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The “long term” as an instrument for deploying neoliberalism – the case of the myth of long-term compensation

Abstract

Purpose – This study locates one surprisingly powerful ally of neoliberalism enabling its proliferation in certain contexts, the discursive notion of the “long term”. Earlier literature has shown that neoliberalism is concerned with investors’ decision-making that has been claimed to be based on long-term forecasts. This research explains this focus on the “long term”.

Design/methodology/approach – Share-based compensation is investigated in one case company. The data consist of interviews with executives, board members, analysts, and owners, and also of archival data on the executives’ performance measurement and compensation.

Findings – Much research equates “share-based compensation” with “long-term compensation”, and the present study terms this relation “the myth of long-term compensation”. It is demonstrated that multiple features of share-based plans, characteristics of the management in question, and contextual factors of the company and its governance tie in with the time orientation of such compensation. Multiple contradictions and irregularities in the literature on share-based compensation are analyzed, undermining the claim that share-based compensation is invariably long-term oriented. Relying on Barthes’ work, the study illustrates how long-term share-based compensation is a myth contributing to the ideology of neoliberalism.

Research implications – It is proposed that the terms “share-based compensation” and “long term” be distinguished from each other for analytical and practical purposes. Share-based compensation, and thus neoliberalism, can sometimes be linked to the short term.

Originality/value – “Long term” is illustrated as a significant instrument for deploying ideologies.

Keywords – share-based compensation, long term, myth, neoliberalism

Paper type – Research paper

1 Introduction

Neoliberalism refers to the well-known combination of capital, free trade, private property, individualistic rationality, and markets (Harvey, 2010; Mennicken, 2010; Morales, Gendron and Guénin-Paracini, 2014; Ravenscroft and Williams, 2009; Zhang and Andrew, 2014). So far neoliberalism has been decidedly impervious to measures undertaken to alter or replace it. Hence neoliberalism may have powerful but little-known allies enabling its popularity.

Research has shown that the discourses employed, for example, in the media and public rhetoric (Morales *et al.*, 2014) and taxation (Cooper, Danson, Whittam, and Sheridan, 2010) tend to retain and fortify neoliberalism instead of presenting serious threats to its existence. In particular, this has been explored for example with narratives on the Greek financial crisis of 2010 (Morales *et al.*, 2014) and the Scottish Service Tax in the 2000s (Cooper *et al.*, 2010). Zhang and Andrew (2014) have extended this by analyzing how specific words or concepts, such as “faithful representation” may serve as instruments of neoliberalism. However, Zhang and Andrew (2014) do not look at such concepts discursively but focus on their substantive content.

The purpose of this study is to show one surprising instrument by which neoliberalism effectively appears to maintain its prevalence. This adds to the present discourse-related literature on neoliberalism (Cooper *et al.*, 2010; Morales *et al.*, 2014) by providing deeper analysis, relying on

Barthes' (1957/2000) framework on how myths are discursively reproduced. The analysis shows how discursive notions such as the "long term" can contribute to neoliberalism and its associated idea of private property (Harvey, 2010). Previous literature has looked at concepts that could be seen as integral parts of financialization and thus neoliberalism (Zhang and Andrew, 2014). This paper shows how a discourse that has been considered neutral and outside neoliberalism can surprisingly help in maintaining neoliberalism. The setting is that of share-based compensation being promoted as "long-term" oriented.

The present study contributes by combining the discursive research (Cooper *et al.*, 2010; Morales *et al.*, 2014) with the analysis of specific concepts (Zhang and Andrew, 2014). This is important as a general discourse may appear rather unclear or hazy and thus difficult to change while a specific word, such as the "long term", is easier to alter. This may provide the beginning of a slow path to altering neoliberalism more effectively than before.

The present research further contributes by explaining the findings of the study by Ravenscroft and Williams (2009) who looked at the context of expensing employee share options. The setting used by Ravenscroft and Williams (2009) relates to that of share-based compensation, share options being a form of such compensation. Ravenscroft and Williams (2009) show how neoclassical economics naturalized neoliberalism within the accounting treatment of share options. Moreover, according to Ravenscroft and Williams (2009), in neoliberalism, investors' decision-making is assumed to focus on the future, i.e., the "long term". The present research shows how the discourse of the "long term" can be seen as a mythical (Barthes, 1957/2000) underlying mechanism for the naturalization of neoliberalism. The present study thus also explains why Krause (2009) appeared to find no relation between compensation denoted as "long-term" and a long-term strategy.

Barthes (1957/2000) thus assists in providing an explanation for the myth that is being upheld. Barthes (1957/2000) is also used here because he describes myths technically and in great detail, allowing for their effective deconstruction, and thereby revealing what underlies them. Moreover, Barthes' (1957/2000) framework is particularly valid for the analysis of specific concepts, such as the "long term" used in this study. This framework allows looking deep into the meanings such individual concepts may entail. This can be compared, for example, to the study by Meyer and Rowan (1977) analyzing myths and the legitimacy induced by them more generally, not individual concepts. Furthermore, Barthes' (1957/2000) framework assumes the use of myths by ruling classes to solidify their power. This fits in the present paper on neoliberalism as it has also been presented as an ideology serving the ruling classes (Cooper *et al.*, 2010; Morales *et al.*, 2014; Zhang and Andrew, 2014). Share-based compensation was chosen as the topic as it is a rather controversial issue having been criticized both in the media and in the academic literature (e.g. Lazonick and O'Sullivan, 2000). Thus, according to Barthes (1957/2000), such compensation effectively provides material for myth construction.

When neoliberalism and share-based compensation are tied to the "long term", they are given a favorable connotation "objectively", i.e., in terms of a specific time period. Share price has been seen as a not-so-objectively positive entity in many ways (see the literature on financial markets being short-term oriented, Aglietta and Reberioux, 2005; Ding, Richard, and Stolowy, 2008, p. 723-724; Ezzamel, Willmott, and Worthington, 2008; Lazonick and O'Sullivan, 2000). However, when associated with the "long term", share-based compensation appears in a very positive light.

Much research takes the approach in which the impact of share-based compensation systems on executives is assumed to be relatively straightforward and subject to predetermined formulae (Bebchuk and Fried, 2010; Cadman, Rusticus, and Sunder, 2013; Chi and Johnson, 2009; Core and Guay, 2010; Leone, Wu and Zimmerman, 2006; Dikolli and Vaysman, 2006; Indjejikian, 1999; Puffer and Weintrop, 1991). The long-termism of share-based compensation, or indeed of any kind

of compensation, is often measured in research and in practice by the earning period and the vesting period of the compensation system (Cadman *et al.*, 2013; Chi and Johnson, 2009; van Rinsum and Hartmann, 2007). However, regardless of actual earning and vesting periods in share-based compensation, share price has also been considered inherently long-term oriented. For example, share price has been perceived to represent all the future cash flows of a given company (Fama, 1965). Particularly in the earlier finance and accounting research, “share-based compensation” often appears somewhat automatically equated with “long-term compensation” (e.g. Dikolli and Vaysman, 2006; Fama, 1965; Indjejikian, 1999; Leone *et al.*, 2006; Puffer and Weintrop, 1991). Such a tie between these two terms (“share-based compensation” and “long term”) also appears dominant in practice. Companies often report their executives’ share-based compensation under the label of “long-term compensation”.

This presently used equivalence between “share-based compensation” and “long-term compensation” is illustrated here as not necessarily natural and potentially invalid. First, evidence is provided on this issue in the theoretical section in terms of the multiple contradictions and paradoxes associated with the field of “long-term share-based compensation”. For example, as executives’ share ownership is less diversified than that of other shareholders, executives may be more risk averse than those other shareholders, avoiding risky but profitable investments in the longer term (Coles, Daniel, and Naveen, 2006, p. 432). As another example, share price may be conducive to short-term concerns because it may reflect the short-term oriented information distributed by analysts (Rappaport, 2005).

Second, an empirical study is used, implemented as an intensive case investigation (Stoecker, 1991) in one Finnish listed company. The case company has share-based compensation systems with what could be considered notably short-term contract periods according to the earlier literature. Hence the company was selected as an extreme case worthy of study. The case sheds light on how executives’ share-based systems are seen as long-term oriented, supporting neoliberalism, even when the formal characteristics of these systems may contradict the long-term orientation.

Interviews and archival data were gathered for the analysis. The interviews were conducted with the key executives in the company and with outsiders, namely board members, representatives of company owners, and analysts monitoring the company. All these interviewees have views on share-based compensation. The archival data consist of the company’s annual reports and other information related to the performance measurement and compensation of its executives.

According to the empirical data, even if an adept researcher or a calculating machine is able to design a theoretically “perfect” compensation system, this does not guarantee that individual executives will be “ideally” influenced by it. These executives are not calculating machines but creative individuals, who do not function and cannot be controlled according to predefined formulae. On the other hand, individuals are heavily influenced by myths, as follows. When talking about compensation, both executives and outsiders provided certain rather straightforward propositions such as share-based compensation being automatically in line with the objectives of shareholders. They thus did not scrutinize the paradoxes involved (Coles *et al.*, 2006, p. 432; Krause, 2009; Rappaport, 2005).

The present discourse on long-term share-based compensation was shown in the company to be tied to neoliberalism and the idea of private property. The “long term” was therefore introduced as an unexpected instrument for turning an ideological opinion about a given issue, such as share-based compensation, into a “fact” with perceived objectivity. Respondents seemed to agree that financial markets could be short-term oriented. However, the discourse of “short term”, in this case the mirror image of the “long term”, was not used by neoliberalism. This was likely due to the negative connotations of the “short term”. This adds to the earlier literature on neoliberalism (Cooper *et al.*, 2010; Mennicken, 2010; Morales *et al.*, 2014; Ravenscroft and Williams, 2009; Zhang and Andrew, 2014) by providing a novel mechanism for the maintenance of neoliberalism. Neoliberalism is shown

here to be grounded on people's profound cognitive tendency of discursively favoring the "long term", not only on the substantive content of words (Zhang and Andrew, 2014), more general discourses (Cooper *et al.*, 2010; Morales *et al.*, 2014), or the naturalization of neoliberalism by neoclassical economics (Ravenscroft and Williams, 2009).

The present study is structured as follows. First, the literature on neoliberalism, the "long term", share-based performance measurement and compensation, and myth-building is described. The empirical method is then elaborated on. After this, the empirical data are presented. The study ends with a discussion and conclusions.

2 Theoretical commentary

2.1 Neoliberalism and the long term

Neoliberalism is currently acknowledged to be the major ideology and discourse (Chiapello, 2017) directing people in the western hemisphere in their everyday lives (Harvey, 2010, p. 66; Morales *et al.*, 2014). Neoliberalism can be defined by its emphasis on capital, private property, free trade, monetary wealth, entrepreneurship, the market, and the economic as naturalized issues (Harvey, 2010; Mennicken, 2010; Morales *et al.*, 2014; Ravenscroft and Williams, 2009; Zhang and Andrew, 2014; Zhang, Andrew and Rudkin, 2012). Neoliberalism has also been interpreted as the privatization and financialization of public services, labor flexibility, deregulation of markets, austerity measures within states and regulation that promotes and facilitates the operation of (financial) markets. All this appears to serve dominant interests. (Morales *et al.*, 2014; Zhang and Andrew, 2014)

Research has shown how neoliberalism is maintained and reinforced through general types of discourse related, for example, to derivative instruments, culture (Morales *et al.*, 2014), and taxation (Cooper *et al.*, 2010). For example, Cooper *et al.* (2010) maintain that neoliberalism favors "freedom" of the ruling classes instead of heavy taxation. Taxation transfers wealth from the ruling classes to others and may thus not be in neoliberal interests (Cooper *et al.*, 2010). Morales *et al.* (2014) show how neoliberalism involves those working in and for the government starting to think and act like entrepreneurs, thus spreading neoliberalism. In the case of the Greek crisis, this was achieved by reference to discourses on the use of derivatives and particularly on Greek culture that was portrayed as problematic (Morales *et al.*, 2014). The highly specific concepts shown in the present study have not been referred to in this literature. Zhang and Andrew (2014) have analyzed how specific concepts such as "faithful representation" (instead of "reliability" used earlier) and "other comprehensive income" and its calculation can maintain neoliberalism. Such maintenance takes place through an enhanced focus on market valuations (Zhang and Andrew, 2014). However, Zhang and Andrew (2014) emphasize the substantive, not the discursive, content of these concepts. The present research combines such approaches in studying specific concepts discursively. Narratives are of interest and they may effectively motivate readers to act against neoliberalism. However, they may not provide clear guidance on how to act in order to practically alter the associated discourses and practices.

In the literature, different facets of neoliberalism have been in focus. For example, while Morales *et al.* (2014) emphasize entrepreneurship, Zhang and Andrew (2014) look at neoliberalism through financialization and market valuation and Mennicken (2010) through market creation and entrepreneurial spirit. In the present study, private property and shareholder value as facets of neoliberalism are emphasized. This ties in with a focus on an entrepreneurial spirit in attaining private property and on the market value of the property. This is close to the approach of Cooper *et al.* (2010) who emphasize neoliberalism as concerned with the economic wealth of the ruling classes. "Property" can be closely related to "wealth" and shareholder value to shareholder wealth.

Shareholder value is the net present value or the goodwill value of company shares incurring to investors; the excess of market value over the book value of assets (Aglietta, 2000, p. 147). Shareholder value has also been seen as a powerful company-level ideology or discourse, promoting the management, preservation, and enhancement of the property by the owners/investors of a given corporation (Lazonick and O'Sullivan, 2000). Shareholder value can be perceived as a form of discourse promoting neoliberalism; shareholder value and neoliberalism both aim at enhancing the value of capital and promoting financialization.

Share-based compensation, such as share option compensation, can be seen to enhance executive focus on shareholder value (Ezzamel *et al.*, 2008). Ravenscroft and Williams (2009) show how a focus on neoclassical economics by the Financial Accounting Standards Board (FASB) naturalized neoliberalism in financial reporting practices. This took place, for example, in the context of the accounting treatment of share options. The FASB took the view that the main purpose of accounting is the provision of useful information to investors, not the discharge of accountability. The FASB thus favored estimates about the future that necessarily lack reliability. In the context of the accounting treatment of share options, this resulted in contradictions. For example, while the FASB generally favored market valuations, it recommended that options valuations be done with a mechanical model, not by markets. (Ravenscroft and Williams, 2009)

In line with shareholder value, the discourse of the ownership of private property supports neoliberalism (Harvey, 2010; Zhang *et al.*, 2012). Private property has even been claimed by neoliberalist discourse to be a “basic human right” (Li, 2010, p. 6). In the context of shareholder value, private property is the net value of the shares owned by investors. In terms of share-based compensation, private property thus means share and share option ownership by executives. Neoliberalism is connected with private property by being tied to issues such as capital and monetary wealth (Harvey, 2010; Morales *et al.*, 2014; Ravenscroft and Williams, 2009; Zhang and Andrew, 2014; Zhang, Andrew and Rudkin, 2012). Shareholder value entails the maximization of the value of the private property of company owners/investors – even at the expense of retaining the assets of the company itself (Aglietta and Rebérioux, 2005; Lazonick and O'Sullivan, 2000). Shareholder value is thus related to private property. However, private property can be seen as a wider concept than shareholder value: property can take the form not only of shares but, for example, of buildings or equipment.

The paper now takes a concise look at “long term” and “short term”. The “long term” discourse has been presented favorably, and the opposite, the “short term” discourse, has been presented as inferior (Levinthal and March, 1993; Nilsson, 2001). Long term has been conceptualized as a time frame extending typically one year or longer into the future (Van der Stede, 2000). Long term has been idealized as the aptitude of a person standing at the point of present and looking far, as opposed to excessively close, from that point of present (Chakhovich, 2019; Lavery, 1996). In order for innovations to take place, “peace” and a long time horizon have been proposed as necessary (Merchant, 1990; Ryan, 2007). Moreover, an emphasis on present pressures has been claimed to obstruct innovations (Hitt, Hoskisson, Johnson, and Moesel, 1996). The long term may not be paid that much attention in the financial markets (Ezzamel *et al.*, 2008; Lazonick and O'Sullivan, 2000). This could be caused by neoliberalism as the financial markets are its one strong form (Morales *et al.*, 2014).

Short-termism has been defined as efforts to improve present organizational performance while endangering an organization's long-term effectiveness (Van der Stede, 2000, p. 609-10). It has also been defined as the pursuit of action that is beneficial in the short term but not in the long term (Lavery, 1996, p. 826). Short term has traditionally been set as less than one year (Van der Stede, 2000). Lazonick and O'Sullivan (2000) warn about financial market short-termism tied with

neoliberalism. On the contrary, Nilsson (2001) expresses worries that cooperatives may possess a short time horizon, partly because these cooperatives are not listed. Pugh (2017) discusses the risks of short-termism in performance measurement. The short time horizon has been termed by Merchant (1990) a “negative side effect” of control systems, and short-termism “dysfunctional” by Van der Stede (2000). The Financial Services Authority (UK; 2009) report called for deferred remuneration forms, not paid out directly after a given performance period end.

Neoliberalism has been presented as short-termist. It has had a tendency to repress people on the basis of numerous characteristics such as gender, race, economic or social situation, pitting lower-level employees in companies against each other rather than uniting them in pursuit of a better future for all (Harvey, 2010). Relatedly, Harvey (2010, p. 247) presents the “long-term benefit of all” as a target for a shift away from neoliberalism. However, shareholder value appears to receive support from discourses that could be perceived positively, such as “private property”. Neoliberalism may thus paradoxically attempt to use the “long term” to its advantage as well.

2.2 The context of the share price

This section presents inconsistencies in research showing that share price is not always clearly long-term oriented. First, share price is looked at as a performance measure and then as a part of compensation systems. Share price is an inherent part of the neoliberal system, being a part of the financial markets.

2.2.1 Share price as a performance measure

Agency theory (Jensen and Meckling, 1976) has been employed to analyze the relations between shareholders (principals) and executives (their agents). There is evidence of the manipulation of agents’ performance in order for those agents to reach their targets (Courty and Marschke, 2004). However, Indjejikian (1999) claims that a more potent agency problem is how to induce employees to choose the right overall set of actions and decisions to maximize shareholder value. Employees perceive decisions as complements or substitutes. Thus, if they are offered incentives to perform a certain task, this may have a complex effect on their incentives to perform other tasks. (Indjejikian, 1999) There is no perfect performance measure that describes all the dimensions of an executive’s work; all measures have their weaknesses (Dutta and Reichelstein, 2005). For these reasons, several measures are needed (Indjejikian, 1999). Many different actions as well as many different performance measures are available and it may be unclear which performance measure is the most informative of which action (Murphy and Jensen, 2011, p. 27).

Performance-based equity plans have recently gained in popularity. In these, the performance measure may formally be other than share price, but shares are awarded based on performance and thus form an implicit measure (similar plans were earlier referred to as performance plans: see Brickley, Bhagat and Lease, 1985; Indjejikian, 1999). Share price has been seen to include information about future returns (Dutta and Reichelstein, 2005). Share price can be used as timely compensation for executives for work that will lead to success in the long term (Dikolli and Vaysman, 2006). “Long-term compensation” and “share-based compensation” are thus commonly equated in mainstream corporate governance research (Dikolli and Vaysman, 2006; Fama, 1965; Indjejikian, 1999; Leone *et al.*, 2006; Puffer and Weintrop, 1991). However, there are objections to this. Rappaport (2005) posits that share price encourages towards the short term because executives may believe that it is based on the short-term orientation of financial analysts. Akerlof and Shiller (2009) claim that financial market valuations are based more on emotions and feelings in the markets, as well as on resulting anomalies, than on “rational” company valuations. Chakhovich (2013) posits that share price can cause executives to outsource their planning function and discourage them from carefully analyzing potential future states.

Earning period refers to the period for which the outcome of a certain indicator is measured. For example, Van Rinsum and Hartmann (2007) define earning period (they call it evaluation period) as a time period taken into account when evaluating executive performance. Lengthening the earning period from one year to several years smoothens the value of the measure and possibly filters out random variation related to the measure. If the earning period is short, executives often see investment as a one-off opportunity rather than as a part of a longer chain of investments with larger profit potential. (van Rinsum and Hartmann, 2007) A short earning period may cause executives to invest materially less in risky investments than the optimal expected value of the investment (Bellemare, Krause, Kröger, and Zhang, 2005). However, the cognitive limitations of executives make it more difficult for them to understand the long-term consequences of their actions: hence longer earning periods can lead to poorer performance (van Rinsum and Hartmann, 2007). It is thus unclear whether a long earning period is conducive to an optimal time horizon. Discount rates also vary between individuals and long term can thus have very different meanings depending on the person in question (Pepper and Gore, 2012, p. 5).

2.2.2 Share-based compensation

This is compensation based on share price development. Its sources can be new awards of shares or share options or the existing pool of shares or share options owned by the executives or other performance-based plans with shares as a reward (Antle and Smith, 1986; Jensen and Murphy, 1990). Share price is affected by many market and sector factors beyond the executives' control (Bebchuk and Fried, 2004, 2010). According to Barclay, Gode and Kothari (2005), share price as a compensation base includes the effects of expected future actions on cash flows, not merely the effects of realized actions. This can lead to executives being rewarded for actions they are expected to do but have not yet done (and may never do) (Barclay *et al.*, 2005; Ravenscroft and Williams, 2009). Moreover, the value of executives' share options in current financial statements is based on future actions that may never be taken (Ravenscroft and Williams, 2009, p. 783).

The situations of executives and shareholders are different. If executives' share ownership forms a large share of their own wealth, they may become more risk averse than other shareholders with dispersed ownership (Coles *et al.*, 2006, p. 432). This can lead to executives rejecting positive NPV (net present value) projects involving risks (Coles *et al.*, 2006, p. 432). Moreover, company bankruptcy may cause executives considerable personal costs that are not borne by the other shareholders (Bebchuk and Spamann, 2010).

Options have a nonlinear, convex compensation structure (e.g. Core and Guay, 2010, p. 136). In other words, the sensitivity of compensation at lower levels of compensation is lower than at higher levels of compensation (Core and Guay, 2010, p. 136; LeRoy, 2010). This can bias incentives by encouraging gaming behavior and taking on risk (Bebchuk and Spamann, 2010; Core and Guay, 2010) that is not in the interests of the other shareholders (LeRoy, 2010). However, the convexity of share options can offset risk aversion possibly following from share ownership (Coles *et al.*, 2006, p. 432), as follows. Owners of options are more protected against losses than other shareholders in case of share devaluation; the owner of a call option is indifferent to whether the share price equals or is less than the exercise price of the option (Bebchuk and Spamann, 2010). Unvested options for which the share price is much above the exercise price of the options (in-the-money options) may produce problematic incentives. For example, these options may encourage executives to be excessively risk averse because they want to ensure that the share price remains at a high level. These executives may thus end up rejecting risky projects with a positive NPV. (Carpenter, 2000, p. 2323-2324) A nonlinear compensation function is also common in the case of bonuses (Murphy and Jensen, 2011) and in performance-based equity plans. In such a setting, executives can be made to take an interest in the variability of their results from one period to the next (Murphy and Jensen, 2011). This is because of

the nonlinear “kinks” in the bonus contract and the potential to maximize total compensation by reaching certain thresholds (Murphy and Jensen, 2011). These executives can thus artificially focus on short-term performance instead of the long term.

There is a conflict between the need to reward past performance and the need to provide incentives for future performance. According to Bebchuk and Fried (2004), executive share options favor management by giving oversized rewards that are not dependent on executive performance. For example, options have been repriced when the share price has fallen (Bebchuk and Fried, 2004). However, according to Manso (2011), an optimal executive compensation contract that encourages innovation can be achieved, for example, through option repricing. This repricing allows failure in the short term and rewards success in the long term (Manso, 2011).

Options and shares are usually not allowed to be sold immediately after being granted, but must be owned for a certain period before it is permissible to sell them. This mandatory holding period is termed the vesting period. Long vesting periods prevent executives from profiting from short-term share prices (Chi and Johnson, 2009), thus potentially lengthening executives’ investment horizons (Cadman *et al.*, 2013). However, if executives have a lot of options for which the share price exceeds the option exercise price, but are unable to exercise these options because of a long vesting period, the executives may become excessively risk averse. This would harm company value in cases where risky investments would be more beneficial. In the case of ordinary options in which the passage of time is the basis for vesting, executives may exercise options that still provide incentives for risk-taking. Executives may also have a lot of options regarding which convexity – the risk-taking incentive – has already disappeared, but these executives do not yet have the right to exercise these options. (Brisley, 2006) Thus an increase in the vesting period can help solve an agency problem of different time horizons of owners and executives, but may give rise to an agency problem related to risks (Cadman *et al.*, 2013).

The FASB promotes the use of the option valuation model basing aspects of the value of share option compensation on the assumption that the future can be induced from past events. However, the FASB simultaneously assumes that the use of such a model could alter behavior in the future. (Ravenscroft and Williams, 2009) There are indeed many contradictions in share-based compensation. It is thus no surprise that Krause (2009) found no relation between compensation denoted as long-term and metrics that indicate the presence of a convincing long-term strategy.

2.3 Myth-building

Myths abound in the financial markets. For example, trust in auditors as expressed by financial practitioners such as investors and analysts (Malsch and Gendron, 2009) and the ritual sacrifice of auditors in order to maintain the financial audit system in place (Guénin-Paracini and Gendron, 2010) may constitute myths. Myths in the accounting literature have sometimes been referred to as general beliefs that are, from a given viewpoint, “untrue” (Chambers, 1980). This study takes a different, more formal approach by following Malsch and Gendron (2009), Macintosh (2002), and Cooper (1995) in acknowledging the presentation of myths by Barthes (1957/2000).

However, the use of Barthes (1957/2000) is even more structured than in the case of Malsch and Gendron (2009), who discuss the ideas of signifier, signified, and sign at a more general level regarding auditors. The current treatment is also more structured than that of Cooper (1995), concerned as she is with how the features of accounting, particularly “profit”, are naturalized more generally (Cooper, 1995, p. 182-183). Macintosh (2002, p. 38-39) takes a similar approach to Cooper (1995), analyzing “net income”. In the present paper, the construction of the myth of “long-term compensation” is shown explicitly, term by term, within the analytical framework provided by Barthes (1957/2000). For example, it is shown what the specific “sign” is in this particular case.

Barthes' work relates to semiology, the study of signs and significations (Saussure 1916/1966; Barthes 1957/2000, p. 111). Barthes (1957/2000) shows how myths are not based on any objectively measurable truth, thus anything can become a myth as long as it is presented in a discourse (1957/2000, p. 109). "Discourse" is either the communication or visualization of certain phenomena: a picture can also form part of mythical language insofar as it depicts a message (Barthes, 1957/2000). The focus here is on the discursive notion of the "long term", and partly on its mirror notion, the "short term". Barthes was rather critical of myths; he claimed that the ruling classes gain ownership and control of speech by using myths (Barthes, 1988, p. 13-14). This makes the domination by these classes appear natural and beyond criticism (Barthes, 1977/1991, p. 165, 1984). Myths empty meaningful issues of their richness and replace such meaning with the liveliness and value of the myth (Barthes, 1957/2000, 1967, p. 54-56). Particularly in his late work, Barthes (1988) saw myths as abounding in many layers. Signifiers and signifieds can be tied together in complex chains (Barthes, 1984, 1988, p. 199; Macintosh, 2002, p. 33).

An example of a myth-building according to Barthes (1957/2000) is presented below. At the level of language, it is possible to use the pure "image" of a young black man who salutes a French flag as a signifier. It signifies a black soldier, a signified, so-called "concept". (Barthes, 1957/2000, p. 113) The signifier and the signified are united as the associative total of the sign, in this case "a black soldier is saluting a French flag", i.e., the "meaning" of the image. This meaning is "full"; presenting a lively, deeply meaningful picture. The myth-building, however, does not end here. This "black saluting man" becomes a new, second-order signifier. In addition, there is a second-order signified, a so-called "concept", a purposeful mixture of Frenchness and militariness. All this is created in order to build a second-order signification (sign) which, in this case, is French imperialism. (Barthes, 1957/2000, p. 115) This signification was produced for a purpose; to promote French imperialism. With myth-building, the image of the saluting man, the second-order signifier, becomes void of meaning, only a "pure" form whose attributes are irrelevant. For example, it does not matter what this man's life experiences have been so far. He is simply taken as a saluting man. As a result, the signification, French imperialism, i.e., the purpose of the myth-building, receives the most credible and lively meaning.

Barthes (1957/2000) refers to the widespread myth of neoliberalism as the "myth of the bourgeois". He claims that this myth accommodates many issues in the lives of the general public, such as appreciation for private ownership, norms of interrelationships expressed, for example, in civil ceremonials (for example, that a wedding should cost a certain amount of money in order to be legitimate), the display and consumption of wealth, technical and scientific progress, as well as emphasis on quantification (Barthes, 1957/2000, p. 137, 140, 141, 154). Many of these issues are contained in everyday life regarding such commonplace objects as household equipment. Such objects, while appearing purely and innocently technical, forcefully re-enforce the myth every day. (Barthes, 1957/2000, p. 148) This is similar to how the long-term share-based compensation re-enforces the myth. As another example, net income can be seen as a signifier for a certain amount of money. It could constitute a sign that ties in with the concept of "good life" resulting from free enterprise and neoliberalism. Alternatively, it could be read as the concept of an exploitative and neo-colonizing economic system depleting the environment. (Macintosh, 2002, p. 38-39)

Myths are often based on poor and incomplete images, where the meaning is not excessively rich but ready for signification (Barthes, 1957/2000). For example, long-term share-based compensation is an incomplete and unclear term based on the research presented in Section 2.2. The relation between "share-based compensation" and "long term" is thus not a naturally occurring equivalence although the myth presents it as such. Rather, this relation has been built historically in human interaction while the myth has been produced (Barthes, 1957/2000).

The empirical data will show how, in the first part of the myth-building process (Barthes, 1957/2000), share-based compensation and long term are connected at the level of language. Share-based compensation thus comes to be perceived as long term. Moreover, it will be shown how, in the second part of the myth-building (Barthes, 1957/2000), the myths of neoliberalism and private property are promoted. This is achieved by referring to the beneficial qualities of long-term share-based compensation. Ownership and company value to shareholders thus come to be seen as valuable.

3 Methodology

3.1 Overview

The empirical research was implemented as an intensive case analysis of one company, TradeCo (anonymized here) (Stoecker, 1991). The purpose was to study neoliberalism materialized as share-based compensation. Such compensation thus had to be clearly present in the case company. The company was also selected due to its use of short-term oriented compensation systems, measured with earning and vesting periods. The company therefore represents an extreme case showing that “share-based compensation” need not always be objectively measurable “long-term compensation”.

Interviews were conducted with company executives and interested outsiders. The company's website, annual reports, stock exchange releases and their appendices served as archival data. The Euroclear service was used to locate information on share ownership.

Altogether seven executives and two board members were interviewed. In addition, four analysts following TradeCo as well as six owner representatives were interviewed. Out of the six representatives of the owners, four represented the same investing organization and were interviewed together in one group interview. The other two owner representatives, as well as all the other interviewees, were interviewed individually. The interviews were semi-structured in order to encourage a freely flowing discussion that still focused on the topics of interest. One of the interviews lasted 26 minutes, another about two hours, and the length of the rest was in between these two extremes. Appendix A summarizes the interviews and Appendix B provides the interview outline. Probing questions were employed where appropriate and thus the interviews did not proceed strictly according to the outline provided.

Executives were interviewed due to interest in how they perceive their own compensation. The stated goal of executive compensation is to align the interests of executives with the interests of the owners, and for this reason the owners were also assumed to have an important point of view on such compensation. The analysts monitoring TradeCo were familiar with the company and capable of evaluating the company's executive compensation. Interviewing the corporate governance-related interest groups of the case company, the analysts and owners, also afforded a more profound understanding of the compensation systems than interviewing solely company executives about their own compensation. Outsiders were also able to provide more general views on compensation, not only related to this specific company. They thus echoed more general societal views. Finally, it was appropriate to interview the board members, because it is the board of directors which decides on the executive compensation systems. In the data, board members are presented as outsiders to the company because they are not privy to the very insider views, for example, of compensation and motivation, held by the executives.

The analysis proceeded as follows. First it was noted that there were several contradictions and tensions in both the relevant theory and the empirical data as to whether share-based compensation could be considered to be long term. These contradictions were analyzed, thereafter considering how share-based systems could be termed long-term systems so unquestioningly given all the contradictions surrounding the topic. The work of Barthes (1957/2000) with its emphasis on the myth

of bourgeois was seen to explain this paradox. The empirical material on share-based compensation and ownership, both integrally tied to neoliberalism, was found particularly relevant in this respect. The data were thus organized according to share-based compensation and ownership pertinent to this focus. Both long term and short term were also included in the analysis. The empirical concepts of share-based compensation, the long term, neoliberalism, and private property were mapped into the theoretical concepts of Barthes (1957/2000) at the levels of both language and myth. This yielded novel insights into the empirical data as it became possible to observe which empirical concepts linked with myth-building at which levels. A similar but less extensive counterfactual analysis was done based on the concept of the short term.

3.2 The background of the case company

TradeCo was created in 2006 as a spin-off from another company and listed on the Helsinki Stock Exchange (Nasdaq OMX) the same year. The company was in the distribution business, and its operating segments were retail and wholesale of consumer products in regions A, B, C, and D. In 2010 – the approximate time of the interviews – TradeCo had 5,400 employees, of whom more than 80 per cent joined the company after its establishment in 2006. About 60 per cent of the employees worked in the retail business. In 2010, the net sales of TradeCo were 1.9 billion euros.

TradeCo had a significant position in region A in wholesale and in regions B and C in the retail and wholesale trade. It had less activity in region D. TradeCo expanded to region B's wholesale and retail trade in 2008. TradeCo also initiated a retail business in region C in 2010, during the dismantling of the region's retail monopoly. These expansions were implemented through acquisitions.

TradeCo had two classes of shares. Each A-share carried 20 votes and each B-share one vote in the general meeting of shareholders. TradeCo's ownership was widely dispersed: the largest shareholder owned less than five per cent of company shares and the 20 largest shareholders held a total of less than 25 per cent of company shares. The owners interviewed were among the 20 largest owners of the company. The ownership shares of these owners were about 1-2 per cent or lower, and the share of their votes varied from zero to slightly less than five per cent.

4 Empirical data

4.1 Executive performance measurement and compensation at TradeCo

Executive compensation at TradeCo consisted of basic salary, fringe benefits, annual bonus, and a share-based compensation system. This was according to the present neoliberal consensus of how compensation is usually structured. According to TradeCo's annual reports of 2007-2010, the bonus was based on the "achievement of financial and personal goals". These goals at TradeCo were twofold: there were financial targets based on the company budget, such as sales, return on working capital, the cost efficiency of logistics, and the dividend paid, and there were non-financial measures such as employee and customer satisfaction and the number of sales visits. The maximum bonus as a percentage of the annual salary of the CEO in 2007-09 was 50% (58% in 2010) and for the other members of the executive team it was lower.

The first share-based compensation system at TradeCo was implemented for the years 2007-2009 and the second 2010-2012. In both systems the earning period was one year. In the first system, the compensation was based on each of the three years' operating profit and annual company ROCE (return on capital employed). In the second system, the measures were annual EPS (earnings per share) and annual ROCE. The systems thus exemplify so-called performance-based equity systems in which shares are given on the basis of the achievement of predetermined goals. In the first system the executives had to own the shares received from the system for one year before they could be sold,

while in the second system, the shares had to be owned for two years. In the second system there was an added requirement that the executives must own half of the shares received from the system for the entire duration of their employment in the company. The second system had a requirement that was not present in the first system: if the total compensation paid from the system exceeded 3.5 times the person's total salary during the previous year, this excess compensation would be cut (total compensation here refers to the total sum of basic salary, fringe benefits, annual bonus, and share-based compensation system payouts and the total salary refers to the basic salary with fringe benefits). In both programs, there was a maximum number of shares offered.

Insiders (outsiders) referred mostly to the first (second) system in their interviews due to the timing of their interviews in 2008-09 (2010-11). The main reason for the difference between the systems was a change in the governance environment in which owners exhibited more interest in the timing- and fairness-related terms of the contracts.

The share ownership by the executive team increased over the years according to neoliberal ideals. In 2006, the executive team consisted of twelve people, five of whom owned shares in the company, and in 2007, four out of eleven members of the executive team held shares. However, in 2008, only one of the eleven members of the executive team held no shares. This person had apparently joined the executive team in 2008 because his holdings were not previously reported in Euroclear. In 2009 all six members of the executive team owned shares. The following year, two of the seven executive team members held no shares. However, they had apparently joined the executive team as new members in 2010 because their holdings were not reported in previous years in Euroclear. In 2006 and 2007 the CEO's share ownership remained the same, but after that it grew every year and in 2010 the CEO owned nearly 156,000 shares. A board member mentioned that the CEO had to buy shares himself over and above the shares he received as compensation. There had been many changes in the composition of the executive team over the years; during the period 2006-2010 nine people left the executive team and four new members joined it. Leaving the core executive team did not mean that those members who left could not continue as part of the extended executive team.

The targets stated as long-term at TradeCo were strategic aims, expressed through strategic programs, and a limited number of financial measures. Examples of strategic programs were the growth in operations in a certain region and improvement in the company's efficiency. At the beginning of the research period the financial measures were: (1) the operating income, targeted to improve annually by five per cent, and (2) ROCE, aimed to reach 13% in 2010. TradeCo had fared very well in terms of these measures before 2010. In that year, difficult product markets in region B caused a deterioration in company performance. Similar difficulties continued after the research period.

4.2 Executives' views on the time orientation of their own share-based compensation

This section describes first how executives were convinced that the share-based compensation was long term at the level of language. Long-term share price is then tied to neoliberalism at the level of the myth. However, a potential contradiction within this is acknowledged: executives felt that financial markets were short-term oriented but this did not cause them to think that share prices could be short-term oriented.

Myth-building at the level of language at TradeCo

The executives did acknowledge that the earning period in the share-based system was one year, but this did not dispel their experience that this system was inherently long-term oriented. It was claimed that if the shares were not given immediately, i.e., if there was a vesting period, the system was long-term oriented. This discourse forms the first part of the myth-building process, as proposed by Barthes (1957/2000), connecting share-based compensation and long term at the level of language. The

executives noted that similar measures were used in both short-term and long-term programs, notably operating profit. It was admitted that the systems were thus in this way set to overlap. The vesting period was seen to differentiate the long-term from the short-term system; that period was longer in the long-term system.

The existence of the vesting period by itself made executives think that the system was long-term oriented. However, underlying such an idea of the vesting period was also the conception that the system was built to encourage commitment for the long term, which was seen to provide a long-term perspective. For example, the executives talked about how their compensation system was designed so that they could only sell their shares after a certain time period, namely one year at that time. It was felt that this enhanced commitment. The important issue here seemed to be that there was some type of a vesting period reminding people of the long term, not the exact length of the period. An executive explained:

We have this kind of a longer-term compensation system in which it is possible to receive company shares... so that even if next year you received shares based on this year's performance, you could not sell them next year but the year after next. So it is a system that fosters longer-term commitment (Executive).

Executives also perceived the system as long-term because the system was planned in principle to be recurring and thus longer than one year. However, the measures of the system could be altered at once. The content of the system might thus in principle vary from year to year. An executive talked about how the recurrence of the system motivated and necessitated the creation of something new:

One can measure profit weekly, monthly, quarterly or annually, so it is not necessarily a long-term [measure]. But if we talk about the continuous increasing of profit over three or four years, then... It is possible to improve profit one-off by increasing efficiency, so that one notices some kind of an error [or value-decreasing] activity by the elimination of which one can increase profit. But in the longer term only the path of the acknowledgement of errors is usually rather quickly exhausted... if one wants to continue on the growth track, one has to create something new (Executive).

Executives also felt that if the system provided targets for the long term, it was long-term oriented. However, there were no explicit long-term targets in the compensation system. Two financial measures, operating income and ROCE, had long-term targets (measured over several years) at TradeCo. However, these measures were not explicitly included as long-term in the compensation contract; their evaluation period was one year. It appears that the executives had deemed these measures important for themselves in the long term in principle. These executives thus did not pay attention to whether the targets for these measures were included in the compensation contract as long-term targets or only as annual targets.

When asked about which features made a measure long-term oriented, the respondents gave replies several of which did not really appear to be connected to share price at all. Instead, some of these features of the long-term oriented measures offered seemed to contradict the measure of share price. For example, it was often claimed that a target was long-term oriented if a long time should elapse and several milestones or targets be reached before it became apparent if the company had reached the target or not. Because the share price, in principle, already contained all the relevant information on the future, it provided a more instant source of gratification. Thus it did not directly relate to this persistent milestone hunt.

Myth-building at the level of the myth at TradeCo

The executives referred to ownership when talking about the long term. They apparently felt that ownership was a desirable issue with long-term qualities. It appeared important that executive share ownership emerged as a result of the compensation system. Ownership and company value to owners were seen as valuable in their own right. This relates to the second part of the myth-building as shown by Barthes (1957/2000), in which neoliberalism and private property are reinforced with the assistance of the long-term share-based compensation. Owners were generally considered long-term oriented: potentially interested in investing in the company for a long time. However, the executives did acknowledge that there might also be short-termist owners, although the executives were not seen as such; hedge funds were mentioned as short-term oriented. It was assumed that ownership was in general long-term ownership and thus long-termist and desirable. It was also assumed that the value for owners originated from the company having successful projects in its business. The source of this value was thus considered to be successful company operations, rather than positive investor expectations preventing investors from selling the shares and thus decreasing shareholder value. The focus was thus on the company business, not on the events and expectations in the financial markets. A respondent commented on ownership:

There are different ways [to compensate] but it needs to be somehow... in the longer term, if projects are successful, it should lead to the creation of shareholder value. It would be beneficial if [compensation] could be tied to the value that is perceived by the owners of this company. [The increase in that value] is what we should be doing with our long-term projects and then there should be some kind of a tie to ownership [in compensation systems] (Executive).

The executives talked a lot about the content of and changes in their business and about how they had to manage this business for the benefit of TradeCo. They seemed much less interested in their share-based compensation systems. The following quote describes this, pointing to the wild fluctuations in share prices at the time of the financial crisis of 2008-09.

If we look at the [financial] market... for the last six months, it shows that the executives should not look there [to find out] how the value of the company moves... We have to concentrate on whether our products are good, service processes function, relations with customers and suppliers are well handled, and through these measures the profit will improve in the long term (Executive).

Share-based systems were not mentioned as being very important in motivating executives. Instead, the working environment, relations with superiors, subordinates and peers, and especially interesting, fascinating, challenging, and demanding work tasks and success in them, as well as the opportunity to learn something new, were seen as the major incentives. The executives talked about working in a field in which large business-related ruptures and changes, such as the dismantling of monopolies, were taking place. Executives felt that they enjoyed a privileged position in this way because they were provided with a very interesting field of operations. They also felt that it was important that they could be working on projects that they considered meaningful and development-oriented. The executives were very voluble on the subject of motivation and their motivation was thus clearly important to them. One executive noted that “the monetary incentive hardly enters my mind during the year”. Another executive compared the inner motivation for concrete tasks to the motivation for making money for a faceless financial market organization and found the latter most disagreeable:

I am personally motivated not only by achievement, but I enjoy leading people in operations... in logistics, production... that we, together with my team, achieve the right things, things that have concrete significance for how this company operates. And then the operations of the company have to be such that I can perceive that they resonate

with my feelings, so that there is some other purpose than only the pure money creation for some unknown pension fund or something like that (Executive).

However, the executives noted that it was gratifying to know that not only the executives themselves had worked well but that they had also worked in the interests of the shareholders. These shareholders were seen as dependent on the results that the executives were able to achieve, according to neoliberalist ideals. It was as if the shareholder was a colleague or a partner whose fate was linked to the fate of the executives. The executives felt that if they had increased shareholder value, they had achieved something valuable, not only for themselves as meaningful tasks accomplished and compensation earned, but for the shareholders as well. This thus reinforced neoliberalism with its emphasis on private property and shareholding. These shareholders were seen as “objective” outsiders able to judge executive success from afar.

The executives sometimes found it difficult to remember the exact terms of their contracts. Some of them admitted to studying them on purpose before the interview in order to be able to discuss them if asked to do so and to check the content of public information in order not to accidentally disclose excessively confidential information. Others brought the contract or information on it published on the website with them to the interview in order to be able to check necessary details on the spot. Then, when asked about the system, they would take the compensation manual and check the information there in order to “perform” in the interview. They did not know the information by heart and otherwise had a limited interest in it. All this raises the question as to how much a compensation system and its details matter in this case. The executives claimed that they did not aim at targets deemed contrary to the long-term interests of the company and long-term owners, even if they were compensated for achieving those targets. The slavish pursuit of compensation system targets was considered neither wise nor reasonable.

When I think of myself personally, I do not knowingly think of how much money I have tied up [in the compensation system]... And when we think that we have this one-year bonus contract, when we talk about the short-term compensation system, then the world can sometimes change during the year so much that you just [end up doing] that one thing, that happens not to be in the bonus contract, but because that thing just right then happens to be at the top of the priority list, then you just do it [anyway] (Executive).

The respondents appeared to feel that the listing in the financial markets could make them more short-term oriented than their non-listed competitors. This was because, especially if they did not perform well, they would be forced by the financial market participants to improve their performance in the short term with measures not conducive to the achievement of long-term success. In addition, it was felt that the non-listed competitors could prepare their long-term plans in peace and did not have to inform the financial markets about those plans as much as the focal company. Thus these competitors gained a competitive advantage. It was also felt that the financial market listing slowed TradeCo down: the company had to disclose more information and offer more explanations for its actions than its competitors and this took time in the short term. Some executives also felt that the quarterly reporting resulted in an excessively hectic atmosphere inside the company. At a point when an executive had recovered from the information sessions concerning the previous quarter, he already had to begin thinking about reporting on the next quarter. The following quote describes the interaction between time orientation and listing.

[The financial market listing] definitely shortens the time horizon, in other words, forces one to make choices that might not fall due in a family company. It does not affect us so much currently... If the financial situation of the company were bad, if we were in crisis, then the impact would be much more dramatic because then we would be forced to make very short-termist decisions and could not think [of the long term]. Now, when

our situation is quite good, we have managed to do the right things and issues have developed in the right direction, it has given us freedom. But that freedom is only with us as long as we, every year, every quarter, take care that profit remains at a certain level. At the very moment it is not [at that level], the freedom disappears, and the time horizon shortens dramatically (Executive).

Nobody, however, saw any paradox between these financial market-related concerns about short-termism and the share price being seen as inherently long-term oriented.

This section has shown how executives were convinced that the share-based compensation was long term. This resulted in the reinforcement of neoliberalist views on ownership. However, executives acknowledged that financial markets, in which company value was formed, could be short-termist. It has also been shown that while the source of executives' motivation was typically other than compensation, working for the owners increased this motivation, based on neoliberalism.

4.3 Outsider views of the time orientation of the executives' share-based compensation

This section illustrates outsiders' concerns that the systems were short-term oriented, based quite simply on earning and vesting periods, for example. It is also shown here how share-based compensation was seen fairly automatically as long-term oriented, supporting neoliberalist views – despite the concerns about the specific systems in this company.

The perceptions of outsiders regarding the appropriateness of the EPS and ROCE measures in TradeCo's share-based compensation system differed from each other. Those outsiders who only generally thought about shareholder value saw the EPS and ROCE measures as good indicators of overall success, consistent with the general target of maximizing shareholder value (in line with neoliberalism and private property). If these measures were increased, probably shareholder value would also increase. However, those interviewees who considered EPS and ROCE targets in relation to the specific TradeCo situation criticized these measures: TradeCo was growing aggressively through acquisitions and would have required measures that supported this growth such as market share or increase in sales. However, EPS and ROCE emphasized profitability rather than growth. The following quote illustrates these concerns.

TradeCo's goal is to grow faster than the market as far as I can remember... When you look at their compensation schemes, there is always annual earnings per share as a compensation base. So here is the fact that faster growth in the long term than the market growth is a completely different factor to be optimized than one-year EPS. In which case, whether the firm's [stated] goals and the objectives in the executive compensation system are in line, in this case, this may not be, at least not completely (Owner).

Many of the outsiders perceived TradeCo's share-based compensation system as a short-term system because of the one-year earning period. Some outsiders complained that there were two excessively similar short-term compensation systems at TradeCo.

In principle I think that the bonus system is a short-term incentive plan and share-based solutions are long-term systems. And this is the justification for the existence of two systems. If both have a one-year earning period, then there are two of the same kinds of systems on top of each other... then I think this is not an optimal situation (Owner).

The representatives of the owners noted a gaming possibility related to the one-year earning period. This possibility is especially valid if the company's present performance is good but is expected to deteriorate in the future.

If the compensation system allows cashing in step by step, a three-year program in which every year is a separate review period, it would be very human if there was a temptation to make overly good out of the year that seems to be good, that becomes good, so that you get the maximal return from that year (Owner).

Interestingly, the argumentation above relates to the discussion by Murphy and Jensen (2011) on the problems of nonlinear systems with predetermined thresholds or “kinks” in the compensation function. Thus, if executives were close to the minimum target, they could be encouraged to increase the variability of their performance in order to ensure that they would receive at least a certain amount of incentive compensation. Having an upper limit on shares offered and a limit on the total compensation implied that there were at least some types of thresholds, points of nonlinearity, in the system.

According to an owner representative, instead of a one-year earning period, compensation should be based on the average value of a measure during multiple years. Thus the earning period should be longer than a year in order for it to encourage continuous progress towards targets, not only the maximization of the annual profit. On the other hand, there should not be compensation programs with excessively long earning periods as they might also provide negative incentives. The following quote illustrates the dangers of this.

[It should be] in that way scaled that it is not a one-off [program] that ends in five years. Instead it must be some smaller program that is initiated every year and [those programs are] overlapping so that there are no large one-off programs. Because they can act as negative incentives if this is a prominent part of compensation. And if you get into a situation in which you know that you will have no chance of receiving compensation through the program and if it is a very long-term [program], it is not a good situation. It might encourage to leave... you go to a new [employment] and there you can begin from a clean slate (Analyst).

Outsiders were very knowledgeable about the vesting period and its purpose to increase commitment, supporting neoliberalist views. They often expressed the amount of expected commitment in terms of the amount of compensation that the executives would lose if these executives left the company. [1] Outsiders felt that any kind of system in which executives cannot cash in their compensation immediately would have a major impact on commitment.

And just the fact that if you leave, how much are you then going to lose either what you have already earned but what has not been paid out or what has not even been measured yet (Analyst).

Outsiders noted that the vesting period in the current system appeared excessively short. There had been changes in the executive team and the outsiders felt that with greater commitment some of the changes might have been avoided. Commitment was thus seen as very important for TradeCo. An analyst noted that after the initial spin-off it was important to commit executives. When TradeCo had grown through acquisitions, more executives had entered the company and these executives also needed to be committed to the firm. Additionally, if the company continued to grow, there would be a need to again commit new people. Features of the operational environment also emphasized the need for commitment: According to an analyst, in at least one operating region, companies had tried to headhunt key people from their competitors.

It was suggested that one way to achieve commitment would be to move part of the annual bonus to the share-based systems that were thus seen as the panacea for long-termism; this view reinforcing neoliberalist ideas. The outsiders also felt that the use of the vesting period, the use of shares in

compensation, and eventual ownership were closely related to each other. It was thought that when shares were used in compensation with a vesting period, this meant that executives were forced to hold shares, and this would result in share ownership. It was then assumed that such share ownership would remain as it was for an extended period and thus be for the long term. Conversely, any short-termist share ownership would imply speculative behavior, which was not seen as beneficial. The quote below elaborates on the vesting period, shares, and ownership.

Then the question [is] why use shares as instruments in compensation if they are not meant to be owned for a certain period. If the idea is that straight after they are in your account you can sell them or in half a year or in one year, then the use of shares is pointless (Owner).

Some of the analysts said that they preferred pure share options to a more complex share-based compensation system with other measures involved. They thus thought that share price was the best measure available. An analyst explained how “at the end of the day” the share price would reveal whether the shareholder was satisfied or not – in line with neoliberalist views. Another analyst pondered:

If you think that the task of executives is to maximize the assets of the shareholders... Then the share-based compensation system should be the right way to encourage executives to do the right things. Then one does those things that in the long term increase the value of the share price. Yes, I guess it is so (Analyst).

In light of the information provided in Section 2.2, this represents a fairly straightforward assumption. The exact way in which the system is structured may vary widely and this structuring may have various consequences.

This section has shown how share-based compensation was often seen non-discriminatingly as long-term oriented at the level of language, supporting neoliberalism at the level of the myth. This was despite outsiders’ occasional concern that the compensation systems were short-term oriented in this case.

4.4 Mapping the findings onto the work of Barthes

The myth-building in relation to the long-term share-based compensation can be demonstrated as follows. At the level of language, share-based compensation (SBC) can be seen to denote the long term (LT). The SBC is thus the signifier (“image”, see Barthes, 1957/2000, 1967, p. 89-90), LT the signified (“concept”), and together they form a meaning of LT SBC, the sign (see e.g. Dikolli and Vaysman, 2006, Dutta and Reichelstein, 2005; Leone *et al.*, 2006; Indjejikian, 1999; Puffer and Weintrop, 1991, on how share-based compensation has been seen as long-term oriented).

The meaning of LT SBC comes to be perceived as rich on the level of language. This meaning contains ideas of the different formats and contents of SBC, such as share price, performance measures based on which shares are given, the developers of the systems, the systems’ history, the systems’ complex relation to time, commitment and risks *et cetera* (e.g. Bebchuk and Fried, 2010; Cadman *et al.*, 2013; Chi and Johnson, 2009; Core and Guay, 2010; LeRoy, 2010; Indjejikian, 1999).

The myth-building then continues in a second-order sign-building when this rich language-related sign or “meaning”, LT SBC, is emptied of this meaning and becomes a mere “form”, a new signifier at the myth-related level. It thus becomes a skeleton that receives its meaning from being related to the new second-order signified (“concept”), to signify the benefits of neoliberalism with its emphasis on private property. Thus “concept” is here neoliberalism and private property. Here, LT SBC

becomes devoid of meaning, it is only a signifier, and comes to be used as a signification for something much more vivid and full of meaning, namely neoliberalism and private property. The profoundly appreciated function and purpose of the signification of LT SBC are conceived of here as the running of a company in the wisest and most effective way possible; company success, measured by increase in shareholder value and thus of private property. It is noteworthy that the myth is produced so that the LT SBC, which was seen in the early stages of the myth construction to possess meaning and rich features, is stripped of this meaning and subordinated to the myth. Myth-building does not celebrate the importance of LT SBC, but deprives it of its meaning and subordinates it to the myth. This myth becomes overpowerful and taken for granted as a natural phenomenon. Together the “form” and “the second-order concept” in this model form the “signification” (sign) of the myth. The “concept” of neoliberalism comes to be seen as rich in meaning and beneficial. Once the myth-building is complete, the myth-consumers no longer question the desirability of private property and neoliberalism: these are entirely naturalized and celebrated. Long term is not an innocent time measurement but serves to reinforce the current regime.

Myth-building thus takes place in two stages. In Table 1, the specific issues talked about in the case are listed as tied with these two stages presented earlier. The issues placed in Table 1 were mentioned by company insiders, while outsiders also echoed several of these views.

Language-related level	Myth-related level
<ul style="list-style-type: none"> - (some kind of) a vesting period - a recurring compensation system - measures and targets perceived as long-term - commitment for the long term 	<ul style="list-style-type: none"> - executives’ ownership of shares (through the share-based systems) - owners’ ownership of shares - ownership of private property assumed as long-term

Table 1. Issues related to the long-term share-based compensation in language- and myth-related levels as described in the case.

Interviewees thus described issues at both language- and myth-related levels. At the language-related level, a vesting period and a recurring compensation system were seen as automatically long-term oriented, as were measures and targets that were considered to be long-term. The use particularly of the vesting period was perceived to increase commitment, which was seen as beneficial in the long term. However, the issues at the language-related level were debunked in the case company: the vesting period was not very long, there was no guarantee that the compensation system would be recurring and to what extent, certain measures were constructed as long-term while earning periods based on them were not very long, and the existence of commitment was not proven.

At the level of the myth, executives’ and owners’ ownership of shares (as private property) was assumed to be long-term. However, ownership was not always long-term as there were also short-term owners. Executives and owners did indeed own shares, and thus some issues held true at the myth-related level. However, the myth-related level was supposed to be built on the language-related level of long-term share-based compensation. When the underlying language-related level had inconsistencies, it was unclear how issues related to ownership promoted the long term on the myth-related level. The myth-related level was thus undermined by the language-related level.

5 Discussion and conclusions

Share price and the long term were connected at the language-related level with reference to the vesting period, recurrence of the compensation system, measures and targets being termed long-term, and commitment. Long-term share price then came to be tied to neoliberalism at the myth-related level with reference to executives and owners owning shares. As share price was assumed to be long-term oriented, ownership of such shares was assumed to result in a long time orientation. However, according to the archival data and the views of outsiders, share price was not automatically tied to the long term. This study contributes by combining the approach by discursive research (Cooper *et al.*, 2010; Morales *et al.*, 2014) with a focus on analyzing selected concepts (Zhang and Andrew, 2014). This provides potential for the analysis of how such concepts, such as the “long term” here, are talked about and for altering the concepts so that neoliberalism could also begin to be altered.

It is possible that the share-based compensation is, at least partly, considered to be long-term by executives who have in mind the entire compensation package in which they may conceive of the share-based scheme as “more” long-term oriented than other parts of the package. However, even here the question arises as to why in the first place such a scheme is considered more long-term oriented than other schemes and not, for example, more short-term oriented.

“Long term” has been associated with highly beneficial qualities in research (Hitt *et al.*, 1996; Lazonick and O’Sullivan, 2000; Levinthal and March, 1993; Merchant, 1990; Nilsson, 2001; Ryan, 2007), and in practice. “Long term” could be seen in this context as an effective tool for perpetuating the ideology of neoliberalism with these beneficial qualities. Share-based compensation was seen in the data as “long-term oriented”, not “preferred” or “good”. When using the “long term” that is measurable, a hazy opinion can effectively be turned into a relatively reliable “fact”. Using the terms “preferred” or “good” would not have such an effect. The “long term” is naturalized as innocent and technical. However, it is potentially far more powerful in supporting neoliberalism than a purely technical instrument could be. This power has so far gone unacknowledged.

The connection between short term and financial markets also formed a theme in the data. As short term could be seen as the direct opposite of long term, short term is also elaborated here concisely in order to provide a contrast and additional depth to the treatment of the role of the long term. The framework by Barthes (1957/2000) could be employed: here the signifier is “financial markets” and the signified is “short term”. Financial markets were to a certain extent used to signify short-termism at the level of language. However, this idea clearly did not fit the mainstream neoliberal ideology and thus had no role in the myth-building. The sign of short-term financial markets could not be connected to the powerful myth of neoliberalism due to “short term” possessing negative connotations. It is worth noting that the negative connotations of “short term” appeared here more powerful than the myth of neoliberalism. Instead of turning “short-termism” to its advantage, the myth, instead, eschewed this “short-termism”, preferring not to use it. Thus “short term” and “long term”, with their objectivist connotations, appear as very powerful instruments for producing and maintaining myths.

Neoliberalism and private property were presented as “natural” (Barthes, 1977/1991, p. 165, 1984); anyone opposing such views could thus be considered suspect, trying to perhaps undermine the “natural” order of things. Ravenscroft and Williams (2009) showed how the FASB naturalized neoliberalism in the context of accounting for share options. The FASB supported the provision of information judged useful to investors and this resulted in the FASB favoring estimates about the future instead of concrete past events (Ravenscroft and Williams, 2009). The present paper shows another mechanism in which a future orientation is used to promote neoliberalism. This another mechanism can also explain why the estimates about the future were favored by the FASB (Ravenscroft and Williams, 2009). The future is seen as very positive, and the FASB was thus inclined

to favour the future in order to appear to support a “long-term” orientation. This positivity was then tied to share-based compensation and thus eventually to neoliberalism.

The FASB’s views on the importance of the future (Ravenscroft and Williams, 2009) and the long-term share-based compensation are both indicative of the same issue: the concern of neoliberalism with the importance of investors (Morales *et al.*, 2014; Zhang and Andrew, 2014). Share-based compensation is promoted as long-term as it is expected to make executives more “long-term” oriented. Such orientation then supports investor decision-making in which long-term forecasts play a large role. These forecasts can thus be based on the actions planned by the “long-term” oriented managers.

Executives referred to shareholders as important stakeholders who had a hand in choosing the correct compensation system that would maximize shareholder value. It remained unclear through which processes this system would impose such an effect, as its exact terms were unknown even to the executives themselves, who were supposed to be achieving the shareholder value increase. Outsiders focused much more profoundly than executives on the exact terms of the contract; they discussed the length of the earning period and the vesting period and drew fairly straightforward conclusions based on the number of years in those periods. It was as if they assumed that the executives were robots programmed by the designers of the compensation contract, not thinking and feeling individuals. Outsiders focused on the earning and vesting periods probably because they were quantitative and thus easily related to the time orientation (which was also implicitly thought of as a quantitative phenomenon by outsiders). They thus followed the traditional corporate governance theory. This theory upholds the myth of long-term compensation by placing great emphasis on the quantitative features of compensation systems, earning and vesting periods, and their expected relation to a quantifiable executive time orientation (Cadman *et al.*, 2013; Chi and Johnson, 2009; van Rinsum and Hartmann, 2007). Such technical foci on compensation systems support neoliberalism by presenting such compensation that supports private property ownership as “naturally” long-term and thus beneficial.

The outsiders criticized the performance measures for not fitting the strategy. However, they did not consider the possibility that the strategy and operations were the driving forces for the executives and that the measures were only a minor issue, perhaps to be reckoned with after all the important strategic and operational tasks had been accomplished. Thus, the potential lack of fit with strategy would not be an issue. This provides a partial explanation for the finding of Krause (2009) regarding the lack of a relation between “long-term” compensation and metrics for a long-term strategy. If the executives had paid excessive attention to their performance measures and thus ignored the realities of the business, this would have resulted in their being forced to leave the company and in losing their reputations in the job market for executives. Thus, it was in their own interests not to pay much attention to their compensation systems, or at least to behave in every way as if they did not pay such attention. This also partly explains Krause’s (2009) finding on the lack of a link between a type of compensation and a type of strategy.

Share price is a controversial tool in compensation and has given rise to a great deal of criticism (Aglietta and Rebérioux, 2005; Chakhovich, 2013; Lazonick and O’Sullivan, 2000; Rappaport, 2005). The myth easily takes such controversial issues as its building material (Barthes, 1957/2000, p. 127). Thus this controversial nature can be seen to serve a purpose in myth-building, a purpose that non-controversial issues would not be able to serve. Neoliberalism is tied to many even controversial issues in society, and the study has thus suggested how such controversy can serve the ends of neoliberalism. The mythical properties of the compensation contracts are enhanced by the existence of the earning and vesting periods; these periods form resources used by the myth.

Complicated chains of disclosure (Barthes, 1957/2000) form the basis of the myth of neoliberalism (Meyer and Rowan, 1977), as follows. Share price is formed on the basis of disclosed accounting figures, other disclosures, and general market sentiment. Share-based compensation is based on the actual form of the share-based compensation systems (e.g. calculation formulae), the eventual share price, sometimes materialized levels of compensation in previous time periods, as well as other materialized variables (accounting figures, other disclosures) likely to affect the amount of compensation. To an extent neoliberalism takes away the richness of issues such as share price and long time orientation, issues that may have complex consequences and be experienced in real life in rich and complex ways. These complex interrelations can be contrasted with the simplistic myth-building in which “long term” is acknowledged as equivalent to “share-based compensation”. Myths simplify reality and are therefore essential in making sense of potentially very complex and even chaotic experiences (Guénin-Paracini and Gendron, 2010; Malsch and Gendron, 2009). However, the present study points out that the existence of myths does not mean that the parties involved, such as executives, always function in a simplified manner, programmatically, and inhumanly, as based on the myth. Myths can, however, sometimes encourage such functioning (Guénin-Paracini and Gendron, 2010; Malsch and Gendron, 2009).

The study illustrates how discourse on quantification, measurability, and “full” disclosure, usually considered to be in the service of “truth” and “efficiency”, can surprisingly underlie and support mythical representations. Our modern society has responded to the difficulties of managing time orientation with mythical quantitative and “objective” measurement (Porter, 1995). For example, complex models have been constructed based on the “optimal” time horizon in compensation contracts, particularly in relation to the vesting period (Bebchuk and Fried, 2010; Brisley, 2006). However, it should be noted that this approach can lead to conclusions that can be demonstrated to be problematic with the help of qualitative analysis. Although agents may tend to manipulate those features of performance that are measurable (Courty and Marschke, 2004), they also focus on several other dimensions of their work than simply their performance measurement. The myth of neoliberalism tends to draw attention to certain issues, such as private property ownership, and leave other issues, such as mundane work tasks attended to when managing a company, to receive less attention from the outside.

The literature has looked at concepts and phenomena that could be perceived as integral to financialization and thus neoliberalism (Cooper *et al.*, 2010; Morales *et al.*, 2014; Ravenscroft and Williams, 2009; Zhang and Andrew, 2014). The present paper has shown how a discourse, the “long term”, that could be considered neutral to neoliberalism, can assist in perpetuating neoliberalism. The phenomenon of neoliberalism thus appears to possess surprising allies. However, neoliberalism may also possess potential enemies, such as the discourses of “mundane work tasks” or “short term”. Such discourses could potentially be used to decrease the power of neoliberalism. In order to do this, the links between neoliberalism and, for example, the short term could be elaborated more extensively. This could be achieved by explicitly linking share-based compensation systems to a short-term orientation, not only to a long-term orientation, and by presenting reasons for this link in the company context.

Research is encouraged in the area of the other uses of the “long term”; this implies studying which other discourses use it and in which spheres it is being used. Moreover, the levels of myth-building could be studied with additional evidence gathered from different case companies and as publicly available evidence that could provide novel views.

Notes

1. A board member acknowledged executive motivation towards interesting work tasks more effectively than did complete outsiders.

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Appendix A

Data Sources

Interviews

TradeCo, President and CEO	9.5.2008	1 hour
TradeCo, Head of Communications and Investor Relations	4.9.2008	50 min
TradeCo, Deputy CEO and CFO	26.9.2008	1 hour
TradeCo, Vice President, Business Area 1	29.9.2008	50 min
TradeCo, Vice President, Business Area 2	2.10.2008	1 hour
TradeCo, Head of Logistics and Purchasing	10.11.2008	50 min
TradeCo, Head of Personnel	15.1.2009	1 hour
TradeCo, Board member	9.11.2010	2 hours
TradeCo, Chair of the board	18.11.2010	1 hour 40 min
Investment bank A, Analyst	1.11.2010	1 hour
Investment bank B, Analyst	2.11.2010	1 hour
Investment bank C, Analyst	24.11.2010	50 min
Investment bank D, Analyst	8.12.2010	1 hour
Owner A, Deputy CEO	4.3.2011	50 min
Owner B, investment team (4 members)	8.3.2011	1 hour
Owner C, CEO	23.3.2011	25 min

Archival data

Internet site of TradeCo: The compensation system of top executives, the representation of financials, and ownership data

Articles in the financial press about TradeCo

TradeCo annual reports

TradeCo stock exchange releases and their appendices

Appendix B

Interview outline

A similar basic outline was used in the interviews with the following exception. Board members, analysts and owners were asked questions about their individual time frames and on their views on the company studied, not on the organization in which they themselves functioned at the time of the interview.

Introduction: targets, time frames, motives

- Interviewee background (education, previous work) and current work
- Work-related targets for different time periods, company targets for different time periods, and contradictions between personal and company targets
- Time frames (short-term and long-term) (1) at work, (2) in the company's business, and (3) in personal life, as well as satisfaction with these time frames and the order of importance between different time frames
- Personal motivation and its time frames

Performance measurement and compensation

- Performance measurement systems (both formal and informal): their content, motivational impact and time frame
- Compensation systems (both formal and informal): their content, motivational impact and time frame

Relations to stakeholders

- Stakeholders' time frames and the time frames towards which they help the interviewee/the company, 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