the authors are the following: 1. Pollution prevention (cost and risk reduction as a payoff); 2. Product stewardship (reputation and legitimacy as a payoff); 3. Sustainability vision, meeting unmet needs (growth trajectory as a payoff); 4. Clean technology (innovation and repositioning as a payoff).

CSR viewed as a potential contributor to shareholder value also by professors Martin, Petty and Wallace [15]. Their argumentation is that the reciprocal commitment of the firm and its stakeholders can provide some basis for the long-term success. They also speak about the return from investments in CSR, which should be at least 100%. However, it is not clear what is the time range for the payoff. Another moment worth to mention is that not often the investments in social aspects can be received in material form. Often these are intangible benefits.

Another aspect, which is crucial for the shareholder value and which was the only determinant (besides operating profitability naturally) of its creation until recently, was capital budgeting policy and all ratios connected with it: return on capital, cost of capital, capital structure, dividend policy – ratios which directly influence main shareholder value measures: EVA, MVA, TSR, ROCE etc. Capital budgeting policy and cost of capital minimization are mentioned as a basis in the academic textbooks and research.

It is also worth to mention that for more than several decades there is an ongoing debate regarding whose interests need to be satisfied: shareholders or stakeholders. The proponents of the shareholder theory argue that the main goal of the company

should be firm value increase, stock price growth and, thus, maximization of the shareholder wealth [14, 16]. However, this approach is criticized for encouraging management short-termism, which can turn into unethical behavior. Proponents of the stakeholder theory believe that the economic profits of the company should be distributed among all stakeholders [2, 12, 13]. But again this seem to be a short-term approach as distributing the profits at one moment would hurt investment in R&D and, thus, will not benefit society in the long term [5]. Another weak point of stakeholder theory is constant change of the stakeholder, which means that one can receive benefit and exit relationship with the company, while another can have losses as company was unprofitable at another time.

The compromise between these two conflicting theories can be found in the long-term. According to Danielson et al. shareholder theory is more apparent as a corporate and investors goal, but the management should be dedicated to the long-term view, which means they should invest in all positive net present value projects regardless of whether these decisions will cause immediate increase in stock price [6]. Compensation incentives should be defined for managers accordingly.

In 1997 McKinsey conducted a study of the relationship between shareholder value creation, labour productivity and employment growth of 2700 companies across 20 countries [3]. The research results showed that focus on boosting shareholder value, also increases labour productivity and offers more employment opportunities in long-term.

Content Analysis Results

The research starts with the overall review of the themes covered in the selected publications on shareholder value creation sustainability and factors influencing it.

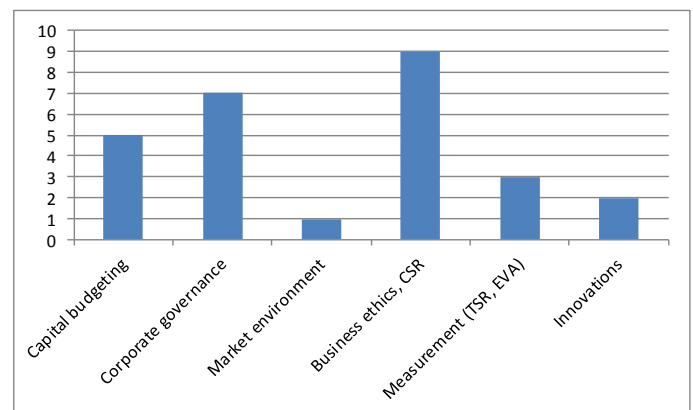


Fig.3. Number of researches emphasizing factors to maximize shareholder's return in long-term

The chart above provides analysis of the research topics (not older than 2000, extracted from EBSCO database) on the factors that have significant impact on shareholder returns maximization and sustainability. Overall 6 major topics deserved major attention in the scientific articles:

1. Capital budgeting (dividend policy, capital structure, WACC, required rate of return);
2. Corporate governance (agency theory);
3. Market environment (industry regulations);
4. Business ethics and corporate social responsibility (accountability, earnings quality, stakeholder theory);

5. Shareholder's return measurement (TSR, EVA, Cash return on investment);
6. Innovations as return driver (R&D investments, intangibles)

With the help of *TextStat* software we conducted also content analysis based on word frequencies. All words selected for analysis are split into 5 major groups. The division into groups which is based on the results obtained during the analysis of the business literature and the published scientific papers. The groups of words were dedicated to: corporate governance, capital budgeting, social responsibility and ethics, innovations and the rest were related to shareholder value notion and its measurement.

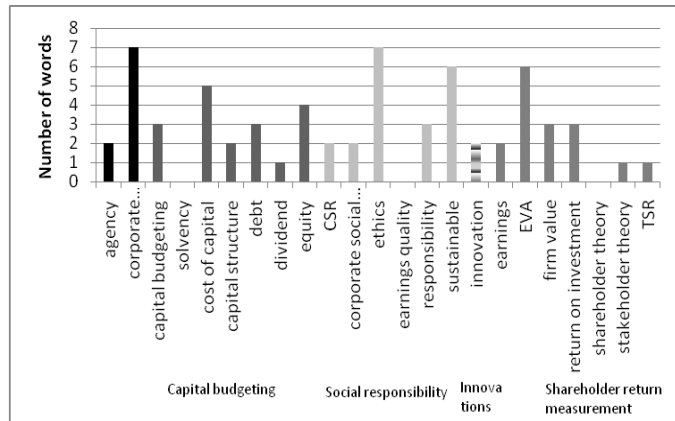


Fig.4. Frequency of words describing the major factors influencing shareholder value

The chart includes those notions, which according to the primary analysis, are the most frequent in the analyzed text. As the chart shows, the most important concepts appear to be corporate governance and ethics. However, overall the word group related to the capital budgeting in the end turned out to be most frequently referred to.

We try to compare the frequency of usage of 'stakeholder' and 'shareholder' theory, which are mentioned one and zero times respectively. Definitely we cannot make a conclusion that in this type of text stakeholder theory is more important than shareholder theory as 'shareholder value' notion in the analyzed text used more than 20 times. Besides, 'stakeholder' separately is mentioned just 10 times, while obviously 'shareholder' significantly more.

Looking at shareholder value in the context of its sustainability we pay particular attention to the frequency of the related words. 'Long-term' was used 3 times, 'sustainable' - 7 times and 'sustainability' - 2 times, which points that the long-term approach of shareholder value creation is one of the key to the authors of the selected scientific papers.

Hamlet II software allows us to conduct also a thorough joint frequencies analysis, which makes it possible to group words and concepts into hierarchical clusters and follow the most frequently appearing collocations (see Fig. 5). This type of analysis confirms previous research results as it builds a hierarchy based on the concepts related to shareholder value in the long-term. One can clearly see the groups related to capital budgeting and to measuring shareholder's value. Another large group includes the notions connected to the social

responsibility, corporate governance and ethics. Capital budgeting and social concepts obviously are forming another larger group, which has a direct impact on shareholder value.

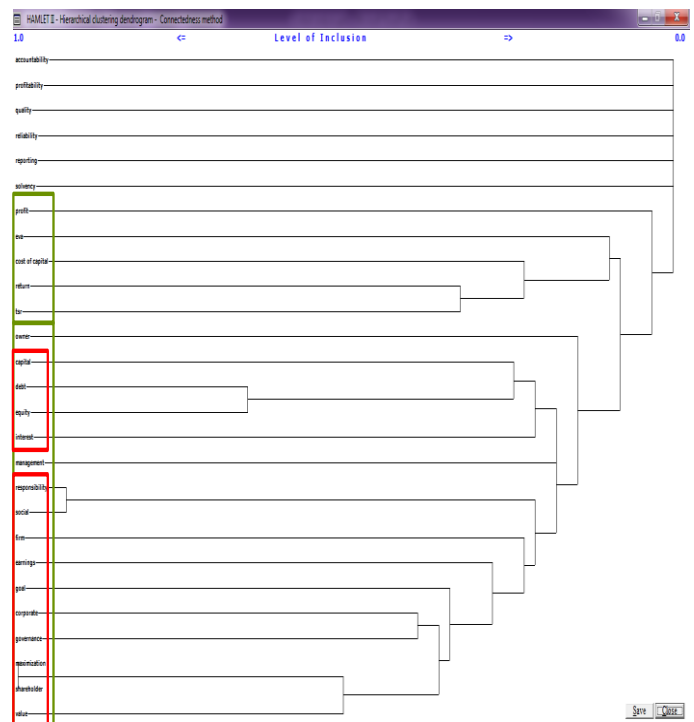


Fig.5. Hierarchical clustering dendrogram (Hamlet II) on most important concepts related to shareholder value

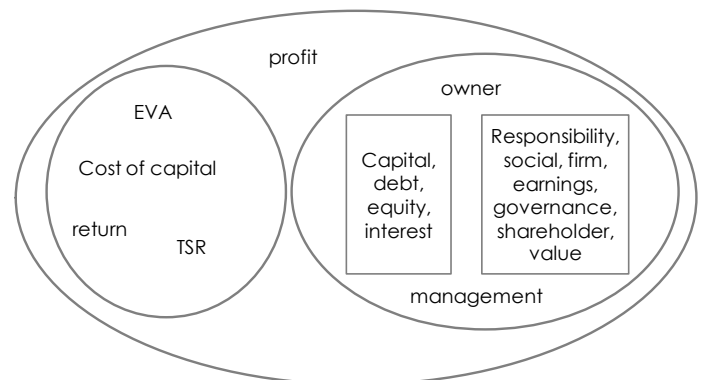


Fig.6. Main relationship between concepts discovered with help of Hamlet II/ (magnification of Fig.5)

To sum up the research of theoretical academic literature and of the scientific papers, which are usually more dynamic and are able to capture latest trends on financial markets, we conclude that there are several factors that can help to sustain shareholder value. This complements the commonly accepted factor, which is capital budgeting, directly influencing cost of capital. Company compliance with business ethics rules and the quality of corporate governance should be definitely considered, when evaluating company's ability to create maximum long-term value for its owners. We advise to consider also company's innovativeness as it often becomes value driver, determines firm's longevity and ability to achieve above average returns in the long-term.

V. HYPOTHETICAL SUSTAINABLE SHAREHOLDER VALUE MODEL

Based on the results of the present study the authors propose the model of the long-term shareholder value maximization, which resembles Markowitz portfolio theory.

Efficient frontier and Markowitz efficient portfolio are applied to the best possible choice of security selection on the stock market. The concept of capital allocation line, which is associated with the efficient frontier, describes the combinations of expected return and standard deviation (risk) of return available to an investor from combining optimal portfolio of risky asset and risk free asset [7].

The chart represents the portfolios with highest level of returns at a given level of risk called efficient frontier. Investor cannot diversify further to increase expected level of return without accepting greater risk. When introducing risk-free asset, the investor's best choice would be the tangent risk-free asset line to the efficient frontier of diversified portfolios.

Our hypothetical model is also based on maximizing return at a given level of risk. On y axis instead of expected return there should be shareholder return or shareholder value, which can be measured as TSR or EVA or ROCE etc. X axis same as in efficient frontier case represents risk as well. However, the risk is defined not as standard deviation. The risk in this case is covering 4 spheres, which according to the study have the biggest influence on shareholder value in long-term.

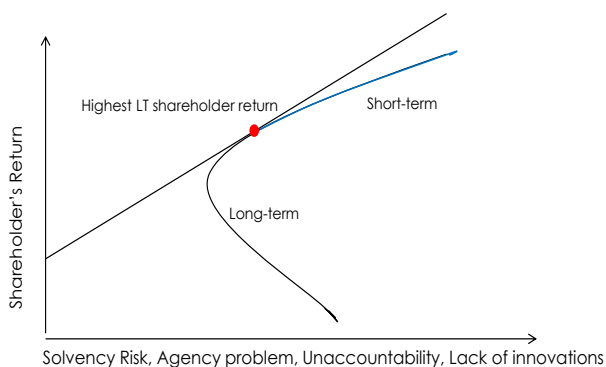


Fig.7. Hypothetical Sustainable SHV Maximization Model

Risk in the hypothetical model is defined as solvency risk (capital budgeting), agency problem (corporate governance), unaccountability (ethics, social responsibility), lack of innovations.

The risk-free asset line determines the tangency point, where highest long-term return on a unit of risk can be achieved. It is worth paying attention at the line marked in blue, which provides a concept of the short-term. In case the company carries significant risks such as cutting R&D budget, cheating with accounting figures, high short-term return can be achieved, as it should artificially inflate the earnings, but obviously this strategy is not sustainable. When considering long-term performance, one sees that the higher the risks are, the weaker is sustainability of the long-term return, the lower is the performance, which can reach zero and become negative if the risks are very high. For example, in the short-term the

company may borrow funds to reduce its tax payment, thus increasing profit. But in the long-term the company may go bankrupt as debt burden grows. If the company reduces investments in R&D, it will enjoy immediate profit but may lose its competitiveness on the market.

VI. CONCLUSIONS AND RECOMMENDATIONS

The objective of the study, to find a compromise between investors' short- and long-term goals, was achieved by creating a model, which provides a concept of long-term shareholder value. All the hypotheses stated in the introduction of the present research were proved with the help of qualitative analysis of the academic literature as well as contemporary scientific research papers.

Indeed, as the majority of researchers stick to the shareholder theory and consider that the ultimate corporate goal is shareholder value maximization. Though some emphasize its long-term context, many neglect the fact that corporate goal, which is shareholder value generation, can be achieved solely in the long-term period, when company's management has low incentives to act unethically to achieve short-term result.

In order to detect the factors, which influence shareholder value sustainability, we conducted content analysis of the academic literature as well as scientific articles published in EBSCO not earlier than 2000. The analysis of the academic literature showed that the basis of shareholder value is formed by the capital budgeting policy, stock performance, and operating profitability. There were also several references to the agency theory and social responsibility.

Analyzed research papers, in contrast, focused exactly on the corporate governance, business ethics, social responsibility. Of course, there were also articles about capital budgeting and shareholder value measurement tools. Innovations deserve special attention as in both sources they were mentioned as long-term value drivers and that only innovative enterprise can deliver superior performance in the long-term.

Summing up the results, we were able to develop long-term shareholder value maximization model, which resembles Markowitz efficient frontier and capital allocation line. The hypothetical model allows to understand where the maximum long-term shareholder value can be achieved and which risks can be minimized when investing in particular company. Risk or x-axis shows the risks of unqualitative corporate governance – agency problem, unaccountability, lack of innovations and also solvency risk. Should these risks increase in the short-term, investors could be able to earn higher returns as profit is maximized at the expense of reduced R&D budget for example. In long-term increased risks can lead to zero and often negative shareholder value.

It needs to be stated that this research is the beginning to developing the hypothetical model, which needs to be looked at from different angles and requires prove for its accuracy, which should come from both: academic and practical sides. One of the next steps of the present research continuation could be searching for evidence that companies themselves consider shareholder value as an ultimate long-term goal.

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Jūlija Bistрова, Natalja Lāce. Kompromiss starp investora īstermiņa un ilgtermiņa mērķiem

Investīciju sabiedrībā ļoti aktīvi tiek apspriesti jautājumi par to, kuras intereses primāri jāņem vērā: uzņēmuma akcionāru vai visu ieinteresēto pušu. Vēl viena dilemma, ar ko sastopas katrs investors, ir ieguldījumu atdeves maksimizēšanā īstermiņā un ilgtermiņā, kas bieži vien ir pretrunā: vai nu saņemt dividendes uzreiz vai arī sekmēt to reinvestēšanu un vēlāk saņemt augstāko ienesīgumu. Pētījuma autori mēģina atrast kompromisu šīm dilemmām, analizējot pausaulē populārāko finanšu akadēmisko literatūru, kā arī modernus pētījumus par ilgtermiņa akcionāru vērtības maksimizēšanu, kas ir investoru un uzņēmumu galvenais mērķis. Publikācijas analīzei tika ņemti no datu bāzes *Business Research Complete*, kas ir piedāvāta EBSCO ietvaros. Teksta analīzei tika izmantota teksta statistikas programmatūra *Hamlet II*, ar kuras palīdzību tika analizētas anotācijas 27 publikācijām. Veicot teksta analīzi, tika noskaidrots, ka pamatfaktori, kas palīdz sasniegt augsta ienesīguma ilgtspējību ir augstās kvalitātes korporatīvā pārvaldība, uzņēmuma ētiskie principi un sociālā atbildība, kā arī prātīga kapitāla pārvaldīšana uzņēmumā. Turklāt, tika noskaidrots, ka ļoti bieži ilgtermiņa augsto akcionāro vērtību sekmē uzņēmuma spēja radīt inovācijas, kas sniedz augsto pievienoto vērtību. Pamatojoties uz pētījuma rezultātiem, autori piedāvā modeli, kas palīdz veikt optimālo portfeļa izvēli ar mērķi sasniegt augstāko akcionāru vērtību ilgtermiņā, ņemot vērā riskus, kas ir saistīti ar augstākminētiem faktoriem. Riski, galvenokārt, ir sekojošie: aģentu problēma, inovāciju trūkums, bankrota risks, zems atbildības līmenis.

Юлия Быстрова, Наталья Ляце. В поисках компромисса между краткосрочными и долгосрочными целями инвестора

В кругу инвесторов всё чаще обсуждается вопрос о том, чьи интересы следует брать во внимание в первую очередь: владельцев предприятия или всех заинтересованных сторон. Ещё одна широко обсуждаемая дилемма, с которой сталкивается каждый инвестор, касается максимизации отдачи капитала в краткосрочной и долгосрочной перспективе, что часто противоречит друг другу: или получить дивиденды сразу или способствовать их реинвестированию с целью получить более высокую долгосрочную доходность. Авторы исследования пробуют найти компромисс, для решения этих противоречий. Для этих целей авторы используют качественный анализ наиболее часто используемой мировой академической финансовой литературы, а также исследования на тему максимизации отдачи капитала в долгосрочной перспективе, что является первичной целью инвесторов и предприятию. Текстовый анализ главным образом проводился на основе публикаций из базы данных *Business Research Complete*, которая является частью EBSCO. Для полного текстового анализа использовалась программа *Hamlet II*, с помощью которой были проанализированы 27 аннотаций к публикациям. В процессе исследования выяснилось, что основные факторы, с помощью которых можно достичь долгосрочности высокой доходности, это: высококачественное корпоративное управление, этические принципы предприятия и социальная ответственность, а также разумное управление капиталом на предприятии. К тому же было выяснено, что часто долгосрочность высокой доходности определяется также способностью предприятия быть новатором. Основываясь на результаты исследования, авторы предлагают модель, которая способствует выбору оптимального портфеля с наиболее высокой долгосрочной доходностью при определённых рисках, которые связаны с вышеупомянутыми факторами. Авторы выделяют следующие риски: проблема агента, нехватка инноваций, риск банкротства, низкий уровень ответственности.

Trade-off between Investor's Short- and Long-term Goals

Kompromiss starp investora īstermiņa un ilgtermiņa mērķiem

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The trade-off between long and short term goals within each type of activity remains to be very topical, particularly strong being felt when touching upon the topic of long-term investing in enterprises. The overwhelming majority of the corporate stakeholder parties are interested in short-term goals: employees demand high salaries, customers - lower prices, suppliers - higher prices. The conflict between the management and shareholders called an agency problem, is the very widely discussed in the corporate finance literature: underinvestment, unnecessary cost cutting, financial result manipulation, value dilutive mergers and acquisitions – these are the most evident examples of management willingness to receive short-term benefits by sacrificing company's long-term successful performance.

Raising the long and short-term goals problem to the shareholders' level, that turns to be an ultimate level, one spots the potential conflict there. The decision of whether to receive money immediately in the form of dividend or let them continue be tied up in company's working capital or invested in the fixed assets is the hardest but most important question for the investors. Though there exist several dividend payout theories like bird-in-hand or tax preference, the problem seems to be multilateral and cannot be solved just by defining the dividend payout ratio, as both investors' short- and long-term goals have to be achieved.

The aim of the present research is to develop the model which would compromise investor's short-, which are usually dividend payments, and long-term goals, which are company's sustainability and longevity and equity price appreciation as a result. The authors are trying to apply the efficient market frontier and the tangency portfolio developed by H. Markowitz to the corporate finance and investments management. The main objective of the application is to mitigate the conflict of immediate investor benefit in the form of dividend and long-term capital appreciation.

Qualitative analysis was done to determine the factors of the corporate long-term sustainable development, which results in the firm's value appreciation and improvement in company's financial conditions. The data for qualitative content analysis was extracted mainly from the academic books on the corporate finance and investment management as well as abstracts of the published scientific papers in the Business Source Complete EBSCO database. To determine the major constituents of the sustainable and durable corporate development, the authors have employed two text statistical software programs TextStat and Hamlet, which also helped to analyze the relationships between the factors influencing the longevity of the company.

As a result three major concepts were determined to have significant impact on the company's sustainability, persistence and long-term successful development: corporate governance, earnings quality (accountability) and corporate structure, which also have an impact on company's financials and, ultimately, on shareholder's value.