

## Short-termism in social organizations

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### ABSTRACT

Social organizations, defined as social entrepreneurship and nonprofit organizations, aim to meet societal objectives and play an important role in achieving sustainable development goals (SDGs). However, social organizations may fall into short-termism, defined as favoring short-term goals over long-term objectives. This undermines social organizations' ability to meet their long-term objectives and, in turn, negatively affects efforts to meet sustainable development goals. This note presents the channels that contribute to short-termism in social organizations. Three channels are presented and discussed herein. First, if investors and donors are short-term oriented, social organizations may focus on meeting short-term goals over long-term objectives to satisfy the demands of investors and donors and attract their funding. Second, if the management of a social organization is short-term oriented, it will be inclined to prioritize short-term goals over long-term objectives. Third, scaling up operations may result in neglecting the long-term objectives of social organizations. Understanding the roles of these channels is important for providing a better understanding of short-termism in social organizations.

**Keywords:** Social entrepreneurship, Nonprofit organizations, Short-termism, Sustainable Development Goals (SDGs).

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## 1. INTRODUCTION

Social organizations, whether profit-seeking social entrepreneurship or nonprofit organizations, aim to meet societal objectives. Both types of social organizations play important roles in achieving sustainable development goals. Sustainable development, as defined by the World Commission on Environment and Development (WCED, 1987), emphasizes meeting present needs without compromising the ability of future generations to meet their own needs. Therefore, a long-term orientation is central to achieving sustainable development goals.

However, social entrepreneurship and nonprofit organizations may prioritize short-term outcomes over long-term impact. This is called “short-termism.” Lavery (1996) defines short-termism as prioritizing short-term gains at the expense of long-term benefits.

This note presents three channels that can contribute to short-termism in social organizations: investors and donors, management, and scale considerations. When dealing with short-term investors and donors, social organizations may face pressure to prioritize short-term goals over long-term objectives. This is to satisfy the demands of investors and donors and to attract their funding. Moreover, having a short-term-oriented management will lead a social organization to prioritize short-term goals over long-term objectives, that is, short-termism. Additionally, as social organizations scale up and expand their operations, their ability to focus on meeting long-term objectives may decrease.

## 2. METHOD

### 2.1 Investors or Donors and Short-termism

Organizations require funding, and social organizations are no exception. While social entrepreneurs have innovative ideas that can contribute to solving societal problems and meeting sustainable development goals, they need to attract funding from investors to operate and grow. This gives investors room to significantly influence the decision-making process and orientation of social entrepreneurship. Similarly, while working toward achieving their objectives, nonprofit organizations must secure funding to finance their programs and activities. Significant funding for nonprofit organizations can come from donations, which gives donors influence on the decision-making orientation of these organizations. Efforts to secure funding from investments and donations mean that social organizations must satisfy the demands of investors and donors.

Some investors prefer to see the “fruits” of their investments grow rather quickly. This means that they may pressure social entrepreneurs to achieve short-term goals at the expense of social entrepreneurship’s long-term objectives. For example, Yu (2017) mentions that the Acumen Fund, an impact investment firm, requires the social organizations in which the fund invests to increase the number of end users during the investment period.

Likewise, some donors may require nonprofit organizations to engage in short-term programming. Chen et al. (2023) indicate that expectations for immediate results can lead organizations to prioritize short-term projects, potentially undermining long-term goals. Therefore, for example, when facing a choice between offering food for a group of homeless people immediately or training them over a few months to help them find jobs, an organization interested in securing contributions from short-term-oriented donors will choose the first option, although the second option may be more in line with the organization’s long-term goals.

This highlights the need to align investor and donor expectations with the long-term objectives of social entrepreneurship and nonprofit organizations. Otherwise, the short-term orientation of investors and donors can undermine social organizations’ long-term objectives. Based on the above, my first hypothesis is that investors and donors’ short-termism negatively impacts social organizations’ long-term orientation.

Hypothesis 1. Short-termism of investors and donors contribute to social organizations’ short-termism and negatively impact their ability to meet long-term objectives.

## 2.2 Management and Short-termism

Intertemporal trade-offs between short-term goals and long-term objectives are important in social organizations. If a social entrepreneur focuses on pursuing what is deemed optimal in the short run, such as having sufficient liquidity, this may lead to suboptimal long-run outcomes. This also applies to the management of nonprofit organizations.

Effective management is crucial for managing intertemporal trade-offs and keeping efforts to achieve long-term objectives on track. Short-term-oriented management cannot successfully manage intertemporal tensions and, as a result, cannot successfully pursue the long-term goals of a social organization. Furthermore, management with a short-term orientation is more willing to yield to pressure from investors and donors to focus on meeting short-term goals at the expense of long-term objectives.

Therefore, managing intertemporal trade-offs successfully can only be achieved by having management with a long-term orientation in social organizations, without ignoring short-term needs and goals. [Ashforth and Reingen \(2014\)](#) illustrate this through a case study of a natural food co-op, where balancing financial health with core values is essential for sustainability. [Gormezoglu et al. \(2024\)](#) demonstrated that a culture of knowledge sharing and social sustainability within organizations enhances their ability to balance short-term needs with long-term objectives.

This approach suggests that social entrepreneurs and nonprofit organization managers must consider both short- and long-term perspectives. Prioritizing one orientation over the other can negatively impact an organization's ability to successfully meet its objectives. Since short-term objectives are usually more pressing, short-term-oriented management may be inclined to prioritize short-term objectives over long-term objectives. Based on the above, my second hypothesis is that short-term-oriented management negatively impacts social organizations' long-term orientation.

Hypothesis 2. Short-term-oriented management contributes to social organizations' short-termism and negatively impacts their ability to meet long-term objectives.

## 2.3 Scale and Short-termism

Social entrepreneurship aims to grow, and nonprofit organizations aim to expand their outreach. However, if social organizations rapidly increase the scale of their operations, this may affect their ability to successfully embrace and manage intertemporal tensions and, therefore, their ability to meet their long-run objectives. For example, if a social entrepreneur grows rapidly across multiple locations, this may lead to a failure to understand the short- and long-term needs of different locations.

[Bansal et al. \(2017\)](#) discuss how organizational attention can become diluted as organizations expand, leading to the oversight of critical issues. In addition, [Zhang et al. \(2022\)](#) found that rapid scaling without adequate infrastructure can lead to a shift towards short-term objectives to meet immediate demands. This emphasizes the need for careful consideration of scaling strategies to maintain alignment with long-term goals of the project.

Based on the above, my third hypothesis is that when social organizations rapidly expand the scale of their operations, it can have a negative impact on their long-term orientation.

Hypothesis 3. Rapid Scaling Up can contribute to social organizations' short-termism and negatively impact their ability to meet long-term objectives.

## 3. DISCUSSION

Testing the hypotheses presented above is important to confirm their validity and to provide practical advice to the stakeholders of social organizations. One direction of testing these hypotheses would be quantitative analysis. A sample of social organizations is needed with the following data.

First, a measure that quantifies the dependent variable, short-termism in social organizations, is needed. An example of such a measure is the ratio of long-term to short-term programs carried by an organization. Data on programs from different social organizations are needed to establish this measure.

Second, measures to quantify independent variables: the time orientation of donors and investors, the time orientation of managers, and the pace of organizational expansion, are needed. One approach to capture the first two independent variables would be to conduct interviews with donors, investors, and managers from different social organizations to infer their time orientation, then establishing a time orientation score accordingly. The third independent variable, the pace of expansion (or scaling up), can be proxied by measures like geographical coverage for example. This is left for future research.

#### **4. CONCLUSION**

In conclusion, this note provides an overview of the channels that may lead social organizations, for-profit social entrepreneurship, and nonprofit organizations to fall into short-termism. Understanding short-termism in social organizations is important because it can negatively affect efforts to meet sustainable development goals.

Three channels that contribute to short-termism in social organizations are presented. By presenting these channels, we aim to encourage future research that can provide a better understanding of the contribution of each channel to short-termism in social organizations.

First, the need to secure funding from investors and donors can pressure social organizations to focus on short-term goals over long-term objectives to satisfy short-term-oriented investors and donors and attract their funding. This highlights the role of short-term investors and donors in promoting short-termism in social organizations. It also highlights the importance of successfully managing relationships with investors and donors.

Second, if a social organization's management is short-term oriented, it will prioritize short-term goals over long-term objectives. Successfully managing intertemporal trade-offs is vital for social organizations, and this requires social entrepreneurs and managers of nonprofit organizations to embrace long-term objectives while not ignoring short-term needs and goals. This highlights the importance of having long-term managers in social organizations.

Third, a rapid increase in the scale of operations may lead social organizations to ignore long-term objectives. This highlights the importance of careful consideration when scaling up operations in such organizations.

#### **Ethical Approval**

Not Applicable

#### **Informed Consent Statement**

Not Applicable

#### **Disclosure Statement**

The Authors declare that they have no conflict of interest

#### **Data Availability Statement**

The data presented in this study are available upon request from the corresponding author for privacy.

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#### **Notes on Contributors**

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