Changing the Tune: Conceptualising the Effects of the Global Financial Crisis on Stakeholder Perceptions of Corporate Value

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Abstract

Could shareholder primacy, with its assumed short-termist practices, have had its day when it comes to managerial activity centered on creating corporate value? Many business and opinion leaders appear to take this position, not least Jack Welch who famously declared ‘shareholder primacy is the dumbest idea in the world!’ Indeed, in a post-Crash economy has a wider stakeholder focus with a longer-term outlook superseded any business notions of shareholder primacy and wealth maximization?

This research examines these possibilities through a consideration of the narrative companies produce, such as annual reports. From this corpus material, an assessment is made of whether UK managers’ perceptions about corporate value generation changed over the period covering the worldwide financial crisis, with respect to their relative favouring of shareholders and stakeholders.

The corpus of narrative material used is visualized as a conceptual space in which a conversation reflecting perceptual bias to the generation of corporate value occurs. To explore such corpuses, in order to compare narratives at points either side of the 2008 Crash, a new methodology was devised called *narrative staining.* Hence, a detection and visual mapping over the period was made possible of managers’ changing perceptions concerning primacy (shareholder or stakeholder orientation) with its mediation by termism (a short or long-term bias). Termism is also originally conceived as part of a larger temporal category, which includes a *sense of urgency* to act (urgent versus non-urgent) that is similarly examined.

The investigation reveals that over time perceptual change about value creation happened, though in unanticipated ways. Companies pre-Crash were often *short-term stakeholder* oriented then moved post-Crash to a *long-term shareholder* orientation.

A focus for this study was the corporate domain, consisting of a selection of FT250 companies. However, managerial perceptions about corporate value creation are influenced not simply by the conversation of the corporate domain but rather by a multi-actor conversation taking place throughout the business environment. To comprehend this effect, the research mines further corpuses that comprise the UK's regulatory domain (hard and soft law), the press (Financial Times and other newspapers), and relevant peripheral stakeholder organizations (including the Confederation of British Industry, the Institute of Directors, and the Trades Union Congress). These organizations demonstrated more complex, unforeseen, perceptual effects as the financial crisis proceeded with many aligning according to their political or business agenda, which also impacted any sense of urgency to act they had.

There appears to be no previous attempt at an extensive and multivariate analysis of this nature. And the findings challenge prevalent characterizations of shareholder and stakeholder behaviour. Moreover, the research shows that utilizing a wide set of stakeholder corpuses acts a viable proxy for broader financial perspectives amongst UK organizations. The technique of *narrative staining* therefore provides insights, hitherto inaccessible, for assessing and consolidating large-scale perceptual bias regarding value creation across the economy. The technique also has significant potential for other applications.

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Obtaining an academic reference in order to return to academia after a long period of absence is not easy. I would therefore like to thank Dr. Fiona Jones, my former MSc tutor at the University of Hertfordshire. Dr. Jones kindly supplied a reference, despite the intervening years during which I had detoured professionally. This readily provided and supportive reference was instrumental in securing my place on the doctoral program.

While many annual reports are available on the web, this is not always the case for older ones – and as the data source for the research, all were required. The assistance therefore given by several individuals and organizations in supplying material from their archives deserves special mention and thanks. These include: Chris Kelly, Governance Advisor, CBI; Junior Bammeke, Joint Institute Secretary, IOD; Sheila Doyle, Policy Manager, ICSA; the CIMA research department at Cima Global; Sheila Ironmonger, Personal Assistant to G A Cope, and Barbara Richmond, Group Finance Director, Redrow; Andy Burrows, Vice President, Corporate and Investor Relations, BTG; and Aine O'Rourke, Company Secretarial Assistant, UDG Healthcare.

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Glossary

Bias (perceptual bias): A perceptual modifier underpinning a tendency to behave in a certain manner - or a leaning to act more one way than another - when faced with equally possible alternatives to follow. As a perceptual modifier, 'bias' is understood in the psychological or cognitive sense and is non-pejorative. For the purposes of this research, the terms *bias* and *disposition* denote similar modifiers and may be used interchangeably.

Combination (combo): A combined variable that contains two types of narrative term: a value-related term (VRT) and a dimension synonym (DimSyn). These are examined in unison – as opposed to separately – through a process of *narrative staining*; including by secondary analysis. A combo is therefore also considered a complex variable.

Constituency: A stakeholder group (including that of shareholders) whose members have a common or beneficial interest or involvement in a company.

Construct: From a psychological perspective, a cognitively based conceptual idea or structure, and one not directly observable. Hence, it is a theoretical entity representing something believed to exist. Considered in this investigation is the theoretical construct of *perceived corporate value*.

Corporate governance (or governance): A process by which corporate behaviour and the value creation process is steered. Included in that are orientations to primacy and temporality.

Corporate social responsibility (CSR): A self-regulating approach to conducting business companies adopt in order to be socially accountable to their stakeholders and the wider public, as well as to themselves.

Corpus: A body of text (eg. corporate annual reports, corporate governance codes). In this investigation corpuses are mined to distil narrative based on term combinations.

Dimension synonym (DimSyn): A category for terms that are designated to interrelate with VRTs. This forms the basis of a complex variable whereby concepts can be looked at in unison (in this research, for example, *long-term stakeholder primacy*).

Domain: An organizational grouping having common activities, characteristics or purpose. Containing multiple constituent organizations, a domain may be represented by multiple corpuses (or sub-corpuses); and these may also be amalgamated into one large corpus. For example, this study considers two primary domains: the corporate domain (reflected in the corpuses of twenty FT250 companies) and the regulatory domain (reflected in the documents for soft and hard law). Hence, the primary domains – with their respective combined sub-corpuses – are distinct and examinable.

Legislation: Legally-binding rules (hard law). For example, regulating corporate governance or activity through the *Companies Act 2006*.

Managers (or executives): The corporate individuals steering governance, and hence a company's value creation process.

Matrix analysis: A secondary analysis generated from the narrative staining procedure for the differentiated examination of the main construct in the combo. In this research it is a VRT reflecting corporate value; and split to consider *financial* and *non-financial* VRTs separately.

Multi-actor conversation: A discourse or narrative formed from the input of multiple participants. These participants may include a variety of stakeholder constituencies as well as other actors who provide (often forceful) input to affect or bias the conversation. The multi-actor conversation is also subject to 'reflexive processes'.

Narrative staining: A qualitative multi-variate mapping technique, enabling a visual comparison of how complex (combined) variables change across multiple corpuses. The basis of the methodology is an extraction of frequencies for pre-selected narrative terms from the corpuses under analysis. This then feeds a combinatory approach to examining the complex variables graphically, through colour coding the combos. Visual comparisons of the resulting data for different time points (or corpuses representing another focus) can then be made.

Narrative strip: A secondary analysis generated from the narrative staining procedure that – as a qualitative data reduction – allows for large-scale visual comparisons across multiple corpuses based on the mapping of variables.

Perceived corporate value: What is *thought of* as value in companies by executives as well as commentators. This perception may reflect expected or actual financial value generation. Similarly, it may be a perception reflecting value that is known (eg the value of current sales, or the non-monetary importance to corporate value of a physical asset) or unknown (eg intangibles such as probable efficiencies, specialist knowledge, or assets with potential value but not yet realized). *Perceived corporate value* is thus a construct based on multiple abstractions of value. It is also a cognitive view of the concept of value in companies rather than any other, such as philosophical or economic. And importantly for this research, because measurement can be conducted on the abstractions, it allows an examination of potential extremes of managerial focus on a particular constituency for corporate value creation.

Perceptual mapping (or positioning mapping): A technique generally found in marketing for visually depicting consumer behavior. The term ‘positioning mapping’ may sometimes be used when the procedure is applied to considering the market position of a product rather than just a liking or disliking of a product, though the terms are often used interchangeably. This investigation has adapted perceptual maps as an element in *narrative staining*. They allow a visual representation of any pre to post-Crash changes in perceived corporate value by a variety of organizations.

Post-Crash: After 2008 (*The main part of the Crash is often taken to be between 2008–2009, so post-Crash may also be considered as after 2009*).

Pre-Crash: Before 2008.

Primacy: Refers to the ascendant constituency in a manager’s perceptions and hence the main focus or beneficiary of the creation of corporate value – in this research the choice is between shareholders and stakeholders.

Reflexive process: An interaction involving a two-way feedback loop. Hence, a process whereby managers’ perceptions affect how they interact with their stakeholders, which in turn alters how stakeholders perceive they should interact with managers. Similarly, how the corporate environment generates a narrative which affects stakeholders who might then lobby for change, that in turn affects the corporate environment and a revised narrative.

Regulation: Non-binding principles of best practice (soft law) – ie a non-legal approach for controlling business behaviour. Hence, to foster the compliance to high standards of governance activities. For example, since 2010 what was formerly the *Combined Code* is currently the *Corporate Governance Code* (for businesses) and the *Stewardship Code* (for financial institutions looking after other people's money).

Search space: A corpus conceived as a conceptual space in which its narrative material is explorable. The corpus is thus a search space where a conversation can be identified taking place – or changing if multiple corpuses constitute different search spaces. In the present study this conversation reflects perceptual bias to corporate value creation. The terminology of 'virtual search space' may also be used, although a search space is in fact real and not a representation.

Sense of urgency: The alacrity, or otherwise, with which an action by, say, a manager is taken to reorientate their corporate behaviour. The choice in this study is between *urgent* (UR) and *non-urgent* (NUR).

Shareholder primacy (ShP): The favouring of shareholders in corporate value creation

Shareholders: A group of equity investors involved in the corporate value creation process through their voting power or monetary input.

Soft and hard law: Terminology denoting the strength of regulation. Soft law refers to non-compulsory principles of best practice, often in the form of *Codes* of conduct. Hard law refers to enforceable legislation, often in the form of Acts of Parliament.

Stakeholder primacy (StP): The favouring of stakeholders in corporate value creation.

Stakeholders: For the purposes of this research, stakeholders are participants in the corporate value creation process (eg. employees, suppliers, customers, creditors, community). Their input is largely through non-monetary investment means (eg employee time) though not necessarily; for example, business grants made by regional bodies to attract entrepreneurs to their area, something common with new technology such as biotech. In general, stakeholders are participants other than shareholders, though this may not always be the case and shareholders can also be considered as stakeholders.

Temporality: The experience of, or relationship with, time. This is in contrast to time viewed as a physical progression. For this research it includes *termism* and a *sense of urgency* to act.

Termism: The tendency to take a *short-term* (ST) or a *long-term* (LT) view. May also be referred to as *time horizon*; though time horizon is rather a description of the options, whereas termism is more about a cognitive disposition ie an individual can be short or long-termist.

Value-related term (VRT): A category for terms reflecting the main construct - and thus encompassing notions underlying how corporate value is perceived to be created. Terms may be finance-related or otherwise; eg price or efficiency (*other constructs besides value may be similarly examined, hence the undesignated form is an XRT*). The important factor is that a chosen term is *related* to the construct in some way.

1. Introduction

‘Shareholder value is the dumbest idea in the world!’ Jack Welch proclaimed (Guerrera, 2009), despite having pursued this objective for many years as CEO of General Electric. And it had worked for the company, which had enjoyed steady growth under his leadership. Welch, though, did not conduct his former approach in a vacuum. Perceptions of how and for whom corporate value is created changed dramatically in the late 20th century, with shareholder value maximization becoming the model many businesses followed. In this complex period a rising global focus on shareholder primacy soon developed. At the same time, it was a period leading in to one of the worst financial catastrophes on record. Yet regardless of Jack Welch’s comments, in an ideal world who should companies favour in order to generate superior value for their business: shareholders (investors with a direct financial stake in the company) or stakeholders (groups including employees, customers and suppliers)? The question is far from simple, particularly in the light of the 2008 Crash. Indeed, the relative business merits of shareholders and stakeholders have been part of a long-running and evolving debate.

Underlying notions of shareholder primacy and stakeholder primacy are two different motivations. First, the necessity of creating corporate financial value so companies can achieve their commercial and innovative objectives. And second, the desire for an inclusivity of different constituency interests, to give them voice and to recognize their unique, often valuable, input. To be commercially successful managers may attempt to seek a balance in group priority, as Lorsch and Maciver (1989) emphasize. But misunderstanding the concepts involved can cause a disproportionate stress on one constituency's interests, and with serious consequences. An overwhelming shareholder primacy fuelled the financial crisis along with some deeply felt effects within companies in the process is, for example, the general belief. According to Lazonick and O'Sullivan (2002, p17), commenting on the period, a 'retain and reinvest' approach gave way to that of '*downsizing* (job losses), and *distribute* (increased payout ratios)' as the basis of shareholder value primacy. Moreover, there was a marginalization of stakeholder interests, while managerial interests aligned with external financial ones such as pension funds. In pursuing that path, CEOs became more like asset managers; while their compensation – including bonus packages and stock options – became tied to stock market performance. Meanwhile, if senior managers harboured any ideas about the importance of corporate social responsibility (CSR) their attention moved instead to focus on earnings and short-term growth for corporate success (Englander and Kaufman, 2004).

In the run-up to the 2008 Crash, this was the *financialized*[1]scenario believed to have been in place: companies were excessively gracing shareholders to the exclusion of other stakeholders who were suffering as a result. This thinking went further too. Not only was the economic wellbeing of shareholders paramount but they were consequently one of the

[1]With respect to the corporate world, we may also understand financialization in relation to executives as an emphasis placed on, and easier access to, capital markets, securitization of debt, or a greater proportion of assets held as a stock portfolio. Connected to this is the more psychological issue of the lack of executive attendance to growing financial difficulties, eg between 1980 and 2010 where corporate debt-to-equity ratios increased. With respect to the financial world, we may also define financialization as the growing scale, profitability, increasing share of national income, or importance of the finance sector at the expense of, or relative to, other sectors or the rest of the economy, and with an associated shrinking regulation of its rules.

main culprits to blame for the financial crisis. It was also a thinking that implied that the focus had to switch back to wider stakeholder concerns.

But despite these predominating assumptions of corporate financialization, how did major companies react strategically to the financial crisis in relation to their constituencies? In particular, how might they have *reevaluated* their notions of what corporate value meant in the light of the altered circumstances they faced?

In this investigation, addressing that complex question is by the application of a new qualitative analytical technique called ‘narrative staining’. Consequently, with respect to the pre and post-Crash UK economy, an objective analysis is made of multi-actor organizational discourses to determine how managers may have changed their perceptions concerning value creation.

1.1 Evidence for a changed managerial discourse in response to the financial crisis

The extreme economic pressures on businesses caused by the Crash of 2008, and their resulting effects as Fig 1.1 highlights, represented a potent backdrop for a widespread corporate response. These were pressures shaping the UK business landscape before, during, and beyond 2008. And it forced companies to react by drastically changing the way they functioned and conducted business. Inevitably, this reevaluation process would affect how companies thought about the inputs they required for financial success, and hence the generation of corporate value. Yet whether the impact of the Crash was on direct monetary generation by, for example, reduced market access or indirectly monetary through decreases of internal efficiency, the constituency to be promoted, investors or a wider set of stakeholders, represented a core consideration for managers if they were to bring their companies effectively out of the economic storm.

In looking at the creation of corporate value before the Crash, the academic discourse[1] at the time points to a fostering of managerial bias[2] towards investors - even if in some cases there was a call to reexamine that situation (eg Englander and Kaufman, 2004). In the aftermath of the Crash, therefore, might a fundamental shift in corporate thinking have taken place? Indeed, beyond even maintaining the status quo, could managers have moved away from a shareholder primacy orientation altogether?

Catastrophic Effects of the 2008 Crash on the British Economy

- 2008 saw 312,000 UK businesses shutting down. And in 2009 closures would reach 492,000 (Duedil, 2012).
- During 2008-2009 there were more than one-million job losses (Duedil, 2012).
- As the immediacy of the Crash gave way to the evolving financial crisis. companies found themselves having to contend with:
  - A persistent stalling of growth in industrial productivity (Dolphin and Hatfield 2015; Jacobs et al, 2016, pp.10-15),
  - The experience of lingering high corporate debt levels on over-leveraged positions (Monteiro, 2013, p11; OECD, 2018).[3]
- Banks, in many cases, withdrew overdraft facilities, even for well-performing businesses (IEACW, 2008),[4] creating further pressure on companies' ability to stay afloat, as well as achieve innovative or financial success.
- Difficulties continue into recent times, according to Lee Hopley, chief economist of the manufacturing body EEF, where businesses, having lost faith in the banks and so tending to avoid them for raising capital, are suffering 'a persistent hangover from the credit crunch', hampering their ability to invest (Hopley, 2016).[5]

Fig 1.1

[1]See eg Jensen and Meckling, 1976; Rappaport, 198 1; Rappaport, 1986; Lazonick and O'Sullivan, 2002, p17; Englander and Kaufman, 2004; Sundaram and Inkpen, 2004.
[2]The terms 'bias' and 'disposition' refer to similar behaviours (see Glossary).
[3]OECD, 2018, Non-Financial Corporation's Debt to Surplus Ratio - Indicator. (https://data.oecd.org/corporate/non-financial-corporations-debt-to-surplus-ratio.htm#indicator-chart).
[4]IEACW (2008). The Impact of the Credit Crunch on UK Businesses. The State of the Economy Report.
[5]Source http://www.bbc.co.uk/news/business-37002436

The rhetoric of former CEOs like Welch seems to support that view. Business had to distance itself from a focus on shareholders and the accrual of short-term market gains. A body of work suggested in that context that post-Crash stakeholders became more important in managers' purview as a means of value generation (see Deakin, 2010), as not doing so would be commercially destructive. In part, it was perhaps due to the influence of writers[1] who had advocated a stakeholder-oriented governance in the run-up to the Crash beginning once again to find traction as the effects of the financial crisis subsided. And with the acknowledgement companies did not work in isolation, there was reinforcement for the idea that the effective governance of companies by boards required the serving of all constituencies' interests, not just its shareholders.[2] Furthermore, in reevaluating their post-Crash position with respect to the constituency to favour for creating value, it was more than a matter for companies of considering a broader stakeholder base in a simplistic fashion; managers also had to accept they had a changed role in that regard (Mayer, 2012).

Similarly, if corporate governance in the run-up to the Crash appeared to focus on the tripartite relationship of a company's board, its management, and its shareholders, after the Crash it would perceive a changed global business environment. The G20, of which the UK is a significant member, stated in 2009 they would 'implement responsible fiscal policies', and which were to be 'attentive' and 'flexible', in recognition of the need to support these new conditions.[3] Any favorable perception prior to the Crash of banks and financial institutions, meanwhile, gave way to increasing scrutiny post-Crash of their actions.[4] In that

[1]See eg Freeman, 1984; Clarkson, 1995; Donaldson and Preston, 1995; Mitchel et al, 1997; Blair and Stout, 1999; Jones and Wicks, 1999; Key, 1999; Lepineux, 2005.

[2]In addition to eg Freeman, 1984; Donaldson and Preston, 1995; see also DesJardins and McCall, 2004. This was not a new concept. Early in the 20th Century E. Merrick Dodd, Jr. had proposed that companies had citizenship duties that lay beyond the company itself (Dodd, 1932).

[3]G20 communiqué, Leaders' Statement: The Pittsburgh Summit, 2009, published in the FT, September 25, 2009.

[4]See eg https://www.bbc.co.uk/news/business-20811289 on pay and other reforms. A recognition of short-termist behaviour is in The Kay review of UK equity market and long-term decision-making by John Kay (2012).

changed environment, corporate boards would have to account for these factors in their decision-making. They would also have to become more cognizant of the possibility of leadership failures. Companies and directors, for example, had perpetrated massive frauds in the years preceding the Crash. Enron and WorldCom, two major listed companies, went bankrupt in 2002. The fallout from these and other ruined businesses impacted large numbers of investors and employees. Episodes of this nature underscored a growing realization following the financial crisis that stakeholders in their many forms were part of larger society and could be significantly affected by corporate activity (Sprague, 2010). Indeed, a link to even broader stakeholder interests had begun to be recognized, inasmuch as maximizing shareholder value could impact the environment (Mathern, 2013); and with the environment itself being another stakeholder.

In addition, the common belief that investors were owners of a company met with legalistic challenge, particularly as they did not own full control rights (see Deakin, 2005; Ireland, 2008; Stout, 2012).[1] Such work similarly aided in changing perceptions, as it served to question the perceived primacy of shareholders and their supremacy over other stakeholders. Moreover, the Crash gave new meaning to hard law in legislation laid down in the Companies Act 2006. With s172 stressing the importance of taking into account the interests of 'members as a whole', companies were more likely to have a greater focus on their broad stakeholder base.

There is also empirical support for a shift in perspective from Vasudev (2012) who provided a survey on corporate attitudes to primacy. The conducting of this survey was also in the post-Crash year the present study focuses on, which is useful. The research looked at

[1]See also Kay, Shareholders think they own the company - they are wrong. FT (10.11.15), https://www.ft.com/content/7bd1b20a-879b-11e5-90de-f44762bf9896. Deakin in Williamson, J., Driver, C., and Kenway, P. (Eds.) similarly challenges current ownership patterns and structures in Beyond Shareholder Value (2014) published by the TUC). The think tank, Tomorrow's Company, promote ownership from the point of view of Stewardship. See their reports: Tomorrow's Owners - Defining, differentiating and rewarding stewardship (2009), and Better Stewardship - An agenda for concerted action (2018).

managers in America, Canada and the UK, and across all these countries found a predominance amongst these individuals for a stakeholder focus. Indeed, there was 100 percent backing of stakeholder ideals in the UK. Vasudev was fully aware that companies could be *'indulging in fashionable rhetoric rather than taking the idea seriously'* (p.400), but was still able to state that: *'Evidence of acceptance of the stakeholder ideal is strong, and there is also a trend among the companies to take concrete action to actualize the principle in their governance framework and policies'* (p.434).

While some ideals of CSR may have been in evidence prior to the Crash[1], after the Crash they appear to have taken on a very different, and more powerful, complexion. The stakeholder focus moved, highlighted Lauesen (2015, p45), 'from an outside-in (responsive) to a more inside-out (pro-active) view, suggesting an engagement with multiple stakeholders'. Companies, therefore, were more likely to make strategic decisions themselves about the constituency they needed to interact with instead of external events alone determining their actions. Moreover, Lauesen stressed, in meeting adverse situations CSR was no longer about a use of philanthropy to engage with stakeholder concerns for the purpose of maintaining the existing state of affairs but rather about a comprehensive operational response.

1.1.1 Temporality and the 2008 Crash: Another major reevaluation facing managers relates to the *termism* they employ when they interact with various constituencies. That is the tendency to take a *short-term* or a *long-term* view. Indeed, the concept is about how

[1]Fairfax (2006) noted an increased use of stakeholder rhetoric, indicating a conversation was starting to occur about how to be socially responsible from a business perspective. However, it is not known the extent to which these ideals were genuinely promoted by companies; corporate philanthropy, for example, was seen as a necessary part of conducting a successful business as it helped develop trust. It was the notion of *doing well by doing good* for a strategic advantage in the generation of corporate value (see The Economist Survey, 2005; Porter and Kramer, 2006).

companies act strategically with respect to time horizon in their utilization of shareholder and stakeholder input.

Prior to the Crash many large companies appear to have made business decisions that gave greater emphasis to short-term results[1] and accompanying rewards at the expense of the long term consequences of their actions (Mayer, 2013; Fried, 2013, Sullivan 2014).[2]

Arguably, these were behaviours intended to make it seem the business was doing better than it actually was,[3] as it created a revised market perception and an altered corporate narrative in the process (eg Gleadle and Haslam, 2010). On the effect of these actions on the market, Fried (2011) discussed how easily executives manipulate short-term share prices when there are stock buybacks or issuances. Short-termist behaviour was sufficiently strong in the pre-Crash economy[4] managerial strategies could be implemented that reduced the chance of long-term benefits to companies in favour of short-term gains (Blair, 1995). Surveys conducted amongst finance executives likewise demonstrated that many had been willing to forgo value-creating projects in order to deliver short-term profits (eg Graham et al, 2006).

In sum, short-termist practices, associated with a market-led shareholder primacy, were seen as heavily implicated in the financial crisis (see eg Froud et al, 2006; Kiarie, 2006; Keay, 2013). Indeed, Copeland, et al (2010, p5) suggested not only was it that the financial crisis could be traced to a misunderstanding or misapplication of the principles of value

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[1]There are various possibilities for this: to make the company look good in the financial markets, and with consequently a manager's main preoccupation centered on share value (Millon, 2002; Andersson et al, 2008); to beat earnings expectations for the next results date (Duruigbo, 2011; Sullivan, 2014); for personal gain by virtue of market performance-related pay and associated bonus packages (Cassidy, 2002).
[2]Sullivan, 2014, defined short-termism as an excessive focus on the part of corporate managers, the investing public, and market analysts on short-term metrics such as quarterly earnings, and a corresponding lack of attention to future strategy and long-term value creation.
[3]Behaviours like these could also have led to posting questionable figures based on creative accounting with respect to sales and profits (Graham, et al 2006) or earnings accruals (Bergstresser and Philippon, 2006).
[4]It was recognized that short-termism at its worst had dire consequences for corporate success and value creation prior to the 2008 Crash by many observers. See eg: Twentieth Century Fund, 1992, assessing speculation and market volatility; Cassidy, 2002, on executive abuses and the supporting of a greed-driven corporate culture.

creation, a long-term endeavor, but that at its core it resulted from those concerned 'forgetting to value value'. Yet moving through that period, the persisting concern was the extent of this behaviour and where overwhelmingly 'directors were managing their companies in order to achieve maximization of shareholder wealth in a short-termist manner' (Keay, 2013, p63).[1]

More long-term behaviour was thus called for to refocus UK business on the creation of real value rather than value based on a - frequently false - perception of their market value based on share price. The Corporate Governance Code (2012, p1) supported that view, stating: 'The purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the company'.[2] A similar though broader view proposed that prominent institutional investors had indeed altered their perspective to cover a variety of stakeholder concerns, including: environmental protection, labor matters, human rights, and related corporate governance reforms. And these were all central to long-term financial success (Harper Ho, 2010).

The post-Crash economy, from that perspective, saw an increasing link between long-termism and the company's stakeholders. Long-term value creation was through effective corporate governance that recognized multiple constituencies along with the company's social and environmental impact. It was a rationale, Sprague (2010) highlighted, which

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[1]In the pre-Crash period pressures from the financial markets and corporate boards could have been defensible. For example, the increase in market activity seen in the late 20th century, Laverty (1996) suggested, placed a greater focus on short-term price activity than on long-term value. Yet as listed companies it was not something these businesses could easily avoid. Similarly, if pursuing the interests of shareholders a board could be required to manage for the short-term if it was in the best interests of the company (CLR, 1999; Millon, 2002); see also Bushee, 1998, on companies with a short-term focus (eg biotech) favoured by myopic or 'transient' institutional investors who might pressure them to increase short-term earnings; how investment outlook matches to specific industries based on similar time horizons (Mauboussin, 2011; Mauboussin and Callahan, 2015).

[2]For a broader view, stressing long-termism - and still recognizing stakeholders had a part to play but re-emphasizing shareholders - see on a growing *enlightened* perspective that found expression in the UK's legislative structure, in the still extant s172 of the Companies Act 2006. This is in addition to the regulatory environment typified by the Corporate Governance Code (2012, p1); and the *Enlightened Value Maximization* model (Jensen, 2002).

viewed an enhancement of the company's chances of achieving success as being through using sustainable resources, an activity that necessitated looking many years ahead.

A second major temporal factor is a *sense of urgency* to act. With respect to managers, however, there appears to be no specific research on how they might have acted over the period of the financial crisis.[1]

Yet what scattered associated research there is suggests that managers can feel a need to act with urgency in response to crises[2] in general. It is a context where, becoming increasingly recognized prior to the Crash, were the behavioural influences on managers' sense of urgency to act. Mitchell et al (1997), for example, highlighted that in having to make a prompt corporate decision – such as for potentially favouring a short-term position – the 'salience' of a particular constituency to managers was integral. An increased urgency may also manifest where managers and investors reinforce each other's behaviour resulting in a reduced time horizon for both constituencies (Bolton et al, 2006). Similarly, the contextual characteristics associated with decision options impact the urgency with which managers respond (see Bluedorn and Denhardt, 1988). Indeed, the context of the financial crisis was a powerful and urgent force on managers to provide a strong response and to face how they were going to maintain, if not develop, their company's value-creating resources.

Crisis events are motivators, it seems, otherwise managers do little to alter established corporate practices and maintain the status quo.[3] Ruff and Aziz (2007), for example, highlighted how crises may act as a prompt for managers to revise their style of communicating with stakeholders as the scenario unfolds. And for Griffin (2014), crisis situations may cause managers to act to protect their corporate reputation. Unsurprisingly,

[1]There is very little research on the concept itself (Goodman et al, 2001, p507).

[2]See also Drucker, 1981, on turbulence and unpredictability; Weick, 1988, on the cause of enactment in a crisis; and Seeger et al, 2005, on post-crisis discourses.

[3]The status quo is also subject to a visceral v cognitive tension to act as well as investor pressures (see Erasmus, 2015).

therefore, alacrity is called for when crises impact a company. And when the crisis abates so too, it may be understood, will the need to act with urgency.

Furthermore, leading into the financial crisis managers had to respond to market demands, accounting for the reducing time period during which companies could benefit from a level of sustained competitive advantage (Wiggins and Ruefli, 2005).[1] Investors, meanwhile, often had different holding-time preference rates (Bushee, 2004; Haldane, 2015). Thus, some were more likely to respond faster to market fluctuations. It was an effect increasingly managers had to take account of in the pre-Crash market environment.

1.2 From the evidence to conceptualizing the research questions and hypotheses

The mounting financial crisis represented a turbulent period for companies and it meant many had to shift their governance perspective in response. Hence, with changed economic conditions managers had a renewed choice concerning the constituency to favour to best effect for the generation of value – if indeed any change in focus was required. At the same time, a changed perception of heightened temporal pressures could have been in place as well. And from the evidence discussed it would seem that before the 2008 Crash managers were overly focused on shareholders and with a short-term perspective, along with no obvious feeling of urgency that they needed to change their behavior – as they had not yet felt the crisis. After the Crash, by contrast, managers appeared to favour stakeholders. They also, it seems, took greater care to interact with them from a long-term perspective, and with a greater sense of urgency that they needed to do so.

From that perspective, the research questions and hypotheses of this investigation take their lead. And to that end, the concept of *perceived corporate value*[2] is integral, as this is

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[1]Underpinning this was a growing societal trend towards urgent behaviour. The pace of change of daily life had increased. For example, speeded up communication patterns such as email (Mauboussin and Callahan, 2015); and pressures for shorter deadlines (Bluedorn and Denhardt, 1988).
[2]See Glossary

the main construct measured. Pivotally, the conceptualization of perceived corporate value is as a complex cognitive phenomenon, impacted by other corporate perceptions,[1] specifically primacy and temporality. Before expanding on this idea below, it is nonetheless possible to conceptualize, more generally, how biases may potentially change over time.

1.2.1 Specifying the research questions and hypotheses: The approach taken to understanding changes in perceptual bias to corporate value by a variety of stakeholders is to conceive a corpus of narrative material produced by a company or an organization as a conceptual search space. Within that space, by looking at relevant terms managers employ, it is possible to ask specific research questions of the narrative – and generate further hypotheses – concerning how perceived value might alter over time. Hence, this allows an examination of a change in managers' perceptual bias.

Therefore, in mining and examining the corporate corpus, to assess how managers might have altered their primacy focus over time with respect to the creation of value, the main research question is as follows:

Q1. Did the crash of 2008 change perceptions of corporate value in relation to the relative merits of shareholder primacy and stakeholder primacy?

Similarly, a consideration is made of two different aspects of temporality for the corporate corpus. The first is *termism* and the second is a *sense of urgency to reorientate*[2] behaviour. Hence, this concerns whether managers feel a need to act or change something in the way they meet their day-to-day responsibilities.

[1]There are other forces impacting the multi-actor understanding of corporate value as well, including the media, the political environment; as well as responses to economic events, see eg Appendix 1.
[2]A *sense-of-urgency* to 'reorientate' or 'act' are interchangeable in use for the research.

Q2i Did the crash of 2008 change perceptions of corporate value in relation to a long-term or short-term outlook (*ie termism; the relative merits of time horizon orientation*)?

Q2ii Did the crash of 2008 change perceptions of corporate value in relation to an urgency to reorientate or a non-urgency to reorientate outlook (*ie the relative merits of sense of urgency orientation*)?

However, also required in this research is to know how the corporate domain compares to the regulatory domain. These same questions (Q1 – Q2ii), but focusing on *changing regulatory perceptions of corporate value*, are therefore asked of the regulatory domain.

Further utilizing the idea of a search space for the corporate and regulatory corpuses, a consideration is made of the different aspects of these questions in unison – ie up until now there has been separate examination of primacy and temporality dimensions. Specification of these potential combined effects is through hypotheses. In this way, an examination is made of how complex perceptions about corporate governance with respect to value creation might have changed over the crisis period.

As before, there is a consideration of the same concepts, though here codes are applied. Potential movement is, therefore, firstly with respect to dimensions of *primacy (shareholder primacy (ShP)* and *stakeholder primacy (StP))*. And secondly, with respect to temporal dimensions of *termism (long term (LT)* and *short term (ST))*, as well as the alternative temporal dimensions of a *sense of urgency (urgency-to-reorientate (UR)* and *non-urgency-to-reorientate (NUR))*.

The main hypotheses formed in this context therefore are:

H1a: Pre crash, value-related terms will dominate in the space representing short-term ShP.

H1b: Post-crash, value-related terms will dominate in the space representing long-term StP.

For a *sense of urgency*, a similar format is used:

H2a: Pre crash, value-related terms will dominate in the space representing NUR ShP

H2b: Post-crash, value-related terms will dominate in the space representing UR StP.

The corporate and regulatory corpuses are the *primary corpuses* examined.[1] The corporate corpus consists of 20 FT250 companies, and the regulatory corpus consists of hard and soft law. These sources provide narrative material to start evaluating the complex conversation taking place about value creation in these domains.

Extending the investigation beyond the primary corpuses, however, the research questions and hypotheses are applied to a *secondary corpus*. This corpus comprises ten peripheral stakeholder organizations[2] – or sub-corpuses – providing business support or advice. By this approach, through the exploration of different organization's narratives, a multi-actor perception on value creation becomes observable across the economy.

Another analysis made is whether the narrative language found in the primary corpuses becomes less financially-oriented over the crisis period.[3] This potentially addresses whether there was an increased financialized scenario in place prior to the Crash in relation to the value creation discourse of managers. Separately, at a more detailed level, therefore, the following hypotheses[4] for the termism dimensions are proposed:

H1c: Pre crash, there will be a dominance of financial value-related terms compared to non-financial value-related terms clustering towards the space representing short-term ShP.

H1d: Post-crash, there will be a dominance of non-financial value-related terms compared to financial value-related terms clustering towards the space representing long-term StP.

[1]Chapter 4 provides a list of corpus constituents.
[2]These are explained more fully below
[3]As the analysis proceeded, an extension was made of this aspect of the research to examine clusters of organizations, inclusive of secondary corpuses.
[4] See Appendix 2 for this in tabular form

And for the *sense of urgency* dimensions the same hypotheses are looked at as with H1c and H1d but once again with respect to a *non-urgency to reorientate (NUR)* with *shareholder primacy (ShP)* and an *urgency to reorientate (UR)* with *stakeholder primacy (StP)*. Hence:

H2c: Pre crash, there will be a dominance of financial value-related terms compared to non-financial value-related terms clustering towards the space representing NUR ShP.

H2d: Post-crash, there will be a dominance of non-financial value-related terms compared to financial value-related terms clustering towards the space representing UR StP.

In a multi-actor economy, managerial perceptions are likely to be affected by their environment (including the actions of managers in other companies, the regulatory context, academic ideas, and the media). In a related vein, therefore, a consideration is made of the possibility of corporate and regulatory domains influencing one another. Hence, the following questions look at whether there is any related change between these domains:

Q3: Over the crisis period, are any changing regulatory perceptions of corporate value associated with any changing managerial or executive perceptions of corporate value?

(Q3 investigates effects of soft and hard law together. Separate regulatory effects undergo investigation respectively with Q3a and Q3b).

Consequently, confining the focus of the investigation of the pre and post financial crisis period to perceptual estimations of corporate value – where ‘value’ may be understood as an expected as well as an actual monetary valuation of corporate activity – how *narrative moved over time* for various players associated with British companies is examined.[1] In all these cases, the belief is that companies – and other organizations – will have taken an increasingly financialized stance in the run-up to the 2008 Crash, with associated biases forming. By contrast, after the Crash – having perhaps learnt some lessons[2] – this study assesses where their biases led them.

1.3 Reevaluating notions about value creation

In testing the research questions and hypotheses, the notion of *perceived corporate value* is central. Moreover, from the perspective of this investigation, there needs to be an appreciation that examining any 'reevaluation' of corporate value is not about assessing corporate value[3] itself but about how corporate value might be *perceived* to alter. The distinction is subtle but fundamental definitionally, and it opens the topic to enquiry.

Indeed, Hughes (2013), in discussing financial versus non-financial elements for an article in HBR, stressed how wide-ranging a concept and difficult to measure corporate value is, and how 'Measurement of value has been mooted in the past but never achieved broad success due to the variable nature of the concept in organizations'. Furthermore, it could encompass shared value, too, as Porter and Kramer (2006, 2011) offered based on a fostering of the relationship between business and the community in which it operates. Moreover, any attempt to define corporate value and its increase inevitably meets problems when there is a deliberation of the concept from the perspective of different constituencies' interests.[4]

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[1] As will become increasingly apparent in the forthcoming chapters, it is the terminology embedded in narrative that is reflective of corporate value in its various forms.

[2] Stiglitz (2017) comments on this possibility of whether lessons were likely learnt following the financial crisis.

[3] Additionally, the concept is not to be confused with *corporate core values*, a set of beliefs held by a company (see eg Freeman et al, 1988).

[4] Chapter 2 expands on this.

Yet, rather than an attempt to define[1] and analyse corporate value, the research focus in this investigation instead examines what it is *thought* to be at any given time and then compares that to another instant in time. The research thus considers, not any absolute measure, but the changing relative disposition managers had over the 2004-2012 period to promote the interests of a particular constituency for value creation.

Perceived corporate value is thus representative of a an altering view with respect to the relative merits of shareholder primacy, stakeholder primacy, a short-term perspective, and a long-term perspective, as managers within various organizations changed their particular perceptions. There is a similar conceptualization for a sense-of-urgency to act or not to act.

The context of perceived corporate value therefore offers an alternative approach to investigating the primacy debate, as it allows measurement. Consequently, the approach may make use of the fact that what organizations think is represented in what their managers and executives write; the terms they use, and which can be quantified. In this way, potential alterations to perceived corporate value due to managerial biases is assessed by examining how narrative in the form of original corpuses of annual reports changed in response to the effects of the financial crisis, between 2004 and 2012. By assessing the use of certain terms, these reports reflect the kinds of managerial responses concerning primacy orientation and temporality – or changes in their biases – and underlie efforts to succeed within the business environment operated in. Specifically looked at are, for example, the terms: *price*, *efficiency* and *investor*.

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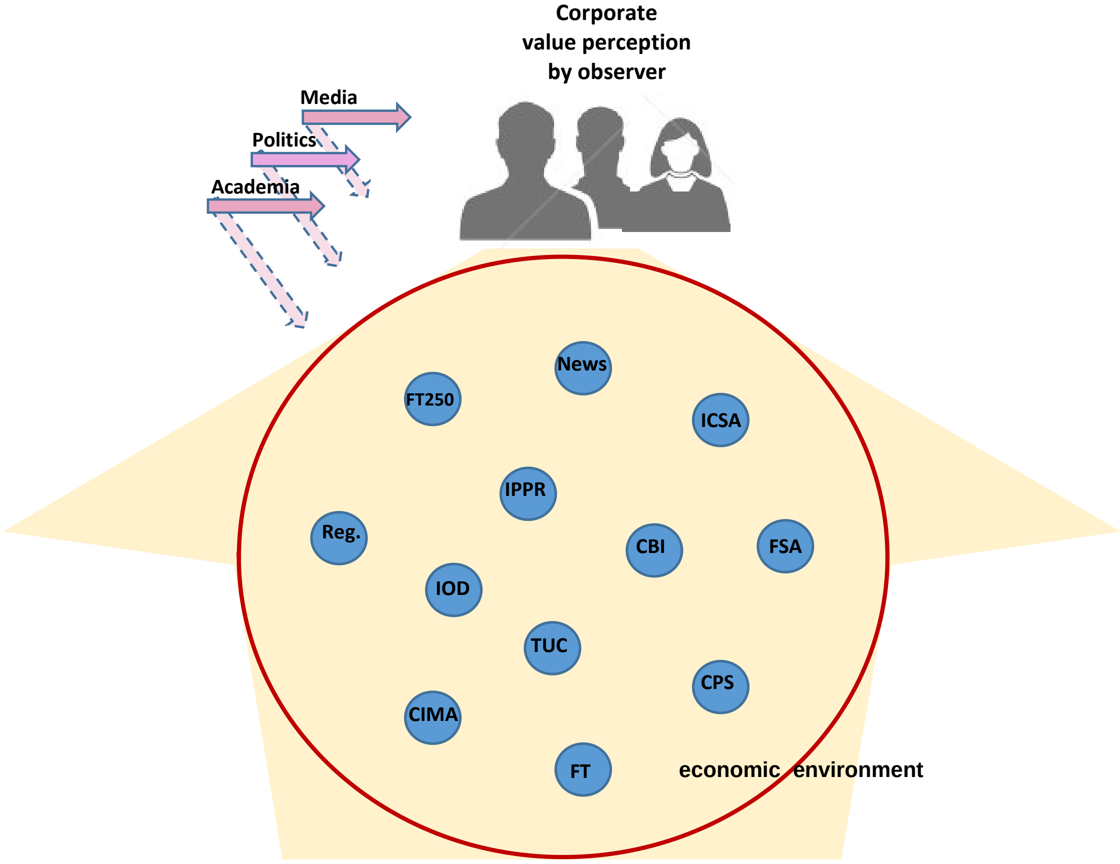
[1]This research confines itself to *notions* of corporate value. However, there is additionally a broad historical context for attempting to define value going back to Aristotle in ancient Greece, around 360BCE. While more modern characterisations of value or its mediators have evolved a context so wide-ranging it includes from the philosophical, economic, and sociological, to the cognitive, developmental, and hormonal (see Stigler, 1950, for a useful review; Almquist et al, 2016, on price perception; and Myers, 2017, on behavioural mediators). Recent work in behavioural economics (Kahneman and Tversky, 1979) has though brought the role of cognition to the forefront in understanding value; a link made between value and perception particularly pertinent to this investigation. See also http://www.businessdictionary.com/definition/value-creation.html

The first corpus of narrative-based documentation examined over this period is, as noted above, for twenty FT250 listed UK companies. Various industrial sectors provide the source for these. For example, the utility infrastructure company Pennon, the transportation company National Express, and the gaming and Hard Rock Café owners Rank Entertainment. The research then similarly considers narrative change during that time for the UK's regulatory environment with respect to soft and hard law (utilizing, for example, the *Corporate Governance Code* and the *Companies Act 2006* respectively). This corporate domain together with the regulatory domain form the *primary corpuses* examined. Additionally, this research considers narrative change with respect to perceived corporate value for a variety of peripheral stakeholder organizations offering British business support or advice. These secondary corpuses include the CBI (*Confederation of British Industry*), the IOD (*Institute of Directors*) and the TUC (*Trades Union Congress*), and again looking at their annual reports[1]. Overall, such a multi-actor assessment allows an examination of changed perceptions concerning value creation across a section of the economy as the twelve stakeholder organizations met the challenges of the global financial meltdown.

Fig 1.2 shows some of the complexity involved for corporate value perception by depicting the multi-actor economic segment used in this investigation. Moreover, reflexive processes, as indicated, add another layer of complexity to the dynamism of the system. Although at a deeper level, corporate narrative inputs can have limitations.[2] Infusing narrative is a cultural grammar, which in some cases can operate restrictively. As Veldman and Willmott (2016, p.584) highlighted, there is a single loop form of reflexive learning with respect to the UK's regulatory environment,[3] with only minor changes ever made, and where there is a rejection of 'critical scrutiny of the presence, nature and mobilization of the

[1]Additional relevant topic reports for organizations where appropriate are also used - ie better quality data or more reflective of perceived corporate value.
[2]The regulatory environment, for the purposes of this illustration, is engendered by the 'politics' input.
[3]Specifically the Corporate Governance Code, though equally applicable to other documentation.

A multi-actor perspective of the corporate value creation narrative – as seen from a segment of organizational corpuses in the economy



Stakeholder organizations (coloured blue) in the economy (within red boundary) assumed to all have a similar understanding of corporate value-creation and reflected in their narratives (*acronyms refer to specific corpuses used in the study*). This assumption occurs as a result of the forces (solid bordered purple arrows) acting on the observer's perceptions as they interpret the various organizational discourses; with forces similarly acting on organizations directly (dotted bordered purple arrows) to intensify the effect. Organizations may also impact one another, creating additional progressive - or reflexive - forces, the effect intensified and again being perceived by an observer. The perception of value creation results, therefore, from dynamic multi-actor interactions, involving stakeholder organizations, human perspective, the economic environment, and varied external forces.

Fig 1.2

taken-for-granted understandings that frame and support theories and practices of governance'. Yet, overall, the belief is, such stakeholder corpuses as a cross section of the national economic landscape provide a credible sampling, a proxy for wider financial perspectives amongst UK organizations.

That narrative is important to value creation is not surprising as every company[1] has their own back-story. Each encapsulates its corporate culture, history, goals, beliefs about its business and societal role, and values concerning right or wrong behaviour in its day-to-day operations. Not least, it reveals what companies see as necessary factors feeding value creation as well as the importance to them of financial success in that regard.

Indeed, through conducting business there is a production of an arena where various constituencies are subject to the more subtle dispositional effects companies bring to bear on them. This arena is, consequently, where the continuing, often volatile debate concerning the relative merits of a shareholder primacy versus a stakeholder primacy model finds greatest articulation. Who should be favoured is an ongoing question for business as Chapter 2 shows. Yet for all the passions evoked, based on all the preconceptions about the best-preferred constituency for value creation, the debate itself is still one that rests essentially, not on primacy, but on a narrative process involving the transmission of ideas; each party, manager or constituency, attempting to propound an advantage.

Clearly, recognizing whether a company is shareholder or stakeholder oriented, indeed what constitutes corporate value for them at any moment, or indeed whether they are driven by financial concerns alone as opposed to also having a sense of social responsibility, can be understood as a matter of perceptual bias amongst other elements acting on the corporate discourse.

[1]The terms 'company' and 'organization' are interchangeable in use for the study.

And considered as a dynamic, interactive narrative process, linked to the concept of corporate value as it seems to be, it is nonetheless visible in a loose depiction. Fig 1.3 shows a simplified view of the process[1] as inputs (left) and outputs (right) in relation to the way corporate narrative is formed and alters through information being exchanged or acted on by a range of elements (*imagine the spheres in motion and bumping one another*), and where it eventually impacts.

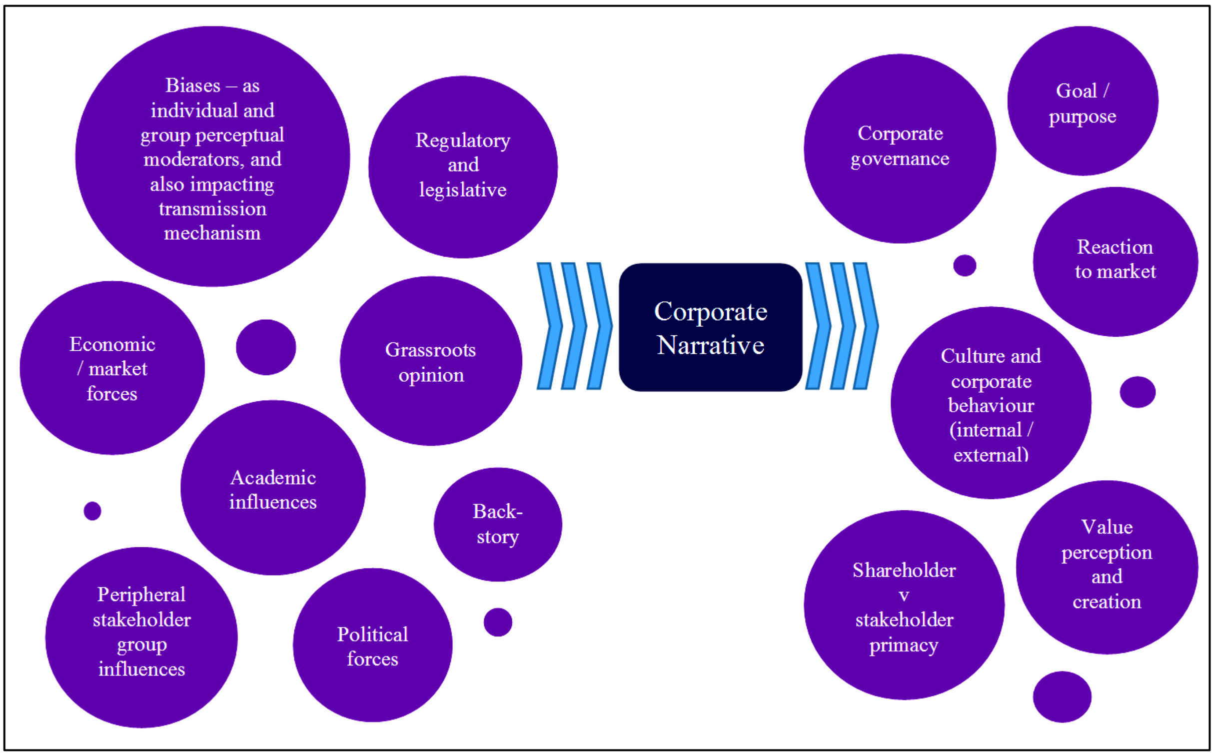


Fig 1.3 Dynamic inputs and outputs for corporate narrative

For this study the possibility of narrative change with respect to primacy, or *movement over time*, for stakeholder organizations and companies is how this research has sought to understand the complex functionality involved. Fig 1.3 is a snapshot of one moment in time for the biasing forces acting on a company's narrative. And in fact considered in this

[1]Though not shown in Fig 1.3, the factor of 'shareholder and stakeholder primacy' may also be understood as an input to narrative.

research is only part of this depicted process; eg the regulatory (soft law) and legislative (hard law), along with moderating biases (ie dispositions for primacy orientation, termism, and sense of urgency) as inputs and value perception and creation as outputs.

Affecting the way organizational narrative plays out, moderating biases with respect to primacy and temporality are therefore seen to determine how a wide-ranging and changing set of complex ideas concerning value creation are passed on to employees and other stakeholders through the type of transmission used.

1.4 A different approach to a complex problem

In forming the research questions and hypotheses, a corpus is, in the first step in the analysis as discussed, a conceptual search space in which variables can alter position. This provides a theoretical framework in order to answer primarily: *has there been a pre to post-Crash change in the perceptions of corporate value?* The variables – perceived corporate value, along with its moderating biases – can therefore undergo assessment and mapping. It is, hence, on that basis – of movement – that there is a formulation of the hypotheses.

The next step is to identify and conceptualize the associations of the variables themselves, whose movements within that search space will require mapping. The accomplishment of this, as will become increasingly apparent, is through the extraction of relevant terms representing the variables from the corpus narratives. And based on these extracted terms, this research thus examines ideas about the moderating biases of primacy and temporality in unison – and as they are associated with managerial perceptions of corporate value creation. It thus extends previous work from the corporate governance field on the relative merits of shareholder versus stakeholder primacy – and long-termism versus short-termism – as considered separately (see eg Lazonick and O'Sullivan, 2002, p17;

Freeman, 1985), by recognizing and addressing the complexity involved. This perspective underpins a multivariate formulation of the concepts.

To evaluate such complexity requires an appropriate method. Hence, the novel qualitative approach of *narrative staining* presented in this investigation helps to untangle the ideas within the debate. In addition to directing the construction of the variables, the method does this by analyzing, objectively, how organizations altered their intricate discourses over the period, reevaluating their strategic responses on corporate value generation.

Narrative staining thus introduces a different type of approach for comparing the pre to post-Crash corpus narrative of organizations. More specifically, the technique allows the assessment of complex (combined) narrative terms organizations employ, synthesizing narrative components like primacy and termism. And as an extension of the corpus linguistic analysis toolbox, the technique departs from many types of corpus linguistic analytic methods by employing terms[1] related to value in some way and chosen in advance of a consideration of a corpus. It is only then that there is an analysis of the corpus, with frequency counts made of the usage of all these value-related terms (VRTs). But, in original fashion, by assessing in mathematical combinations the frequencies for VRTs and terms for time horizon dimensions, along with shareholder terms like 'investor' and stakeholder terms like 'employee', potential variation over time is identified. This is an objective consideration of these variables, as opposed to a general tendency to consider them separately, though somewhat vaguely impacting one another. It therefore usefully integrates

[1]For example, 'price', 'share', and 'strategy' (labelled value-related terms or VRTs). Similarly considered are pre-selected terms for comparison dimensions (DimSyns). These, for example, are terms referring to how executives can be short-term or long-term in outlook: like 'now' or 'lasting' (ie time horizon), which may bias their actions.

these concepts for the business arena, and specifically with respect to commercial experiences of the financial crisis.

The basis of the analytical approach, therefore, is the extraction of term frequencies for pre-selected categories of terms appearing in stakeholder corpuses for pre and post-Crash time points. But, crucially, as will be shown in Chapter 4, a consideration of these complex terms - based on their frequencies – is in colour-coded combinations in the next step of the procedure. This then feeds a graphical mapping analysis (including in 3D if required). In this way, there can a visual assessment of any split of the colour coded and interacting term based variables. How these variables change over time is then observable with respect to the main primary corporate and regulatory corpuses, as well as the secondary corpuses of peripheral stakeholder organizations, this study examines. Hence, comparisons can be made of multiple corpuses, both contemporary or at different time points.

There are several new concepts in this research. Fig 1.4 therefore shows a summary of the whole process and how there can be a generation of results in a consolidated manner on a simple graphic, the *narrative strip*.

Furthermore, narrative staining is applicable to an extensive dataset of multiple and varied stakeholder corpuses, and there is therefore an original broadening of the investigation. And by consolidating and assessing large-scale perceptual bias regarding value creation across the economy, insights are provided, hitherto inaccessible - and particularly with the production of the narrative strip. Thus, the procedures employed in narrative staining allow the revealing of a multi-actor discourse with respect to corporate value creation.

That, in sum, is the approach presented in this investigation that utilizes the concept of *perceived corporate value* to look at organizations and their potentially changing biases on the subject.

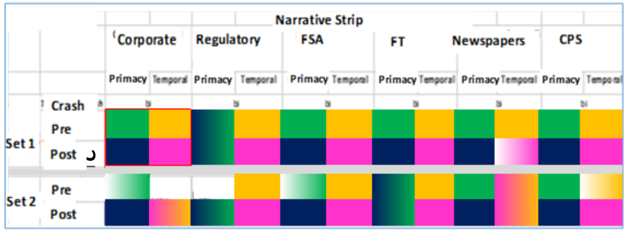
Mapping the Effects of the Global Financial Crisis on Stakeholder Perceptions of Corporate Value

The Crash of 2008 – *a catastrophe!*

But how did companies (as well as other associated organizations – like those providing regulatory oversight or industry advice) respond? In particular, how might they have *reevaluated* their ideas about the way to generate corporate value – for example directly monetary by, say, better market access or indirectly monetary, through internal efficiency improvements?

To answer this, how ***narrative changes over time*** for companies is considered with respect to the group executives favour when it comes to corporate value generation. The choice facing executives is between shareholders or a broader field of stakeholders – including, employees, customers and suppliers. And in carrying out their role, do executives take a *short-term* or a *long-term* perspective when it comes to interacting with whom they favour in creating value? All these perceptual factors can potentially alter over time. So, it is hypothesized that pre-Crash, executives were short-term in their outlook and shareholder focused while post-Crash (having learnt their lesson perhaps) they became more long-term, stakeholder focused. Did it manifest that way or were there changes in bias evident?

With the technique of ***narrative staining***, a pre to post-Crash comparison of narratives is made based on usage frequencies of certain terms related to value: like 'price', 'share', and 'strategy' (labelled *value-related terms or VRTs*). Also considered are terms for comparison dimensions (DimSyns). These represent time horizon: a short or long-term executive outlook - like 'now' or' lasting' - which may bias their actions. By assessing *VRTs* and *time horizon*, along with shareholder terms like 'investor' and stakeholder terms like 'employee', potential variation over time is identified. But, in this original research, to understand how all this operates more fully, terms are looked at in complex combinations.



What companies think is represented in what their executives write. Corpuses, for the narratives, are therefore formed for both pre and post-Crash periods from annual reports (*for other organizations appropriate documentation is used – ie for the regulatory corpuses it's the Companies Act 2006 and later amendments, along with the Corporate Governance and Stewardship Codes*)

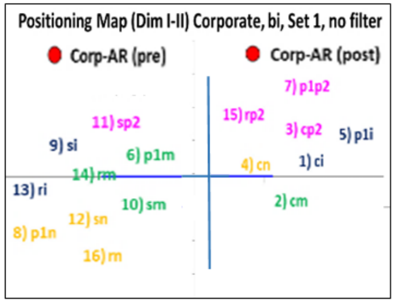
Perceptual mapping, a qualitative method, may be applied to the data. It allows a 3D mapping of how term combinations change over time for the corporate and regulatory corpuses together.

What of the results? Bias is definitely evident. Counterintuitively (and against the hypothesis) companies were found to be ***short-term*** oriented but ***stakeholder*** focused prior to the Crash and ***long-term*** oriented but ***shareholder*** focused after the Crash (indicated with a red border around the first four squares). Other corpus domains, including the regulatory, generated meaningful though mixed results. Together, it all highlights just how complex perceptions about the 2008 Crash are – and indeed, not to be taken at face value or as often portrayed in the media.

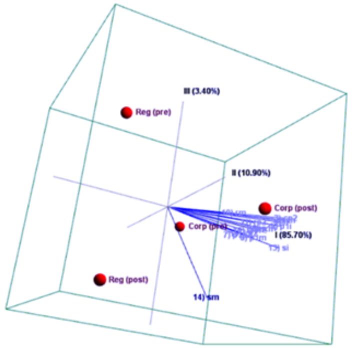
And in the ***narrative strip***, much like a heat map, comparisons can be made for many individual organizations (by corpus) simultaneously along with the corporate and regulatory domains (eg newspapers as well as the FT; and not given above, the CBI and the TUC). It shows at a glance who across the economy is **short-term** (***orange***) or **long-term** (***purple***) and **shareholder** (***blue***) or **stakeholder** (***green***) focused in their biases overall.

(Two analyses are shown, Set 1 and Set 2; for corroboration).

This new multivariate technique is here applied to organizations but potentially can be used for share analysis and in counter-terrorism.



Also examined with narrative staining – using advanced graphical methods - were individual corpuses, picking out particular matching term combinations by colour coding. The distribution of colours across time in this map tells us if or how changing shareholder v stakeholder bias is operating



Perceptual 3D map of corporate and regulatory corpuses, pre to post-crash
(term combinations are represented by codes and show clustering for particular ones)

Fig. 1.4

Picture source: unknown stock web images used, along with corporate annual report covers (Electrocomponents, AA, National Express) though copyright requires double-checking if used for publication.

And though a focus in the corporate governance discussion of this investigation is on the shareholder and stakeholder primacy debate, as the next chapter highlights, a corollary of examining perceived corporate value in this research is that identifying what best creates value is not the aim, nor is it about taking sides in the shareholder versus stakeholder debate. Instead, for what appears the first time, the purpose of this research is to understand whether the type of primacy, which dominated prior to the 2008 Crash, corresponded to popular or pre-analytic beliefs. Hence, this research examines observationally from a variety of organizational corpuses who was favoured to create value, and whether this changed with respect to the financial crisis.

Presented here then is an approach providing a different way, a *new tune*, that hopefully sheds light on what has been a notoriously difficult area to explore.

2. The Evolving Primacy Debate in Corporate Governance

Captains of industry and academics across economies would add their voice to decry the rise of shareholder primacy following the Crash of 2008. Besides Jack Welch's, famous statement that 'shareholder primacy is the dumbest idea in the world' (Guerrera, 2009), Paul Polman, CEO of Unilever, classed it a cult, Roger Martin, dean of the Rotman School of Management at the University of Toronto, called it a 'crummy principle that is undermining American capitalism', while Xavier Huillard, CEO of French construction and public services company Vinci Group, labelled it 'totally idiotic'[1].

Clearly, a prevalence of negative perceptions about shareholder primacy was present across the business world - even though many companies retained a focus on investors in an attempt to maximize profits. An alternative, however, was a model focussing on the primacy of stakeholders, and stressing the interests and promotion of a broad range of constituencies for the development of a successful business (Freeman, 1984). Significantly, the stakeholder model presented a more nuanced understanding of shareholders as only one type of

[1]Source for quotes: Denning, 2015 (https://www.forbes.com/sites/stevedenning/2015/02/05/salesforce-ceo-slams-the-worlds-dumbest-idea-maximizing-shareholder-value/#1df8a4c87883).

stakeholder when it came to creating corporate value. And though perhaps sidelined in the lead-up to the financial crisis, in recent times the approach has nevertheless found increasing resonance with business leaders. For these individuals, orienting towards stakeholders is in fact a worthwhile initiative, as simply making sure one's employees are satisfied in their work can increase a business's long-term value (Edmans, 2015).

Marc Benioff, CEO of Salesforce, one of America's major cloud computing services companies, summed up the ideal primacy perspective for corporate governance to take after his attendance at the Davos conference of the World Economic Forum (WEF):

> 'We have an imperative to shift from creating shareholder value to stakeholder value… corporate management isn't just accountable to shareholders… businesses must focus on serving the interests [of] all stakeholders – customers, employees, partners, suppliers, citizens, governments, the environment and any other entity impacted by its operations'.
>
> *Benioff, 2015*[1]

Benioff's sentiments echoed those of Klaus Schwab, founder of the WEF. For Schwab change towards greater stakeholder engagement is fundamentally necessary in the running of companies, and for the manner in which those companies should be interacting with multiple constituencies for a better world.[2] Indeed, an increased involvement of business with a varied stakeholder base, calls for greater corporate social responsibility (eg Preston and Post, 1975; Waddock and Graves, 1997). Businesses from this broad stakeholder perspective have the chance to be both more sensitive to the needs of their social environment, helping it where necessary, and more aware of opportunities for prosperity and growth.

[1]Ibid p27:1; see also https://www.huffingtonpost.com/marc-benioff/a-call-for-stakeholder-activists_b_6599000.html
[2]'Schwab has championed the multi-stakeholder concept since the Forum's inception'. See: World Economic Forum (https://www.weforum.org/about/klaus-schwab).

Yet by contrast, there have also been dissenters from this view where, for example, there has been the suggestion that shareholder primacy offers protection for different constituency's interests, as well as looking after their concerns and creating harmony amongst the disparate group's aims. From that shareholder-oriented position, companies are likely to have a greater chance of being successful (eg Sundaram and Inkpen, 2004). Furthermore, the desire amongst business leaders to pursue stakeholder interests might not be due to altruism at all but simply a matter of different interests coinciding (see The Economist 2005).

What these views say about the movement of perception concerning value generation with respect to the Crash may therefore not be as clear-cut as first appears. And this lack of clarity is one of the reasons the present study seeks to determine, objectively, the change in primacy perspective that took place as managers underwent the experience of the 2008 Crash. Moreover, such objectivity addresses a formidable gap in the literature, wherein the importance of particular constituency interests to value creation is the focus rather than identifying the dominant one in place. Nevertheless, that academic discussion provides a context for the present research, with respect to the most likely constituency to be in the ascendency entering and exiting the financial crisis. Without any partiality for either model, therefore, a consideration is made of the support for both shareholder and stakeholder approaches, and how latterly an integrated view has evolved.

2.1 Support for shareholder primacy

An article by Milton Friedman (1970) in the *New York Times Magazine* is generally credited for popularizing the idea of shareholder value maximisation in the pre-Crash years. 'There is one and only one social responsibility of business', he wrote, 'to use its resources and engage in activities designed to increase its profits…'. However, other academics as well as the regulatory environment in the UK have also contributed to furthering a shareholder focus.

2.1.1 Academic advocates of shareholder primacy: Friedman's (1970) work would lead, arguably indirectly, to years of following an extreme interpretation of shareholder primacy as the major approach for companies to follow. Yet the subsequent development of agency theory (Jensen and Meckling, 1976; Fama, 1976) added weight to that primacy position. Managers were, according to the theory, cast as agents acting on behalf of absent owners or shareholders, their principals.[1] Thus, there was a delegation of authority to managers to perform a service, which they clearly had to carry out to the best of their ability. These ideas, however, followed on from another idea: the capital market as a managerial disciplining mechanism (Manne, 1965). As a result, there was greater emphasis placed on managerial performance from an agency approach, where the market would judge how well they did. Manne's ideas also indirectly helped address the need to protect shareholders from executive self-interest, a facet of corporate behaviour highlighted early on in the 20th Century by Adolf Berle and Gardiner Means (1932) but had persisted.[2] And with share prices determining whether managers were efficient in their roles there was added impetus to the concept of shareholder wealth maximization. By the 1980s share price performance and corporate performance would become heavily interwoven (Blair, 2003). Indeed, the focus of boards would change in that decade due to far greater shareholder activism, a result of mergers, takeovers, and the rise of institutional investors. But a foremost effect was that it

[1]See also Fama and Jensen, 1983; Jensen and Ruback, 1983.

[2]This includes the impact on managers of wider share ownership patterns from the late 19th century (Berle and Means, 1932; Jefferys, 1938; Mitchell and Dean, 1962; Michie, 1999, p.4; Hannah, 2007; Rutterford et al, 2011; Cheffins et al, 2012). These were factors understood as implicated in the splitting of corporate ownership and control, the province of the latter moving to full-time professional managers who had a very different feeling of identification to the company, and one often unchecked (Florence, 1953; Scott, 1986; Coffee, 2001, p.40). Also evident where friction between management and workers boiled over into violence (see Tedlow, 1976).

all served to alter perceptions progressively amongst senior managers in relation to their understanding of where corporate value lay.

That shareholders were to receive increased favour from managers when it came to value creation had legal support as well. Hansmann and Kraakman's (2001) view was that for the US and UK 'the basic law of the corporate form has already achieved a high degree of uniformity, and continued convergence is likely'. A principal reason for convergence, they explained, was a widespread normative consensus that corporate managers should act exclusively in the economic interests of shareholders, including non-controlling shareholders. It was a consensus that seemed to rely on a notion of director's fiduciary duties as being not only towards shareholder primacy through maximizing shareholder value but also based on the establishment of a common standard. In other words, almost everyone was already using a shareholder-oriented model of the company so it must have merit.

It is perhaps an odd conclusion. However, Sundaram and Inkpen (2004) provided more considered theoretical support. For them, maximizing shareholder value maximizes value for the whole firm, hence all stakeholders are to benefit. As the central position of Sundaram and Inkpen (2004, pp.353-355), they cited a number of reasons why they believed it is so, some of which are:

1. The goal of maximizing shareholder value is pro-stakeholder [because shareholders are the main force for maximizing of output. They are also only residual claimants on cash flow].
2. Maximizing shareholder value creates the appropriate incentives for managers to assume entrepreneurial risks… thus, managing on behalf of shareholders forces managers to go beyond *'satisficing'*[1] effort levels.
3. Having more than one objective function will make governing difficult if not impossible
4. It is easier to make shareholders out of stakeholders than vice versa.

[1]A term the Sundaram and Inkpen (2004) coined to mean doing only as much as required and no more.

5. In the event of a breach of contract or trust, stakeholders, compared with shareholders, have protection (or can seek remedies) through contracts and the legal system.

Sundaram and Inkpen's (2004) work is interesting as it attempted to deal with many of the critiques that were likely to arise against a shareholder maximization approach. Specifically, how if it was so effective, could it explain the excessive use (and inadequate policing) of compensation packages, as well as the extreme pay ratios managers seemed to enjoy?[1] Even allowing that this was a discussion on the agenda prior to the Crash of 2008, the researchers recognised that these (broken) boundary factors led to 'convulsions and corporate scandals of 2001 and 2002' but also that the critiques and boundary constraints are not necessarily unique to a shareholder value maximization view. They can happen when the self-interest of any constituency gets out of control.

The work of Rappaport (1986) presented a very different approach. Again, the view was that shareholder primacy constitutes the best method of increasing a company's value. However, stressed was the need to take an objective perspective on how to generate value through effecting strategic change - and thus shifting the shareholder value concept away from only the existing market value of a business. It is an approach looking to increase value from the smallest part of the business up, through bringing about strong cash flow generation, such as from sales growth. The application of metrics[2] to this scenario then

[1]Extreme pay ratios remain a major concern. The pay of FT100 senior executives can represent a disparity of over 130 times as much as employees further down the corporate ladder, according to recent figures (CIPD, 2017); money that could potentially go to building the company. In the US, pay ratios are presently even higher at 271:1 according to the Economic Policy Institute. See http://www.epi.org/publication/ceo-pay-remains-high-relative-to-the-pay-of-typical-workers-and-high-wage-earners/

[2]Metrics include a shareholder value added metric (SVA), and the development of valuing strategies for strategic planning Rappaport (1981). These also have benefit for companies establishing a price of their shares as a prelude to sale, re-purchase, divestment or going public, or those that become potential takeover targets. And a discounted cash flow model (Rappaport, 1986) considering the trade-offs; ie the returns of projected strategies as well as against potential returns forgone; hence the rate of return – as a baseline for discounting – that could have been earned by investing in a different prospect but one that carries equal risk. Companies can therefore make comparisons of strategies. Managerial judgement of discount rates, however, may be subject to bias - and where risk perception may be an influence on such bias.

enables a comparison of results against actual results and projections. Such testing leads to the selection of strategies.

For Rappaport (1986), gaining competitive advantage through internal strategic development and creating shareholder value together equate to the corporate objective. The difficulty as he saw it, though, was that such shareholder maximization is not universally accepted, or when used its implementation is incorrectly carried out and 'causes pain'. But as the rationale for companies to develop, it is anticipatory and hence forward-looking. And as with Sundaram and Inkpen's (2004) view, would allow greater gains for all stakeholders.

Taking its cue from the American Legal Institute's (ALI) list of director's duties (see also Keay, 2013), the work of Lorsch and Maciver (1989) offers another perspective on shareholder primacy, and where their research through survey seeks to examine the nature of the director-shareholder relationship. Principally, it turns out perhaps unsurprisingly that shareholders are favoured, with many directors making decisions that protect shareholders' interests and ensuring they make a good return on their investment. There have been few qualitative studies of this nature and the findings are consistent with Yoshimori (1995), who similarly highlighted the shareholder-oriented model as being prevalent in the UK and the US during this period: 70.5% of UK managers believed shareholders warranted priority over other stakeholders; for US managers the figure was a comparable 75.6%.

But there is more to it than simply restating the commonly accepted belief about all directors pursuing a shareholder primacy agenda. And what is particularly notable about Lorsch and Maciver's (1989) work was how it develops as a typology, with their findings, as in Fig 2.1, showing how directors are dissimilar in outlook. In part, it may be due to

Types of Director (as depicted by Lorsch and Maciver, 1989)

Traditionalists: shareholders number one

Rationalizers: what is good for shareholders is good for other constituencies – including employees and community – as well as the company (implicitly follows the rulings of the Delaware Court)

Broad Constructionists: feels responsibility to wider stakeholder base; to balance priorities and values of all constituencies

Fig 2.1

prevailing circumstances, where managers nowadays have to respond. They are often, suggest the researchers, making decisions that give consideration to: the current trend for majority shareholdings to reside with institutional investor; high frequency trading accounting for a significant proportion of daily trades; that mergers and hostile takeovers are an ever-present possibility. Share ownership patterns are therefore far from simple, and how directors should attempt to understand who the shareholders are and what their interests are is by no means clear. Moreover, director duty cast as the *shareholder primacy norm* may foster a widely accepted conviction of a legal requirement to look after the interests of shareholders as the most important constituency to whom they are accountable.[1] As Lorsch and Maciver (1989) highlighted, despite the best of intentions, a conflict of accountability faces directors. Yet directors, they also observed, feel their broader responsibilities. For example, looking after the company's long-term future, even though it may be of secondary

[1]See also Smith, 1998, on the misconceptions relating to the shareholder primacy norm; Roe, 2001, on implications for organizations; and Martin and Riel, 2011, on the systemic forces on managers and senior executives – board pressure, the requirement to manage investor expectations, and pressures of market hype - dictating how value should be created ie by keeping share price high.

importance. And other constituencies, though perhaps coming even further down their list of priorities, that have importance too.

Evidently, this is not about self-interest as directors face very real and challenging day-to-day decisions. Moreover, it does not matter from the perspective of this study whether there is a legal requirement to favour shareholders or not; the interest is in where directors or managers *perceived* their duties to lie. And for different directors, beyond looking after their own interests, there is a great deal of variability in meeting these challenges, as highlighted by Fig 2.1. So that over and above a basic typology, a level of thoughtfulness is indicated about the way, primarily, shareholders should be treated, and secondarily the relevance and needs of multiple constituencies. From a perceptual point of view, directors are somewhat in the shareholder primacy camp when it comes to governance processes, but not completely.

If Lorsch and Maciver's (1989) research views shareholder primacy as a matter of directors being unescapably disposed to a degree to this particular constituency in meeting the corporate objective, by contrast Koslowski (2000) sees the promotion of shareholder primacy as vital because it is the 'control principle' rather than the objective of the company. The purpose this engenders might centre on consumer satisfaction or producing optimal consumer products. Maximizing shareholder value is, by this view, not the main objective of a firm's corporate governance but rather one of several. It is, thus, an instrumental end to achieve the corporate goal by reorienting perspective on the role of shareholder primacy, or indeed managerial strategy interplaying with the various markets for corporate control.

In that context, while a somewhat reconceived approach, it is still looking to a market metric of price and that brings with it market pressures on companies. Indeed, there may be a fine distinction between the broader *instrumental purpose* attached to shareholder primacy and that of managerial purpose, leaving room for abuses as Koslowski (2000) recognises. External pressures, he suggests, that force efficiencies might be the cause. For example: a mistaken transfer, a 'spillover', from the influence of financial institutions to the industrial firm; a focus on residual future profit; speculative share manipulation; or repercussions on capital formation when meeting the needs of competing stakeholder interests through participation or bargaining.

Yet in making efficiencies, Koslowski (2000) recognized that the creation of perverse speculation and business practices amongst managers occurs if there is over-incentivising to implement them with, for example, stock options. Abuses in the corporate arena, however, are not confined to remuneration practices but can emerge from board or director activities in multiple ways. While many businesses continued to favour their investors, quite legitimately, there was also, therefore, a development of regulation to counter bad corporate behaviour.

2.1.2 Parliamentary and regulatory support of shareholder primacy: There had been intermittent exploitative uses of public companies by directors, such as pay rising faster than earnings (Conyon et al, 1995), and the scandals in cases such as PolyPeck, BCCI and the Maxwell Group, corporate governance practices during the late 1980s and early 1990s needed addressing. In response, the UK Parliament would step into the fray with several analyses covering a general scope of boardroom activity relating to the role and duties of directors. Notably, there was the Cadbury Report, 1992, focussing on board structure, as well as the reinforcing of board accountability through the introduction of the concept of 'comply or explain'. This document would additionally serve to strengthen the perspective regarding shareholder primacy by clearly siting a company's ownership with those who had invested their money, stating that: 'Boards of directors need to… [make their

Milestones in Soft Law Corporate Governance Regulatory Development

(*representing non-explicit support for shareholder primacy*[1])

<u>1992</u>
December: *Cadbury Report* on corporate governance. Financial Aspects of Corporate Governance, in response to eg Maxwell, PolyPeck and BCCI scandals. It introduces requirement of 'comply or explain' and makes recommendations primarily for board structure though also for director remuneration.

<u>1994</u>
December: *Rutteman Report* : Internal control and financial reporting - guidance for directors of listed companies registered in the UK. (The Internal Control Working Group was established to fulfil the requirements of the Cadbury Committee for the profession to develop guidance on internal control).

<u>1995</u>
July: *Greenbury Report* on corporate governance: Directors' Remuneration. Recommendations also on non-executive director (NED) pay and the need for shareholder approval for bonus schemes

<u>1998</u>
January: *Hampel Report*: Review of corporate governance since Cadbury, and recommending combination of principles of Cadbury and Greenbury Reports.

June: Combined Code on Corporate Governance, first issued by Financial Reporting Council (FRC). Focus is on Principles of Good Governance and Code of Best Practice .

<u>1999</u>
September: *Turnbull Report*: Internal controls to ensure good financial reporting (revised guidance September 2005, see below, and September 2014)

<u>2000</u>
May: Revised Combined Code on Corporate Governance, issued by FRC

<u>2001</u>
March: *Myners Report* : Institutional Investment in the United Kingdom: A Review on institutional investors

<u>2003</u>
January: *Higgs Report* : Review of the role and effectiveness of non -executive directors, (also restricts share options for NEDs).

- *Smith Report* : Addressing concerns with regard to the independence of auditors, in the wake of the collapse of accountants Arthur Andersen and the Enron scandal in the US in 2002. It codified the role of audit committees. In subsequent revisions is known as the FRC Guidance on Audit Committees
- *Tyson Report* on the Recruitment and Development of Non -Executive Director s (originally commissioned by the DTI)

July: Revised Combined Code on Corporate Governance, issued by FRC

<u>2005</u>
Sept/Oct - The FRC issues an updated version of corporate governance guidance on internal controls (formally *Turnbull Report* on internal controls to ensure good financial reporting, Sept 1999), with the title 'Internal Control: Guidance for Directors on the Combined Code'. In September 2014 this was superseded by the FRC's Risk Guidance.

<u>2006</u>
June: Revised version of Combined Code on Corporate Governance, issued by FRC

<u>2008</u>
June - Revised version of Combined Code on Corporate Governance, issued by FRC

<u>2009</u>
July 16: *Walker Review* : A review of corporate governance in UK banks and other financial industry entities. Largely in reaction to the financial crisis, and centering on institutional investors. Chancellor of the Exchequer, the Secretary of State for Business, Enterprise and Regulatory Reform and the Financial Services Secretary to the Treasury 'announced a review to recommend measures to improve the corporate governance of UK banks, particularly with regard to risk management.' Review also makes recommendations on director's time commitment, training, and transparency regarding terms of appointment.

December 1: A Review of the Combined Code: Final Report, FRC

<u>2010</u>
May: UK Corporate Governance Code (formally The Combined Code) published by FRC. (It sets out standards of good practice for listed companies on board composition and development, remuneration, shareholder relations, accountability and audit).

July 2: UK Stewardship Code (published by FRC) comes into force. As a counterpart to the UK Corporate Governance Code it replaces any former function set out in sections of the earlier Combined Code. It is aimed at financial institutions looking after other people's funds

<u>2018</u>
July: following several iterations between 2010 and 2018, FRC issues latest edition of the UK Corporate Governance Code

[1]From 2012 to 2016 the Corporate Governance Code refers to the accountability of the company

Fig 2.2

accountability effective] through the quality of the information which they provide to shareholders, and shareholders through their willingness to exercise their responsibilities as owners.' A two-way approach perhaps. But the Parliamentary, Company Law Review Steering Group (CLRSG), 1999, supported such a clear statement about shareholder ownership and primacy. It stated that: 'the ultimate objective of companies as currently enshrined in law – ie to generate maximum value for shareholders – is in principle the best means also of securing overall prosperity and welfare' (Company Law Review, 1999; see also Keay, 2013). Not only had the CLRSG pronounced on the primacy of shareholders but also that this primacy, as they perceived it, was integral to a much greater social wealth through financial increase. And it is a legal perspective that is reflected in the UK's soft law regulatory framework, which similarly pronounced, '…in law the company is primarily accountable to its shareholders…' (*Corporate Governance Code, 2016, p3*). In other words, shareholders came first.

Besides the Cadbury Report there were other governmental reports addressing necessary improvements in corporate governance practices. Fig 2.2 highlights some of the important soft law regulatory milestones (and responsibility for which then passes to the FRC for long-term implementation from 2003). Hard law support came from the Companies Act 2006, particularly s172, where due to business practicalities a consideration of 'members' often meant managers giving primacy to shareholders before any other stakeholder. In addition, *The Takeover Code,* in its supervisory role, supported the market side of this process.

> 'The Takeover Code is designed to ensure that shareholders are treated fairly, are not denied an opportunity to decide on the merits of a takeover and are afforded equivalent treatment by an offeror. It provides an orderly framework within which takeovers are conducted'.
>
> *The Takeover Code 2006, Appendix 1*

But one significant corollary of the regulatory approach was that the mechanism of corporate control was no longer with the financial markets alone. It was also with the corporate governance framework (see Fig 2.2). Indeed, it could be said this is what the various UK regulatory analyses and measures were designed to do[1], along with the further continuing advices of the FRC that charge boards with greater responsibility for value creation (Fig 2.3). Moreover, in contrast to other countries the UK's dual regulatory approach to corporate governance in the pre-Crash economy was seen as fairly unique, a 'third way' (Williams and Conley, 2005).

Extract from FRC Guidance in Relation to Value Creation

An effective board: creates a performance culture that drives value creation without exposing the company to excessive risk of value destruction (sec 1.2)

Chairman's role: setting a board agenda which is primarily focused on strategy, performance, value creation and accountability, and ensuring that issues relevant to these areas are reserved for board decision (sec 1.7)

Source: FRC Guidance, 2011

Fig 2.3

Hence, there was non-explicit support for shareholder primacy from soft law regulation, in addition to explicit hard law support from s172 of the Companies Act 2006. In combination, it was a framework representing a potentially powerful additional market control mechanism.

[1]Eg reports by Cadbury, Higgs, and others; or in fact the legal framework through the Companies Act 2006, which stresses the duties of directors.

Indeed, though in principle the regulatory framework could hypothetically shift where corporate value is perceived to be, expanding or redirecting it to other important stakeholder constituencies by virtue of all the controls it brought to bear, it is essentially still a shareholder primacy model taking its cue from an agency perspective. Seen in relation to the FRC Guidance 2011, as Fig 2.3 indicates, it means the main relationship between manager and shareholder was very much still the situation as soft law had reinforced, and with the board as arbiter in the process of creating corporate value.

This support for shareholder primacy, however, stands in contrast to legal viewpoints on fiduciary duties, such as that of Johnson and Millon (2005, p1644) who state: *'It is indisputable that officers are agents for the corporate enterprise, not the stockholders. Their responsibility to any particular corporate constituency is only indirect, and any benefits (or costs) to such key groups are incidental effects that flow from decisions made in the interest of the corporation as a single, undifferentiated entity'*. Indeed, even if differentiated the company is still seen as a nexus of contracts (Jensen and Meckling, 1976) rather than a complex entity held together by 'ontological glue' (see Gindis, 2007). Such *glue*, when present, can serve to integrate stakeholder diversity and promote collective action for enhanced value creation. Though again, it stands in contrast, conceptually, to shareholder primacy and how companies are structured as well as supported by the UK regulatory environment to promote that aim.

Furthermore, with the corporate governance framework in the UK as it is, in essence two of the three elements of agency theory (incentivising and a market for corporate control) have been found to have flaws and the remaining one of monitoring is the element that is being developed through regulation. As discussed too, there is also a re-emphasis on the rights of shareholders. The indisputable nature of senior executives as agents of the corporate enterprise alone appears to be questionable. And even if it might not be fair to characterize all executives in a negative light, it nevertheless still views them as self-interested where their decisions require curbing from selfish actions. Hence, there is a need for a regulatory means of monitoring.

Despite the academic and regulatory support for shareholder primacy, for many observers the issue centered on whether it was possible to take a broader and more inclusive view on how companies achieve success as well as create value. The stakeholder primacy model appeared to offer an alternative in this regard.

2.2 Support for stakeholder primacy

Underlying the stakeholder model is the idea that a variety of constituencies - such as customers, suppliers, the environment, as well as employees - could make an instrumental contribution to the success of a business.[1] Indeed, seen as another type of stakeholder, investors are able to make an important financial contribution or play a part through the market's disciplining mechanism. Yet, from a stakeholder perspective, businesses had to feel they were part of a larger commercial entity, constituted from multiple interests beyond those of shareholders alone. They had to recognize that these constituencies all had stakes in the company. Stakeholders were, for example, 'persons or groups that have, or claim, ownership, rights, or interests in a corporation and its activities, past, present, or future.' (Clarkson, 1995, p.106).[2] Companies, therefore, had responsibilities to – and were connected with – a wider set of constituencies in order to manage, co-ordinate and further

[1]This is dependent on the recognition of their potential by businesses. And while this recognition may not be denied - even from a shareholder primacy perspective - claims to remuneration beyond that contractually agreed can complicate the matter.

[2]There are, in fact, many definitions of a stakeholder, including: 'Any group or individual who can affect or is affected by the achievement of the organization's objectives' (Freeman, 1984, p.46); 'Peoples and groups who either impact on or may be impacted by its [a company's] policies and operations' (Frederick et al, 1992). However, the notion of a stakeholder is a contested concept (Miles, 2012) with hugely varying definitions regarding criteria for inclusion. There are over 66 definitions of a stakeholder according to Mainardes et al (2012), while Mitchell et al (1997) offer 38 definitions, Friedman and Miles (2006) 55 definitions, Laplume et al (2008) 179 definitions, and Miles (2011) 435 definitions.

those interests, both externally[1] as well as internally (see eg Crane and Matten, 2010). And the constituencies when fully recognized and leveraged could make significant contributions to corporate value generation.

As an internal constituency, employees were a particularly important resource.[2] And a broader stakeholder view that emphasised the promotion of their interests and their contributory role would enter the limelight from the early 1980s onwards through the work of several investigators.

2.2.1 Academic advocates of stakeholder primacy: Of particular significance to a stakeholder primacy model is the influential work of Edward Freeman (1984). Freeman's key insight was to link stakeholder involvement with strategic management. Research subsequently carried out, often in association with colleagues, served to build a different way to understand how corporate value is developed and the vital role of managers in cultivating relationships amongst a wide set of constituencies for this process to be successful. Moreover, the idea of shareholders as only one type of stakeholder was increasingly accepted.

One of Freeman's (1984) innovations was the 'hub and spoke' model, also known as a 'bicycle-wheel' model. It viewed the corporate organization as the hub for a series of interdependent relationships, which also included, as Crane and Matten (2004) drew particular attention to in commenting on Freeman's work, a wider set of stakeholder constituencies influenced by the company's operations (see also Mainardes et al, 2011, p229).

[1]As a forerunner of CSR, there had been the promotion of external *citizen duties* early in the 20th Century (see Berle, 1931; Dodd, 1932).
[2]In the sense that employees work within companies. Of note, however, is that employees are outside parties in company law, although specially connected to the company through labour law.

As it stood, the model was largely about the flow of information between those in the relationship with the intent of producing a type of agreement on strategy. Yet as Freeman (1984, p54) commented, '…for stakeholder analysis to be meaningful [it, the model] must be taken one step further….' And in Freeman et al (1988), there had been an expansion of the conceptual view of a stakeholder theory by showing the centrality of values to the model. Effective firms act strategically on the values top managers hold, they argue, and this being so it is a research conception that leads to a managerial view of corporate morality (see also Jackall, 2010). Actions managers take have moral implications affecting others, such as about how a company implements its ideas on corporate social responsibility as well as the overall corporate narrative they construct to explain or justify the strategic and social endeavours they have carried out. Understood as problematic, one solution is for managers to recognise that rather than their own values, stakeholders' values are vital to strategic outcomes.

Moreover, in recognizing these values the obligation on managers, Freeman et al (1988) stressed, is not just one of a superficially expressed moral requirement of respecting the legitimacy of certain stakeholder's claims. That is a rout down which the imposition of lip-service could easily be stimulated. Employees should not be depended on either to override their values in favour of loyalty or the good of the company. Indeed the notion of strategic management as proposed by Freeman (1984) was one that went far beyond that of lip-service. Rather, its more nuanced perspective was fundamentally: a value-clarification process between multiple parties; the allowance of independent choice; and more than simply aligning employees' values with corporate values. Indeed, Auster and Freeman (2012) would take these ideas further, where for them the notion of organizations simply 'living' their values was insufficient. There needed to be 'corporate authenticity'. And when in place it leads, they suggested, towards the ultimate goal, or ends, of the 'poetic organization', where there is a type of alignment of all good things organizational. As idealistic as it sounds, the basic point was that there be an ongoing conversation amongst all relevant constituencies to foster that authenticity.

The approach, however, was not without its critics. Key (1999), for example, in response to Freeman's (1984) work, saw it as being about goal trade-offs, and argued against his concept of 'value fit', where alignment of managerial and employee values was an aim. For Key, such a model was in fact a 'resource conversion entity' and rather less about giving all stakeholders automatically the same priority and an equal voice. Mitchell et al (1997, p870) add, '*The common "bicycle-wheel" model of a firm's stakeholder environment does not begin to capture the ebb and flow of changes in stakeholder-manager relations or the fact that these relations are multilateral and often coalitional, not bilateral and independent*'.

Yet the aim of Freeman and his associates was for a deeper understanding of the variety of stakeholders contributing to a company's value creation. Hence, a greater integration of values held by all constituencies, including those of managers, to ultimately feed a company's success. Conceived that way, stakeholder theory is more than a starting point; it is a holistic concept of a goal and a means to achieving that goal (see eg Freeman et al, 1988; Mitchell et al, 1997). Hence, it is reinforced that all stakeholders are important not only shareholders.[1]

Companies, meanwhile, often use simple corporate maps to conceptualize relationships (such as hub and spoke). Businesses will define stakeholders positionally in terms of the attributes separating them – which is to say, defined in terms of what makes them who they are. Clearly, stakeholders are seen principally from the company's standpoint. And it leaves a wide field for subjective assessment by managers in how a differentiation of stakeholders

[1]See also Freeman, 1984; Donaldson and Preston, 1995; Freeman and McVea, 2001; Jawahar and McLaughlin, 2001 Sundaram and Inkpen, 2004.

should occur. Companies, nevertheless, need to know whom they are interacting with in their relationships in a clear fashion. Indeed, at its most basic, managerial success perhaps rests simply on a 'names and faces' approach as a prelude to making things work for the company (see Gilbert, 1992; Crane and Matten, 2004; McVea and Freeman, 2005).

Companies may view attributes as important. But a focus on them has to be more than a recognition of some set of identity characteristics, or even an agreed dictum of *know your stakeholder*. Others have therefore taken the stakeholder model a step further to counter some of these problems. The work of Mitchell et al (1997), for example, looked at a differentiation of stakeholder attributes in terms of salience in order to understand the relationships involved. They developed a salience typology[1]; hence, indicating the degree to which managers will end up favouring any particular constituency. And salience, they show, will be dependent on one or more elements of *power, legitimacy* and *urgency* being in operation. This takes an attributional definition of a stakeholder in a different direction to one based on qualities as opposed to some physical or contributory property.

Indeed, another way the theory was developed was by a consideration of power that encompassed various actors. Looking at the power relationship between groups would allow managers to better perceive the stakeholders with whom they were interacting. For stakeholder management it was a critical dimension, particularly in regards to recognizing who had greatest power (see Wartick and Mahon, 1994). Looking inter-departmentally, managers may favour employees through the application of measures of stakeholder power, which could be in terms of staffing factors or the size of the budget as well as the amount and source of any additional funding a department receives (Carroll, 1989). Rowley (1997) understood stakeholder power in terms of a network structure and the position held within it. Frooman (1999) however, sees stakeholder theory from the opposing side. In his

[1]As a typology, it is also interesting to compare with that produced by Lorsch and Maciver, 1989, on director types and how shareholders are favoured, see Fig 2.1.

perspective, it was about the influence (or power) on managerial decision-making via strategies that stakeholders can bring to bear.[1] Conceptually, it follows on from one of stakeholder theory's main precepts: that the purpose of the company is to manage the interests of different stakeholders, including changes in expectations and demands (Evan and Freeman, 1983).

In the context of the work by Mitchell et al (1997), it is worth noting there has been a challenge to 'legitimacy' as a notion of importance. The simple reason for this is that 'the appropriateness of a stakeholder's claim may not matter nearly as much as the ability of the stakeholder to affect the direction of the firm' (Frooman, 1999, p193). Power, it would seem, trumps legitimacy. As Freeman (1984) emphasised, 'strategies for dealing even with groups well beyond the fringe will be put in place if those groups pose a threat to the firm'. Nevertheless, while together power and legitimacy in the conception of Mitchell et al (1997) are potential factors of importance, theirs was also one of the first rare pieces of research that considered how a *sense of urgency* was relevant. This, though, is an aspect examined in the present study.

Donaldson and Preston (1995) take a substantially different approach to the development of a stakeholder theory - and one contrasting with a simplistic input-output model. They see the theory as having been distorted by writers who find support for their own professional conceptions of it (eg to attempt explanations on the decision-making process or why firm's exist). Or as Pesquex and Damak-Ayadi (2005) put it with some added gravitas, these writers are 'underlining the correlation between facts and a certain conceptualization thereof'. The result is that 'concepts [such as] stakeholder, stakeholder model, stakeholder management

[1]Including, as a result of the power to influence regarding the legitimacy of contracts or claims in play. See, for example, Savage et al, 1991; Brenner, 1993; Starik, 1994.

and stakeholder theory' are used in multiple ways 'and often supported (or critiqued) with diverse and often contradictory evidence and arguments' and where the lines are frequently blurred (Donaldson and Preston, 1995, p66; see also Brummer, 1991).

To a large extent, the problem is definitional; something the present study, in dealing with broader terminology within this field, has had to grapple with. And in response, Donaldson and Preston (1995) understand stakeholder theory as distinctive when considered from three concise categories applicable to different ways of perceiving, or interacting with, the company (Fig 2.4). These categories[1] are: *descriptive*, *instrumental* and *normative* – with the latter particularly focused on by the researchers.

Of themselves however, these categories cannot be fully justified – the literature is wide-ranging and problematic; descriptively, managers may be observed acting more ethically than supposed or by contrast, legal constraints regulate. Similarly, there is a low level of theoretical integration between the normative, instrumental and descriptive (Lepineux, 2005).

Yet when integrated, the three categories are mutually supportive. It is thus comprehensive, variably adaptive, and going beyond 'organizations have stakeholders'. Hence, for Donaldson and Preston (1995) 'stakeholders are those that experience actual or potential harms or benefits… as a result of the firm's actions or inactions'.

With this kind of coverage, what the model offered was a reoriented, philosophically based, normative view, where managers are to act as if all stakeholders' interests had intrinsic value. From this standpoint, it therefore advances a stakeholder theory in such a way that it leads, not simply to a proposition for an improved organizational model, but

[1]Additionally for: *descriptive* (see also Brenner and Molander, 1977; Brenner and Cochran, 1991; Pelle-Culpin. 1998; Jawahar and Mclaughin, 2001; Pesqueux and Damak-Ayadi); for *instrumental* (see also Preston and Sapienza, 1990; Preston et al, 1991; Jones, 1995).

Three Criteria Can be Applied

Descriptive*:* to be able to describe and test empirically corporate characteristics or test against competing models

Instrumental*:* what companies can achieve if they follow a stakeholder model – and linking practice within a stakeholder context to performance outcomes

Normative*:* rationalizing a stakeholder model as an ethical imperative – the *normative* underpins the other aspects of *descriptive* and *instrumental* criteria, too, and rests on the notion that stakeholders have legitimate interests in the company – their '*stake'*. And these interests are to be recognized as having intrinsic value and 'meriting consideration for their own sake' rather than because they might further the interests of another constituency such as shareholders or managers. Moreover, the focus of stakeholder theory should be on the *simultaneous attention* towards a variety of important stakeholders.

> 'Stakeholder management requires, as its key attribute, simultaneous attention to the legitimate interests of all appropriate stakeholders, both in the establishment of organizational structures and general policies and in case-by-case decision making.'
>
> *Donaldson and Preston, 1995, p67*

Normative stakeholder theory also *interprets the function of the company* towards its objectives, through developing the ethical or philosophical guidelines that supports it, and which in turn leads to how the operation and management of companies is undertaken (see Donaldson and Preston, 1995, p71). In other words, *how* managers are going to function or behave through the (normative) standards they employ.

Fig 2.4

also to a moral argument for managers to support all stakeholders, even if not necessarily all equally.

Moreover, Donaldson and Preston (1995) begin to relate their stakeholder model with its inherent pluralism to a modern theory of property rights – a bundle of many rights comparable to land rights - where no single theory of property rights can account for all eventualities with respect to the entitlement of these rights (see also Grossman and Hart, 1986 on residual rights). From this broader contractual perspective, the normative principles underlying property rights, they suggest, are similarly applicable to a wide-ranging set of stakeholders having multiple interests.

Consistent with such a pluralist view of the company, Charreaux and Desbrieres (2001) sought to relate the primacy of stakeholder value to the creation of corporate value in a more concrete, measurable fashion. Consequently, in attempting to understand the range this pluralism needs to cover in a market context, the researchers attempted to define for whom a company should be run. Certainly, they took the concept beyond a narrower shareholder point of view – even downplaying the importance of external equity financing for shareholder value creation – and instead tried to apply the idea of stakeholder value creation as inputs from a wider field. In their pluralist European perspective, value creation came in large part from competitive advantage when interacting with markets for goods and services. Indeed, from internal training, and not from financial metrics or accounting measures.

Furthermore, rather than the employment of some readily available market-based metric, which they saw as coming with dangers, Charreaux and Desbrieres (2001) proposed a measure of created value based on the difference between respective perceptions of opportunity prices and costs by all stakeholders. It is an approach seeing alliances and partnerships, beyond shareholder interests, as underlying value creation; and based on a measure of perceived rent increase (a difference between opportunity prices and costs)[1] rather than traditional return on capital, and so better reflecting the entirety of stakeholder value.

Though much remained indeterminate in their conception concerning how to achieve a calculation from multiple stakeholders when some may be unknown – or even if known their exact contribution may be unknown or, in fact, there are information asymmetries – it was nonetheless a similar conception to other stakeholder theorists (eg Freeman, 1984). Running efficient firms is by meeting the needs of all stakeholders, not just one group.

With particular relevance to crises, they similarly note that a lessening of strategic management, where there is reduced R&D investment leads to downsizing and less value creation. Yet, Charreaux and Desbrieres (2001) also recognized that managers often seek to safeguard their own interests. But notwithstanding that, they have a central – not single – role in value creation in a pluralist stakeholder organization. Oddly, though, they take the view that if managers appropriate created value – wages, bonuses etc – they will have an incentive to become more stakeholder-aligned. This is very much in keeping with the arguments used for shareholder primacy advocates who draw on agency theory, where the belief is that a market mechanism will keep incentivized managers under control. As is now known – and as expanded on below - this turned out not to be the case.

2.2.2: Legislative support in the UK for stakeholder primacy: Desiring legislative change to target a larger corporate constituency base, and increase board accountability, the UK had chiefly approached this through the implementation of the Companies Act, 2006. It is hard

[1]Rent, as used by Charreaux and Desbrieres (2001), seems to depart from standard definitions (where income earned from a factor of production is greater than the least amount necessary to bring that factor of production into use, and which is independent of opportunity costs – the best alternative choice) and instead is applied to rent received in a perceived sense.

law currently in force. And Section 172(1) mandates '*a duty to promote the success of the company'* by having regard to employees, suppliers, the community, and so on (Fig 2.5).[1]

In developing the overall legal framework for CA2006, the Company Law Review Steering Group (CLRSG) helped form s172. In fact, The CLRSG in a more detailed form had expressed the coverage of the obligation on directors as being to 'achieve the success of the company for the benefit of the shareholders by taking proper account of all the relevant considerations for that purpose… [hence] a proper balanced view of the short and long term; the need to sustain effective ongoing relationships with employees, customers, suppliers and

Section 172: Duty to promote the success of the company

(1) A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to -

(a) the likely consequences of any decision in the long term,

(b) the interests of the company's employees,

(c) the need to foster the company's business relationships with suppliers, customers and others,

(d) the impact of the company's operations on the community and the environment,

(e) the desirability of the company maintaining a reputation for high standards of business conduct, and

(f) the need to act fairly as between members of the company.

Source: UK Companies Act 2006

Fig 2.5

[1]It is notable that CA2006-s172 represents a similar broadened stakeholder outlook to that of the US legislative conception specified as the *Business Judgement Rule*.

others…; [and to] consider the impact of its operations on the community and the environment' (CLR, 2000, para 2.11).

With much of this additional detail going by the wayside in s172 of the Act there is evidently a limited amount of legal guidance for directors. Furthermore, whilst s172 and its foundation looked to enumerate the scope to a greater or lesser extent concerning what directors needed to be cognizant of under statute in relation to wider stakeholder interests, it is still primarily an approach giving primacy to shareholders, as they are often the dominant 'member' group.

Indeed the test, under s172, of how directors choose between different interests is whatever will bring greater long-term shareholder value to the company. That is, in theory; in reality there may be a degree of uncertainty about how a director might achieve this, or in fact how they might be accountable if they cannot. The provisions of s172, moreover, leave directors with considerable discretion as long as they act 'in good faith' to interpret the way they might handle situations faced. Practically, Kiarie (2006) suggested, this could mean they need only 'consider' a stakeholder interest at a board meeting and leave it at that, having discharged their duty. Conversely, it could mean they must do something more concrete to meet their obligation. Yet overall, as Keay (2010) contended, s172 is unlikely to have made much difference as far as the problematic corporate governance and stakeholder issues evident in the period leading up to the credit crunch and ensuing financial meltdown.

Nevertheless, during those pre-crisis years s172, arguably, helped begin a process of motivating directors to think more about their stakeholders as value-generating assets. In later years, from 2014, the Corporate Governance Code would further support this.[1]

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[1]Soft law in the form of the Corporate Governance Code, as noted above (Section 2.1.2), has in recent years stressed shareholder primacy. However, since 2014, following the period the current study examines, in reference to board composition it stated: 'Diversity is as much about differences of approach and experience, and it is very important in ensuring effective engagement with key stakeholders and in order to deliver the business strategy.' (Corporate Governance Code, 2014, p2). It is only in the latest edition, however, that multiple references are made, including: 'To succeed in the long-term, directors and the companies they lead

2.3 The push towards an 'enlightened' view of value creation

The present research is not about determining which of the approaches, shareholder or stakeholder primacy, is better. It is instead about observing the reality of what was in place in relation to the 2008 Crash – and indeed how *termism*, in the form of forcing a short or long-term market view, as Chapter 3 expands on, might have impacted the relative perception of each.

Consequently, the following is not a detailed critique of the approaches, but rather an overview of developing perceptions about primacy during the immediate period leading up to the economic crisis. Underscoring why changes were contemplated it is therefore useful to look at several factors that provided an impetus for change; and that include criticisms directed at both shareholder and stakeholder approaches. And at the same time as a shareholder maximization approach – with concurrent managerial excesses or financializing effects – was still very much in evidence pre-Crash, there were attempts made to integrate what was essentially useful from both models. This was particularly the case as regards to taking a pluralistic viewpoint to include societal actors, an aspect promoted, for example, through academic and regulatory means. Changed perceptions, generating pressures for a specific economic scenario regarding value creation, likely therefore resulted both before and after the Crash. In practice, this means that an enlightened view with respect to primacy and termism orientations offers an alternate possibility for an outcome different from the evidence presented and hence the main hypotheses (H1a – H1b) looked at in this research.

2.3.1 Questioning shareholder primacy: There are three main criticisms of shareholder primacy.

need to build and maintain successful relationships with a wide range of stakeholders; …a result of financial crises and high-profile examples of inadequate governance and misconduct… have led to poor outcomes for a wide range of stakeholders' (Corporate Governance Code, 2018, p1).

Firstly, it encourages a short-term perspective by companies towards ever-increasing shareholder value maximization (Keay, 2013), and with, as Andersson et al (2008) highlighted, resulting damage to corporate strategizing. It is an effect fuelled by overuse of managerial incentives it is believed[1]. A shareholder value maximization model also appears to have provided a context for abuses in the years prior to the 2008 Crash. In some cases, this would lead to embroidering corporate narrative against actual accounting numbers (Gleadle and Haslam, 2010). At the more excessive level, it would drive greed amongst a few executives (see Fig 2.6). Yet an associated effect was how over the crisis period and beyond even good executives were increasingly perceived in an undermining fashion. For researchers like Froud et al (2006), it was all part of a growing financialization of the corporate sector.

Secondly, shareholder primacy can work against developing relationships of trust with stakeholders. This is something that in turn discourages them from making investments (not just financial investments but also time, labour, contribution of amenities, provision of expansion opportunities, and so on) over the longer-term and with an associated loss of benefits for the company (see Kiarie, 2006).

The third criticism of shareholder primacy was that a wider perspective on how companies create monetary value needed taking. In reality, the persisting recognition of this had been in the background to much of the shareholder versus stakeholder primacy debate. Indeed, it was not only resonant with respect to primary or internal corporate stakeholders (see eg Freeman, 1984) but on a broader social basis with respect to a responsibility companies had to the wider community (eg Preston, 1978; Carroll, 1979;

[1]See, for example, Hall and Liebman, 1998; Conyon, 2014; Mauboussin and Callahan, 2015. And Chapter 3 in relation to termism which enlarges on the topic.

Shareholder Primacy – *Breaking Bad!*

What certain executives made given the opportunity.

But could it also have given shareholder primacy a bad name?

Rank	Name	Company	Salary, bonus other cash	Gross Share Sales $m	Identifiable options profits $m	Total $m
1	Gary Winnick	Global Crossing	2.8	5 09.6	0	512.4
2	Lou Pai	Enron	n.a.	270.3	178.0	270.3
3	Kenneth Lay	Enron	25.3	221.3	81.6	246.7
4	K.B. Chandrasekhar	Exodus Communications	n.a.	130.7	87.1	130.7
5	David Lee	Global Crossing	n.a.	118.0	0	118.0
6	Richard Lumpkin	McLeod USA	n.a.	116.3	0	116.3
7	Craig McCaw	XO Communications	n.a.	115.4	0	115.4
8	Barry Porter	Global Crossing	n.a.	113.8	28.9	113.8
9	Howard Finkelstein	Metromedia Fiber Network	0.7	104.5	0	105.1
10	Clark McLeod	McLeod USA	1.4	97.6	15.8	98.0
11	Jeffrey Skilling	Enron	17.8	70.7	9.0	88.5
12	Kenneth Rice	Enron	7.6	73.4	31.6	81.1
13	Rebecca Mark	Enron	0.1	79.5	28.3	79.6
14	Kenny Harrison	Enron	0.2	75.2	53.6	75.4
15	Joseph Sutton	Enron	4.3	59.7	35.5	63.9
16	Mark Frevert	Enron	4.3	50.3	30.0	54.6
17	Stephen Garofalo	Metromedia Fiber Network	1.0	50.3	0	51.3
18	Wayne Perry	XO Communications	n.a.	50.6	48.9	50.6
19	Scott Sullivan	WorldCom	14.8	34.6	23.3	49.4
20	Stanley Horton	Enron	3.5	45.3	30.0	48.8
21	Nicholas Tanzi	Metromedia Fiber Network	0.7	45.8	6.9	46.5
22	Richard Stolz	Exodus Communications	0.3	43.3	0	43.5
23	John Baxter	Enron	n.a.	39.2	16.5	39.2
24	John Sidgmore	WorldCom	2.9	35.4	25.0	38.3
25	Lodwick Cook	Global Crossing	1.5	35.8	0	37.3

The Financial Times has dubbed these individuals the *Barons of Bankruptcy* - a group of leading executives who made extraordinary personal fortunes even as their companies were heading for disaster. These executives were able to walk away with gross earnings of $3.3 bn; and with many of these companies subsequently going bankrupt it could be considered a spectacular payoff for corporate failure. The pre-Crash figures are for between January 1999 and December 2001.

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Sources: Financial Times, August 2002; http://www.finfacts.ie/irelandeconomy/bankruptcy.htm

Fig 2.6

Waddock and Graves, 1997). In that context, CSR was both vital to value creation and far more than a 'bolt-on policy' that boards might append to their activities to skirt issues of externality (Tudway and Pascal, 2006).

Yet CSR initiatives could positively impact financial performance in a manner separate from the promotion of shareholder value maximization. Evidence came, for example, from Hillman and Keim (2001), looking at components of corporate social performance. *Stakeholder management*, they found, led to improved shareholder value - although interestingly *social issue participation* did not. CSR could also generate shareholder value by creating goodwill (Godfrey et al, 2009). It signalled a value-adding process as stakeholders acted to revalue intangible assets where it had meaning for them; an effect with particular reference to the how the Crash was felt.

By contrast, the poor outcomes of pursuing an extreme shareholder value maximization approach was emphasized by Lazonick and O'Sullivan (2002) who highlighted how growth and competition during the 1960s and 1970s detrimentally affected corporate performance, and where cost-cutting measures became the basis of shareholder value. Several factors are responsible, in their view, for this narrowing of wider stakeholder interests including that: managers began to be shareholders too, deregulated markets, an alignment of managerial interests with external financial ones, a failure to invest in skills education, a movement of savings into pension funds and an over-reliance on stock markets for corporate success. But in the end, they conclude, stressing shareholder value may have short term benefits as a basis for current prosperity and competitive advantage but is not sustainable, nor is it the best method to build up an economy whether the US or elsewhere. Nor indeed has the thinking about this changed in the intervening years with respect to the ability of the model to be profitable. As Stout (2012) stressed, empirical studies demonstrate no compelling evidence that firms run with shareholder maximization-focused governance perform better.

Despite such evidence, strategic choice when it came to favouring either the maximization of shareholder value or other constituencies could be highly complex for companies in reality (Kay and Silberston, 1995). Indeed, adding complexity was the legal view, in contrast to the regulatory position, that shareholders could not be owners of a company as they did not own full control rights (Honore, 1961; Stout, 2002; Kay, 2015).[1]

Yet before the Crash, some researchers saw the shareholder primacy model as a viable approach provided concerns were addressable.[2] The necessity of ensuring managers did not make strategic decisions to favour shareholders simply because it was in their personal interests to do so, was one of these concern. As Bainbridge (2003) observed, there is 'director primacy', where directors promote their own interests in lieu of being accountable to shareholders as owners. Shleifer and Vishny (1997) took an agency perspective on the matter (where there is separation of ownership and control), and where better shareholder returns and managerial accountability could be achieved through creating an obligation[3]. This could be via incentive contracts, improved financing mechanisms, debt contracts, and so forth.

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[1]Additionally, with a wide distribution of share ownership any legal rights of ownership, or primacy of shareholders, are questionable (Stout, 2002; Mukriwi, 2013). These challenges to ownership by shareholders represent a position at odds with the extent managers are duty-bound by legislation to look after shareholder interests; supported by s172 of the Companies Act, and the shareholder primacy norm. And though a detailed analysis of the ownership v control debate is beyond the scope of this review, this is a clash, it may be noted, underlying how misperceptions of the legal view have entered the shareholder primacy debate.

[2]Crouch (2014), for example, comments on the usefulness of a shareholder primacy model.

[3]Such an approach could also serve to increase managerial self-interest when incentives become the focus, alone, of managerial actions. Hence, Shleifer and Vishny (1997) offer that investors must avoid *adverse selection* and *moral hazard*, by retaining the ability to select competent managers, and then making them accountable for their discretionary decisions or control rights they employ over investor funds. Adverse selection and moral hazard describe scenarios where one party is at a disadvantage. Often it is due to information asymmetry – ie one party is not privy to all the necessary facts. Eg, where the hiring of a manager has taken place in good faith but their interests do not in fact coincide with those of the company; they are only for themselves. Moral hazard can also be about information asymmetry but relates to behaviour after the fact. Hence, once in their role the less a manager perceives they will be constrained the more they will behave with self-interest, or even just the less the perceived risk the greater the chance-taking.

That said, and assuming shareholders are in fact owners, they may be highly distributed smallholders or indeed highly concentrated institutional blockholders. Hence, pursuing their appropriate obligation can often be confusing for managers (Lorsch and Maciver, 1989).

Not surprisingly then, accountability can only function if the relationship between managers and shareholders is understood regarding who is responsible to whom. But with its complexities, the primary goal of shareholder value creation can be 'a little vague' and where, 'managers tend to maximize corporate wealth under their control, rather than shareholder wealth (Ross et al. 2002). In other words, managers default to what seems their most applicable course. As they go on to say:

> 'The available evidence and theory are consistent with the ideas of shareholder control and shareholder value-maximization. However, there can be no doubt that at times corporations pursue managerial goals at the expense of shareholders. There is also evidence that the diverse claims of customers, vendors, and employees must frequently be considered in the goals of the corporation'.
>
> Ross et al. 2002, (pp.16-17)

Personal agendas of senior executives notwithstanding, it is evident then that the duty to promote the interests of the company, as laid out in the Companies Act 2006, can at times override accountability to shareholders.

2.3.2: Problems with stakeholder theory: One of the main criticisms against a stakeholder theory[1] of the firm is that it is easy to get in to a position where all constituencies are viewed

[1]Lepineux (2005) addresses challenges faced by stakeholder theory by providing a useful list of problems still needing to be overcome at the juncture prior to the 2008 Crash. For example, a definition of stakeholder theory's object of focus remains debateable; the stakeholder spectrum and the classification of constituencies

as having intrinsic value and that no particular interest should dominate. It highlights the often unworkable nature of pluralism (Clarkson, 1995). There is also an academic view against companies pursuing stakeholder value altogether on the basis that it permits stakeholders to freeride on shareholder investments and effort and that it constitutes a redistribution of wealth that should be a function left to the State (see Pettet, 2005). Even taking a less vehement position the term stakeholder from a pluralistic perspective can apply to sub-groups as well as the main groups themselves (Jones, 1995), adding a layer of confusion for managers and directors to try to work out. In fact, as Mainardes et al (2011) highlight, the boundaries for what constitutes a stakeholder group actually remain quite imprecise.

Moreover, without any clear justification for applying appropriate bias, for attending to one group more than another, this presents practical issues. For example, in whose interests should a company be run (Mansell, 2013), and to exactly whom are managers accountable? While if managers try to determine this, by what criteria should they choose who these important stakeholders actually are – without a single market metric, as shareholder value has, it presents a tough dilemma? And by contrast, who is deemed unimportant? Likewise, who should be charged with this choosing: the board, the CEO, or indeed other stakeholders (Sundaram and Inkpen, 2004)? And without any justified bias as Clarkson (1995) pointed out there is often a tendency towards normative justifications like *'the purpose of the corporation is to create and distribute wealth and value to all its primary stakeholder groups without favouring one group at the expense of others'*. Such an approach perhaps owes more to lip-service than to anything else.

And in trying to satisfy everyone managers end up satisfying no one. It is a recipe for losing sight of what the company is about, where having 'multiple objectives is no

along this scale is variable. See also Key (1999) who sees the multivariate elements of the broad stakeholder system in which a company operates as left undefined and unexplained, and therefore incomplete as a model.

objective' (Jensen, 2002). Undoubtedly then, in pursuing the corporate objective from a stakeholder perspective it helps to know who should be favoured. Yet, many definitions have been formulated regarding who a stakeholder is (see also Miles, 2012). Indeed, there is a degree of convergence toward the idea that stakeholders affect and are affected by corporate activity, much in line with Freeman's (1984) definition. The difficulty, however, is the breadth and vagueness this and other definitions imply, of which there are hundreds.[1] This is not to suggest that companies take guidance from all these definitions. But if they do not know how they should characterise their stakeholders, value becomes a much more amorphous concept for companies to delineate and measure across the various diverse and often competing interests. Indeed, the incorporation of more subtle environmental variables like time to make the theory dynamic, for example, is a mediating aspect that to date has found very little emphasis (Key, 1999). It is, however, an aspect the present research addresses. But, once again, a true pluralism, let alone a corporate objective, is hard to attain.

Stakeholder theory, then, by having multiple objectives or by serving the vested interests of those constituencies who promote those interests, means that it cannot provide an implementable model, as Jensen (2002) pointed out. As such, the model is incomplete, having no clear, principled foundation, and where the stress is in fact on corporate behaviour that is *value seeking rather than value maximizing*. But similarly, Jensen (2002) recognizes that behaviour that is *value maximizing* alone says nothing about how to establish initiatives or ventures that create value. The theory, therefore, requires clarification concerning how individuals create such value towards the corporate objective: is it, for example, through one or more routes including, production, CSR, or something else? Hence, for a stakeholder model to be effective requires developing a perception concerning what is

[1]Ibid p.41:2

most valuable in achieving the company's objective and then contextualizing it; which is to say, management somehow implementing the model to that agreed end.

2.3.3 Developing an integrated primacy ideal: Both shareholder and stakeholder models have shortcomings yet elements within each of them remain appealing. Fundamentally, the development of relationships to foster stakeholder involvement recognizes that these constituencies represent key inputs to value generation, and that they are integral if competitive advantage is achievable. While bearing in mind the often insoluble problem presented by stakeholder theory in relation to attempting to balance the interests of multiple constituencies, in addition to assessing how well these interests are feeding in to the corporate objective (see also *Section 2.1.1)*, the pursuit of profit maximization has uses in specifying a single metric for measuring performance.

In seeking an integrated primacy ideal, a suggestion is that, by default, convergence of stakeholder and shareholder theories would come about. For example, by managers pursuing profit maximization, which will serve long-term stakeholder interests (see eg Jensen, 2002; Sundaram and Inkpen, 2004); or equally that if managers look after their stakeholders this will maximize profits and shareholder returns in the long-term. As support for integration, it all sounds meaningful. In practice, however, the theories can produce different normative obligations on the part of managers. For example (and based on Smith, 2003), closing a factory in a community with the associated loss of jobs and with no attempt at retraining those made redundant would safeguard shareholders' interests but in no way support the employees or the community where the factory is sited (these both being important stakeholders). Yet stakeholder theory would see an obligation to these groups. There would be an expectation on the company to do something even if affecting its profits;

Key Developments in the Thinking about Primacy

Berle and Means (1932).[1] A need to protect the interests of shareholders from self-interested executives - a potential solution to managerial control - by attributing ownership to shareholders.

Dodd (1932). Managers as trustees on behalf of wider stakeholder interests – including for that of, the larger and more encompassing, society's interests. Also proposed is the idea that if shareholders are distinct from the company, and the company considered as a separate entity or corporate personality, it must have citizenship duties.

Manne (1965). Shareholder primacy reconceived as a managerial disciplining mechanism; shareholders now appreciate they have control rights to alter the fate of the company they've invested in.

Friedman (1970). Reinforces the concept of managers having a single responsibility, that of increasing shareholder value. His article is credited with spurring a significant increase in bias to extreme shareholder primacy.

Jensen and Meckling (1976). *Agency Theory* proposed to overcome the self-interested tendencies that managers (principals) may display, and thus work on their behalf (as agents) for their advancement (see also: Alchian and Demsetz, 1972; Fama and Jensen, 1983). The basic idea is that with a separation of ownership and control managerial accountability should be central.

Preston and Post (1975). A call for greater corporate social responsibility (see also Frederick, 1978; Preston, 1978; Carroll, 1979).

Evan and Freeman (1983). Stakeholder theory's main precept highlighted: that the purpose of the company is to manage the interests of different stakeholders, including changes in expectations and demands

Freeman (1984). Demonstrates a link between stakeholder involvement and strategic management. Central, is the notion of relationships that must be fostered for corporate success and value creation. Stakeholders are also to be defined positionally within companies in terms of their distinctive attributes.

Rappaport (1981, 1986). Shareholder primacy through an objective perspective, not simply a conceptual viewpoint, on how to create value through effecting strategic corporate change.

Freeman, Gilbert and Hartman's (1988). Stakeholder model understood as an internal corporate clarification process, and going beyond what a *rational-strategic model* conceives

Donaldson and Preston (1995). Categories applicable to different ways of perceiving, or interacting with, the company: *descriptive, instrumental and normative*.

Mitchell, Agle and Wood (1997). The salience of the stakeholder to managers is important to taking account of their interests – salience is based on: power, legitimacy and urgency.

Koslowski (2000). The idea that a company can have multiple objectives – only one of which need be financial.

Charreaux and Desbrieres (2001). Pluralist view of the company reinforced. The researchers also attempt to implement a measure for stakeholder value.

Jensen (2002). Enlightened value maximization (EVM) proposed. The aim is to maximize a firm's long-term market value – as opposed to short-term financial performance. It is an integrative approach that reconceives the role of stakeholders depending on their relative importance to market value.

Auster and Freeman (2012). The notion of corporate authenticity where there is alignment of managerial and stakeholder interests – embodied in the 'poetic organization'.

Keay (2013). Enlightened shareholder value (ESV) as an integrative 'principle' is proposed to take a balanced view of the short and long-term for competitive advantage. It is regulatory driven based on the Companies Act 2006, which places an obligation on directors to promote the success of the company, taking account of 'the interests of members as a whole'.

Fig 2.7

[1]While the authors were addressing the possibility of self-interested managers abusing absentee owners, they also argued - in relation to what is now termed shareholder primacy - that the needs of community were rather of paramount concern to large corporations (see Berle and Means, 1932, p354). There is a potential argument here that this was an idea ahead of its time.

an expectation to meet the obligation even at the expense of its own existence. 'Stakeholder theory would not support a "cut and run" approach' (Smith, 2003). Shareholder and stakeholder models are, therefore, very different conceptualizations and hence can produce very different potential outcomes.

Consequently, the integrated ideal is of a different form; and perhaps following in the tradition of a varied set of key developments in thinking concerning primacy (see Fig 2.7). Two similar[1] models are in fact advanced, that together utilize stakeholder and shareholder concepts, though coming from slightly different angles. The first is that of *'enlightened value maximization'* (and its associated *'enlightened stakeholder theory'*), which places the corporate objective at centre stage, and the second is that of *'enlightened shareholder value'*, which is more regulatory driven and focussed on improving board and director behaviour.

2.3.4 Enlightened value maximization: Companies must have a single objective (and one that is measurable by a single monetary market metric[2]) and they should be value seeking as well as value maximising.[3] These are the key points of Jensen's (2002), approach. And it is in countering the seeming irreconcilability of these requirements that the concepts of 'enlightened stakeholder theory' (EST) and 'enlightened value maximization' (EVM) are offered.

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[1]In this context, the similarity of names can be confusing. *Enlightened value maximization*, e*nlightened stakeholder theory* and *enlightened shareholder value* present similar nomenclatures. Whilst Keay (2013) states that shareholder value may be referred to as shareholder primacy or shareholder wealth maximisation. Bainbridge (2003) argues, however, that shareholder primacy differs from shareholder wealth maximisation.
[2]Total market value is the 'sum of the market values of the equity, debt, and any other contingent claims outstanding on the firm'.
[3]Value maximizing and value seeking taken individually say nothing about how managers should go about creating a vision or strategy – or the initiatives or projects that create value, or for that matter, how employees can be motivated to contribute to this process. Indeed, how to stop managers from maximizing the company's share price exploitatively, to the exclusion of any value seeking behavior, so as to increase the value of their own stock options. This is an outcome that Jensen's earlier work (Jensen and Meckling, 1976) on agency theory, failed to foretell could happen. And it was managerial and executive behaviour particularly prevalent during bull markets of the late 1990s and early 2000s (see Cassidy, 2002).

EST seeks to address the objective function, integratively, recognising the contribution of a wide variety of stakeholders in companies achieving success; and where the company's objective should be the actual focus of these stakeholders – eg building a plane. As a single objective, each division in a company then contributes their part to this one goal.

At the same time, the aim is to maximize a firm's long-term market value – as opposed to short-term financial performance – which is where EVM comes in. And unlike stakeholder theory, per se, based on the interests of different constituencies, value maximization is rather attainable over time through a carful delineation of the objective companies truly want to strive for – ie the focus is the corporate objective as opposed to the focus being the satisfaction of multiple stakeholders themselves. What EVM therefore tells companies is how to *measure* success in what they do. Indeed, when they are doing 'better' that goes beyond reference to multiple personal or vested interests and values.

But it is in the integration[1] of EST with EVM that a more successful outcome is achievable, as it re-centres what managers need to do to generate real value within their companies – and how to hold them accountable either through their market performance or in comparison to other companies in their sector (Vinten, 2001; Kiarie, 2006). Hence, in furthering the objective function managers might specifically consolidate stakeholder skills (value seeking) and, all things being equal, thereby maximizing a company's long-term market value (value maximizing) – as opposed to short-term financial gains. In doing this the role of stakeholder is reconceived (eg employees, CSR or community) to the corporate objective depending on their relative importance to market value, as an *eventual* measure[2] of success. And it is not about balancing constituency interests (CSR-based or otherwise).

[1]Other researchers, it is worth noting, have attempted to integrate towards a single monetary objective function by using, for example, corporate mapping to bring disparate perceived value elements together, eg linking strategy to value (Lukac and Frazier, 2012), stakeholder value to shareholder value with an emphasis on CSR (Moir, 2007), and the importance of having a monetary goal as an encompassing metric in the form of shareholder value creation (Mauboussin, 2011)

There is similarly a consideration of what the optimal corporate behaviour is that will extract the most from society's limited resources (including varied constituencies), and how to then use these to best effect to achieve the corporate objective and, crucially, create value over the longer-term.

Through this approach, there is an important shift in the notion of value maximization alone to appreciating how carefully thought out corporate strategy and stakeholder motivation underpins it. This is the essence of value-seeking behaviour. And in making this shift, Jensen moved the discussion from a simplistic financial and market-led understanding of how value creation occurs in companies into the realm of organizational theory (Braydon 2006).

2.3.5 Enlightened shareholder value: Similar to the notion of 'enlightened value maximization' (Jensen, 2002) is the concept of 'enlightened shareholder value' (ESV). It is a notion deriving from statute embodied in s172 of the UK Companies Act 2006, legislation that aims to support the creation of a 'long-term' corporate governance culture (see Keay, 2013).

In that context, Williams (2012) observed how following the 2008-2009 financial crisis the desire of policy-makers to foster a long-term perspective in how business decisions were made gave rise to renewed interest in the enlightened shareholder value provisions of s172. There is a particular focus on the obligation of directors to take into account a range of interests, as s172d signifies, in discharging their 'duty to promote the success of the company' (see also *Section 2.2.2*). From an enlightened shareholder value perspective, it meant not only employees but also broader constituencies with respect to CSR and the environment had a vital role to play. The production of profits, it was increasingly also stressed, could not be at the expense of these constituencies, even if some companies did not fully recognize the role they had, or even if in the short-term their exploitation was more profitable (see McLaren, 2004). Directors and senior executives were therefore to act for the company to the best of their ability ‘in good faith... for the benefit of members as a whole’.

‘The ESV principle’, as it has become known (see Keay, 2013), in fact took its cue from the work carried out to reform the business landscape by the Company Law Review Steering Group (CLRSG) in developing the legal framework for the Companies Act 2006, and that aimed to be more encompassing of constituency interests. Yet as Keay (2013) pointed out: ‘what the CLRSG was concerned about was the fact that directors were managing their companies in order to achieve maximisation of shareholder wealth in a short-termist manner and that directors in fact have, in appropriate cases, an obligation “to have regard to the need to build long-term and trusting relationships with employees, suppliers, customers and others in order to secure the success of the enterprise over time” (CLR, 1999)’. If there was to be long-term corporate value creation, these types of stakeholder factors – along with their mediation, and their occasional negation, by short-term perceptions – had to be taken in to account. This was the view of the steering group. Indeed, it is thinking that reflects the many concerns companies appeared to push aside when pursuing shareholder maximization, such as favouring of short-term financial indicators rather than facilitating long-term R&D strategies, and for which a solution was necessary (see Salacuse, 2004).

To that end, the CLRSG felt overall that the advantages of utilizing a shareholder primacy approach, and hence an orientation favouring value maximization, outweighed that of a pluralist, stakeholder primacy one. Indeed, as previously discussed in relation to s172, (Section 2.2.2), how directors choose between different interests is based on the precedence of what will bring greater *long-term shareholder value* to the company, and less about the balance of stakeholders’ interests.

Enlightened Shareholder Value: What it Means Practically

Enlightened shareholder value (ESV) sets an obligation on directors based on s172 of the Companies Act to *achieve the success of the company for the benefit of its members as a whole, and in doing so to have regard for wider stakeholder and long-term interests*. Practically, this is interpreted to mean:

- To satisfy stakeholder interests, there must be generation of shareholder value.
- Profit maximization remains the corporate objective as with shareholder primacy but directors must consider the interests of stakeholders and the implications of their executive decisions, inasmuch as it impacts shareholder value in the longer-term. *ESV sees shareholder interests as prevailing; stakeholder theory (as with pluralism generally) attributes no automatic priority to any constituency, and where a director's role is to balance competing interests for the benefit of all stakeholders, including shareholders.*
- There is 'the need to sustain effective ongoing relationships with employees, customers, suppliers and others' as well as to 'consider the impact of its operations on the community and the environment'.
- ESV is a preferred approach - taking its cue from the existing company law framework - in which directors can carry out their responsibilities with greater potential ease, as corporate law requires no changes.
- ESV requires a change in orientation from a short-term to a long-term shareholder value creation perspective. However, it also emphasizes a need for companies to take an appropriate balanced view between short and long-term strategic requirements.

Sources: Modern Company Law, Strategic Framework, 1999; Kiarie, 2006; Keay, 2013

Fig 2.8

Furthermore, and based on the statutory regulation, there were two additional outcomes that in Keay’s (2013) view the ESV principle addressed.

Firstly, there was director behaviour. ESV sought to limit the abuses of power against any particular constituency (or highlight the need of directors to be aware of their unfair behaviour that they had failed to take account of). And, similarly, poor quality attitudes they might be inclined to employ in their governance methods if left to their own devices. These latter behaviours required removal before they had a chance to become established.

Secondly, was that ESV may be used as an educational tool. In practice this meant that companies, in *promoting the success of the company*, should strive to better understand the processes and procedures, interrelating with stakeholders, they had in place and what needed to be developed to reach, both in the short and long-term, their main objective – whether it was building a plane, delivering a leisure industry service, or anything else. Moreover, also addressable from this educational perspective were the reservations of those against the notion of value maximization as a goal. Writers, such as Michael Mauboussin (2011), for example, stressed the fact that many people simply misconceived what maximising shareholder value was actually about.

> ‘It is now in vogue to dismiss the idea that creating shareholder value should be a CEO’s guiding objective. Concepts like “societal value,” “shared value,” and “customer capitalism” are offered as desirable and more enlightened substitutes. This is muddled thinking. CEOs who understand the principles of shareholder value and execute effectively will satisfy most, if not all, of the objectives of those who call for a new way of thinking. The problem is that the true definition of creating shareholder value seems to have gotten lost…
>
> Critics imply that managing for shareholder value is all about maximizing the short-term stock price. Companies that manage for shareholder value, the thinking goes, do whatever it takes to engineer an ever-higher market price. That is a profound misunderstanding. The premise of shareholder value, properly understood,

> is that if a company builds value, the stock price will eventually follow. The objective is to build value and then let the price reflect that value…
>
> A CEO's job is about resource allocation with a goal of earning a return in excess of the opportunity cost of capital. This requires difficult trade-offs.'
>
> *Mauboussin, HBR, 2011*

Undeniably, there is a degree of discretion for directors, as well as uncertainty they might experience about particular courses of action that results from the way s172 of the Act is constructed; though many senior executives may want to take the right course of action anyway but feel constrained (see Deakin, 2010). Hence, encapsulated as the ESV principle was the notion of enabling the development of trust and relationships with important stakeholder constituencies, while getting directors away from overly focusing on the financial markets. And crucially – particularly for this present research in determining termist perceptions in relation to the 2008 Crash – the impact on how directors managed their businesses over longer-term horizons.

2.4 Towards a broader understanding of shareholders and stakeholders

What much of the research demonstrates is the sheer complexity, as well as noise, of the shareholder versus stakeholder debate.

For one thing, there is the ongoing argument about whether shareholders are truly owners of a company (see Key, 1999; Stout, 2012). Conceived as part owners, shareholders may generally be understood to have the upper hand over other stakeholders, and particularly so during the pre-Crash period.

There is also the often-believed contractual obligation to maximize shareholder wealth (see Stout, 2002; Mukwiri, 2013). Yet, that argument notwithstanding, whom to favour for best creating value remains an issue for companies if they are to achieve success – though having felt the effects of largescale financial crisis, to suggest that in the post-Crash economy following 2008 firms might have learnt from their mistakes is not untoward.

Nevertheless, in addition to any evident managerial indecisiveness about which constituency in actuality should be favoured, abysmal executive behaviour clouds the debate even further, with the worst examples hitting the news, as Fig 2.6 highlights. It would seem, as well, that in a hugely pressuring financial environment that existed during the 1980s[1], managerial excess was in many cases incentivized. And incentivizing in one form or another continued into other areas of managerial performance, reinforcing a slowly advancing perceptual bias with respect to the relative merits of shareholders over other stakeholders. Managers could only be shareholder focused and self-serving by that account. It was this kind of aberrant corporate thinking that was to lead, according to Stout (2013, p1176), 'directly in the 1990s and 2000s to skyrocketing executive pay, increased earnings inequality, and more than a few spectacular accounting frauds'.

But if a financialized characterization of companies, particularly based on managerial excess, has any validity to it, then an overwhelming pre-Crash shareholder primacy would have been in place in those organizations. Conversely, would the Crash have caused such an orientation to cease? Or indeed, could such a shareholder primacy orientation have been at all sustainable over the longer-term?[2] With multiple forces operating, however, there is a great deal of noise, which serves to increase the difficulties of determining the reality of primacy perceptions for the period the study examines.

The field is clearly difficult to fathom; while the excesses of a variety of executives did not help in advancing an objective understanding of the sides of the primacy debate and how each is implicated in value generation – nor for that matter did the financial crisis overall.

[1]See, for example, Twentieth Century Fund, 1992; Blair, 2003; and Stein, 1989, on takeover pressures.
[2]The latest high executive pay ratios (CIPD, 2017), suggest at least some residue nowadays of a shareholder primacy orientation

And as the extensive research shows, there are good reasons for a utilization of both aspects. Indeed, there is little in the way of barriers from the UK's regulatory framework, which seems to tip towards the supremacy of shareholders; albeit it now takes more of an 'enlightened' standpoint concerning 'members as a whole' in s172 of the Companies Act.

Certainly, shareholders are vital for the development of business and the creation of value. But companies may also find it beneficial to utilize the value-enhancing inputs from their other important constituencies, such as employees and customers. This is not about CSR or corporate philanthropy just good business sense. Though how to accomplish that is not always easy for companies to determine due to all the business, social, market, and psychological factors involved. It is also a model of corporate success that, as *Chapter 3 focuses on*. has to take account of the way time horizon is considered.

Nonetheless, the extent to which companies were able to take account of broader constituency interests prior to the Crash and after may have drawn on an enlightened view, which possibly had gained ground in executives' outlook. From that standpoint, whether there was of a level of shareholder primacy perspective maintaining a status quo in some fashion over the period of the financial crisis is unclear. But it is feasible that companies began to give more consideration to employing the best of both concepts post-Crash, and indeed perhaps culminating in them beginning to look more towards their wider stakeholder base to generate real long-term value.

The weight of facts as well as the general pre-analytic belief appears, from that perspective, to suggest it is likely a shareholder primacy outlook dominated prior to the financial crisis, and that this subsided to favour more stakeholder constituencies afterwards. But whether this was the reality or not is the focus of the investigation.

3. About Time! The Influence of Temporal Thinking on Managerial Behaviour

It is an attractive proposition to view many of the most recent corporate governance problems and crises, and how they play out in the financial markets, through the lens of short-termism versus long-termism. After all, following a path of short-termism has to be the culprit for the terrible worldwide financial disasters a variety of companies triggered, surely? Sheila Blair, former Chair of the Federal Deposit Insurance Corporation, was in little doubt concerning how such wrong-headedness was a cause of the 2008 Crash and the subsequent global economic meltdown, stating that, *'in my opinion, the overarching lesson of the [financial] crisis is the pervasive short-term thinking that helped to bring it about. Short-termism is a serious and growing problem in both business and government'* (Blaire, 2011)[1].

[1]It is important to note that these comments were made with particular reference to the US banking industry. The pressures to behave in a certain way – and any concomitant 'too big to fail' attitude that served to bail them out - are not the same as for the corporate world in the view of the present study, which as a consequence does not include financial companies in the research. It should be further noted that this association of financial companies and non-financial companies when it comes to their behaviour is often misguidedly made. Remarks are by FDIC Chair Sheila C. Bair to the National Press Club, Washington, D.C. June 24, 2011. See https://www.fdic.gov/news/news/speeches/chairman/spjun2411.html

But are comments, such as Blaire's, representative of the way short-termism (and by contrast long-termism as the antidote) operates in companies? Indeed, it may be all too easy to apportion blame for the 2008 Crash on short-sited managers kowtowing to excessive shareholder demands for quick market returns. And similarly, it may be too easy to blame over-incentivizing for increases in such behaviour. In offering a critique of the widely accepted opinions on short-termist thinking, Kaplan (2017, p1), sets out the given belief as being that:

> 'US companies as a group underinvest in capital expenditures as well as research and development. According to the argument, this benefits the companies in the short-term, but harms the companies in the long run where the short-term is usually defined as the current quarter or, perhaps, current year or two, while the long-term would be more than five years out.'

The evidence suggests, however, a somewhat different reality. Indeed, a connection between any commercial short-termism and overall performance is much harder to demonstrate than first appears. A particular reason for this may be that the corporate perception of time as different horizons – and also differentially perceived by individual managers – is a vital, though often overlooked, ingredient in how companies will decide on a course of action (see Mauboussin and Callahan, 2015).

Besides the assumed effect on performance, there is, as Sheila Blaire's comments suggest, the common belief that short-termism was completely pervasive leading into the Crash; where the extremes of termist decision-making were thought to have been most evident. Yet in reality, it transpires companies may have started to alter their mindset about short versus long-termism even as the pressures in the economy were mounting. As Chapter 2 showed, an enlightened view had been developed, whether *enlightened shareholder theory* or *enlightened value maximization*. In that context, the addressing of termism was paramount, not simply primacy, with a greater focus on long-term value creation (see Keay, 2010). In addition to meeting a growing public disenchantment with corporate practices, an enlightened view more than likely also met a genuine desire amongst insightful business leaders to find a better way to address multiple stakeholder interests including those of shareholders. Certainly, this broad enlightened perspective was supported by the legislative structure in the UK, which drew on that theoretical background, expressing the concept as that, *'the likely consequences of any decision in the long term'* must be taken into account by directors in developing a successful governance framework and corporate strategy (see s172 CA2006). Not only was this thinking therefore gaining prominence before the 2008 Crash but there was also an assumption conveyed that a switch in the balance from a short-term to a long-term outlook, was the solution that companies needed to employ to be successful.

Of course, the assumption that long-termism is good begs the question of why, if it is apparently so straightforward in this respect to pinpoint the source of Anglo-American corporate ills and solve them, the problem has not been tackled up until now? For one thing, the relative merits of a long-term corporate outlook versus a short-term one has considerable weight behind the necessity in the UK of pursuing virtually a complete movement towards the long-term view (see eg s172 CA2006; CLR, 2000, para 2.11). This stands in contrast to how the relative merits of shareholder versus stakeholder primacy have different, and discernible, schools of thought, as we saw in Chapter 2. With termism, however, the right option to pursue appears to be unequivocally established. From an unbiased academic perspective that is problematic. At the same time it overlooks any potential value in short-termism, as opposed to myopic executive thinking, or the role each type of termism together might play in promoting corporate success – training and making efficiencies, for example, are activities that need to be done in the short-term for positive long-term outcomes.

To see how this thinking unfolds, the relevant literature on temporality is considered – that is as it applies to companies by virtue of the behaviours of their senior executives and managers due to temporal factors. Of particular importance to the way these individuals think are two major themes examined: *a) termism* – that is the tendency to take a long-term or a short-term view; and *b) a sense of urgency,* that is the feeling that something must be done and one needs to act now, *urgently*, rather than at a less demanding later point, and hence, *non-urgently*. The two concepts of termism and sense of urgency are associated as we will see, but they are different and subtle distinctions can be determined. For example, a manager might be short-termist in approach, implementing a strategy for a limited duration, yet they may not have an accompanying sense of urgency to do so; it is simply expedient for them to act that way. At the same time the present research is mindful of how these factors relate to the scenario in place round the period of the financial crisis, and indeed whether one or another of these factors might have fed it.

By considering both these temporal factors this research addresses some of the lack of academic clarity in this area. This chapter, however, also looks at some of the latest findings on the subject then turns to several major factors believed to affect termism and the way observers have thought about it. Some of the reasons commonly held up as causes for short-termism are thus considered. Additionally reviewed in that context is relevant work on remuneration practices and executive tenure. Also examined are some of the perceived pressures to be short-termist, as well as the phenomenon of sorting behaviour, where a differential perception of time horizon may dictate market involvement.

3.1 Understanding termism

'One reason the question of short-termism still hasn't been settled' wrote Martin (2015) 'is that the answer is fundamentally unknowable. There is no control group; we cannot compare the performance of America with short-termism to that of America devoid of short-termism – or even prove beyond a doubt that short-termism exists in the first place.' Though it might have been overstressed as a culprit, as we see below, it is a fair assumption that short-termism exists and is in operation. Indeed, the academic and business world has given it a great deal of attention. Yet it remains incredibly difficult to analyse. As Martin went on to explain, practically all the standard approaches (including, measuring R&D, executive tenure, and looking at corporate buybacks) have all produced ambiguous findings.

Nevertheless, the question of whether short-termism was becoming more prevalent was analysed in a recent study conducted by the McKinsey Global Institute (Barton et al, 2017). In their novel research they formulated a Corporate Horizon Index (CHI score) based on a number of financial metrics. Tracking 615 companies from 1999 to 2014 (Fig 3.1), it appears there has been a trend towards increased short-termism. Interestingly, as the investigators point out, there is 'a slight reversion away from short-termism in the years immediately preceding the financial crisis. Increases in fixed asset investment and strong earnings growth during this period appear to be the main driver. However, short-termism resumed during the crisis and has largely continued to increase since.'

Whether their explanation is correct or not we can see that the changes in short-termism are in a fairly narrow range. What this graph does show very nicely, however, is an aggregate of perceptions on short-termism. And discounting industry factors, such as competition and changes in market configuration as popularity alters amongst investors, the effect for the relative performance of corporate perceptions – ie based on short-termism – between companies is revealing. Hence, companies who scored higher on CHI than those who scored low had higher comparative differentials on: revenue (+47%), earnings (+36%), economic profit (+81%) (*a measure representing a company's profit after subtracting a charge representing the opportunity cost of the capital the firm has invested – ie it is* *working capital, fixed assets, and goodwill*), and market capitalization (+$7bn) at the end of the period in 2014. And by 2015, the study's authors point out, companies with higher CHI scores had on average also created around 12,000 more jobs than the shorter-horizon companies.

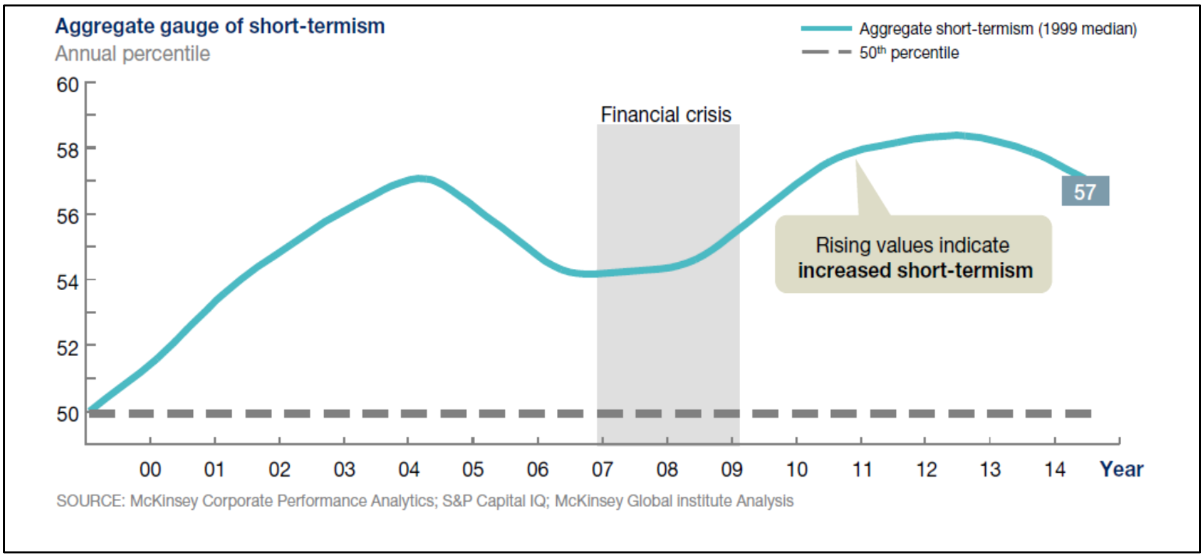

Fig 3.1

Despite the apparent light thrown on the problem by Barton et al (2017) the problem, as already noted, is not so easy to unpick. For example, the fact that short-termism may increase does not mean there will necessarily be a concomitant change in long-termism. The two facets could be operating separately - an aspect the present study has sought to address in applying the technique of narrative staining. Summers' (2017) critique, though, supports the point where he observed there needs to be more than financial performance measures, as used for the CHI, to fully understand the feeds to short-termism and indeed what is needed to generate long-termism. Balance aside, there must also be, for example, a focus on strategic measures. Hence, in contrast to this study, there are no qualitative (or causal) measures accounted for, rather it is about output measures alone. This is also an aspect that links at a deeper level to the stressing of trust and relationships amongst stakeholders if value generation is to be understood, and to the implementation of improved reporting mechanisms to determine how well this is being undertaken, including, for example, ‘integrated reporting’ (Howitt, 2017). With those facts in mind whether there has been an overemphasis on the notion of short-termism is considered.

3.1.1 Confusion of aims: Critics who promote the idea that stakeholders, whether employees, customers or any other important constituency, should be given more consideration in corporate governance, point to ‘pernicious short-termism’ in support of their contention (Roe, 2013). Along with a perceived over-incentivizing of managers and senior executives it is a believable viewpoint though in many ways unsupported (Mauboussin and Callahan, 2015). In this context, an explanation of events is often that of an increasing *financialization* of corporate activity (see Froud et al, 2006). But it is an interpretation harking back to the 1990s and academic concerns on lack of capital investment, reduced manufacturing, asset-stripping and downsizing, rather than any later ostensible causes leading up to the 2008 Crash – such as the collapse of the housing market or poorly constructed financial products, or indeed the stressing of short-termism as a rationale. Whether the notion is therefore applicable to today’s capital markets and their relationship to companies is problematic (Haslam, 2010). Although, this perhaps has applicability in our time, post-Crash, too. For example, how when talking about competition, change, or global markets, corporate rhetoric about shareholder value may still be employed at the expense of value that could be usefully generated by stakeholders. Indeed the terms of the ‘financialization debate’ may simply change over time, with termism often now an easier target.

But in addressing stakeholder interests, noted Roe (2013), it is important to recognize that these interests can be long-term and they can be short-term. Tracking into termism, therefore, it is feasible that critics may have misconceived the distinction between shareholder value and stakeholder value, as different perceptions of corporate value. Shareholder primacy as a model, for example, does not actually say anything about the time frame within which companies need to act (Millon, 2002). This is a distinction particularly relevant to those who connect short-termism with an excessive favouring by executives of shareholder and market concerns (see Froud et al, 2006; Kaplan, 2017), as it is not primacy that is important so much as how termism is handled in that context. And though Jack Welch, the former CEO of GE, may have been quick to famously comment that ‘shareholder value is the dumbest idea in the world!’ after he had left the company (see Guerrera, 2009), in reality *shareholder value maximization* could in fact be understood as a long-term approach. In pursuit of this aim, managers can really only affect strategy – and only indirectly share prices – implementation of which takes time (Beinhocker, 2006; Tse, 2011). This is similar to the argument put forward by Mauboussin (2011) where shareholder value maximization is itself a worthwhile goal though often misconceived as such. Yet where wealth maximization is fundamentally a long-term objective, not short-term, as Bistrova and Lace (2012) highlighted, commitment to the very ideal of long-termism alongside sustainability is what counts.

If any confusion is evident, it may be a result of the conundrum being far less about the choice of primacy perspective taken, and attempting to draw distinctions, than that the way termism works is equally applicable to shareholder and stakeholder perspectives. In the push to stress long-termism – as well as to link shareholder primacy with short-termism – it is easy to forget this. The point is a vital one, as it means if future stakeholder interests are under-specified in some manner, similar results can occur of which shareholder theory is accused. In other words, long-term stakeholder value destroyed by less R&D or innovation or overly ambitious attempts to redistribute any economic surplus to a variety of stakeholder interests (Danielson et al, 2008). Although accepting that short-term and long-term strategies are useful yet differ does not negate that a corporate strategic decision still has to be made concerning whether it should be short-term or long-term horizon objectives that need to be predominantly set (Hu, 1990) or indeed what length to set for each.

Nevertheless, whichever the primacy, too much short-termism can produce a variety of outcomes, it seems, a few of which are:

- A tendency to work towards only the next earnings report – with a likelihood of only just beating analysts' forecasts and/or reporting very small positive earnings
- Undue risk taking to maximize short-term earnings – financial institutions may invest in assets with hidden risk or take on excessive debt just to increase their short-term profits (see Dallas, 2012)
- Increased share buybacks
- Share price volatility
- Deterioration of firms' competitiveness and/or performance
- A focus on dividends at the expense of long-term capital investment or R&D
- Reduction in investment expenditures
- Reduced communication with stakeholders
- Increased systemic risk within industry and economy
- Reduced long-term potential of the entire economy

(Sources: EY, 2014; Brochet et al, 2015)

Clearly excessive short-termism comes with dire consequences for corporate success and value creation. And this was something recognized prior to the 2008 Crash not only by the UK legislative and regulatory bodies attempting to put a new corporate governance framework in place (eg Combined Code, 1998; CA2006) but also by other observers[1]. While more recently, Larry Fink, the CEO of BlackRock, one of the leading money

[1]See eg Twentieth Century Fund, 1992, on speculation and market volatility; Cassidy, 2002, on executive abuses and the supporting of a greed-driven corporate culture.

managers, wrote that '*the effects of the short-termist phenomenon are troubling . . . more and more corporate leaders have responded with actions that can deliver immediate returns to shareholders, such as buybacks or dividend increases, while underinvesting in innovation, skilled workforces or essential capital expenditures necessary to sustain long-term growth'* (Fink, 2015).

Short-termism was therefore in the spotlight before and after the Crash, where the assumption was that it had to be a bad approach followed at the expense of a long-term perspective, and with an industry-wide prevalence. Short-termism required eradicating was the thinking, as it was the culprit across the economy for a lack of solid corporate growth in value. In addressing concerns, John Kay, for example, was charged by the UK Secretary of State for Business, Innovation and Skills (BIS), with examining the relationship between equity markets and long-term corporate decision-making (Kay, 2012). In America, the concept had similarly gained the notice of politicians, though with starker overtones. Joe Biden portrayed it as 'one of the greatest threats to America's enduring prosperity' (Biden, 2016), while Hillary Clinton proposed tax changes to promote long-term investing (see Pethokoukis, 2015a). Clinton's sentiments mirrored those of the Brookings Institute (Galston and Kamarck, 2015), and the Democrat leaning Aspen institute who wrote:

> 'We believe a healthy society requires healthy and responsible companies that effectively pursue long-term goals. Yet in recent years, boards, managers, shareholders with varying agendas, and regulators, all, to one degree or another, have allowed short-term considerations to overwhelm the desirable long-term growth and sustainable profit objectives of the corporation.'
>
> *Aspen, 2009, p2*

Moreover, with the overriding academic and political propulsive forces in place, in the wake of the financial crisis the likelihood was that an already disenchanted public was galvanized to a new perception of predominating business practices. And despite the complexity of the issues, could have led to unsupported generalized views that all short-termism is bad and that all companies that display short-termist practices are evil, or that 'all executives are crooks who sacrifice long-term value for short-term profits' (Edmans, 2017). A focus on the terrible examples of fraud or abuse, where the media loves a good story, certainly did not help and only served to add to the perception (see *Chapter 2, Fig 2.7*). As Edmans further noted, a negative view of short-termism of this nature can play into populism.

The reality, however, was that the issue of short-termism had been recognized and considered inconclusive long before the financial crisis ever got started (see Laverty, 1996). Furthermore, since the Crash any discussion on short-termism had tended to be characterized as a one-sided debate (Mauboussin and Callahan, 2015; see also Pozen, 2014). Nevertheless, even if such research was an accurate reflection of the intricacies and limitations of short-termist thinking, the views represented in those works appear to have been in the minority.

3.1.2 The balanced view: Opinions about the need to avoid short-termism at all cost have undeniably taken hold amongst academics, politicians, and the masses. It perhaps simply fits the experience of many managers and senior executives too (see also The Economist, 2017). But such thinking about the perils of short-termism might be a stretch. Rather there is good reason to say it is about balance between short and long-term objectives, a perspective vital for the sustainability of a successful business (EY, 2014). Even Jack Welch, in a more considered mood, stated, *'You can't grow long-term if you can't eat short-term. Anybody can manage short. Anybody can manage long. Balancing those two things is what management is'*. There is risk involved undoubtedly, but this is what executives must handle in meeting business challenges. Simply put, companies need to attend in the immediate term to important factors in their own right as well as because they will in turn have long-term impact. For example, making near-term efficiencies - and where short-term pressures could in fact prompt companies to do so (Kaplan, 2017). Similarly, the implementing of training programs for employees. In either case, the rewards may only come through several years down the line. Peter Drucker (1995, p54) put it more elegantly than Welch, '*The… specific task of managers is to harmonize in every decision and action the requirements of the immediate and long-range future. Managers cannot sacrifice either without endangering the enterprise*'.

In fact, addressing what happens when the balance is out of kilter the opposite way, one study points out, '*in some markets excessive long-termism is the greater risk. When long-termism becomes an excuse for a lack of scrutiny or influence over the corporate decision making the result can be poor capital allocation, lower long-term investment returns and a drag on macro-economic growth*' (Barton et al, 2016, p11)[1]. The Economist (2017) simply depicted short-termism as a 'slippery idea'. Further, in looking at the actual findings that have begun to be consolidated in recent years, as Mauboussin and Callahan (2015, p70) wrote, '*many of the commonly perceived symptoms of short-termism don't stand up to scrutiny, and there are some legitimate reasons for the shortening of time horizons*'. Being short-termist may just have come with the business territory managers had to deal with day-to-day, or indeed that in the broader economic climate in which managers operated they could be little else. Either way, companies may not have all been as wickedly short-term focused as might be thought!

[1]Barton, D., Bailey, J., and Zoffer, J. (2016). Rising to The Challenge of Short-Termism. FCLT Global. https://www.fcltglobal.org/; See also Roe, 2015 for a similar opposing view; and Pethokoukis, 2015b, for a useful analysis

Yet the points discussed so far are not simply underlining the importance of termism, both short-term and long-term. In fact, intertwined with perspectives on termism are notions of primacy as well as corporate governance; and the whole easily confounded (see eg Roe, 2013). At least, common perception leads to that outcome.[1] And yet, when the BIS carried out a consultation, examining the orientation of boards with respect to a long-term focus, and why they might not pursue such an apparently worthwhile goal, there were some surprisingly thoughtful views despite the complexity involved.

> ‘The definition of short-term and long-term was questioned by numerous respondents who suggested that this was likely to vary by sector and company. However, most recognised that companies do need to plan for the long-term. Several respondees suggested that a short-term focus was not necessarily a bad thing – especially at a time of crisis.’
>
> *BIS, 2011, p7*

Yet despite such potential insights, with respect to the Crash of 2008 and the way termism is understood by companies what can be made of the available academic information on the topic – as opposed to government surveys of corporate professionals, as useful as they might be? And, the recent work of Barton et al (2017) notwithstanding, in penetrating some of this confusion for the purpose of providing background for the current research, can that information indicate anything further about the scenario in place during those crisis years examined?

3.2 Executive remuneration and short-termism

For the general public, perhaps one of the biggest concerns about the way companies are run, both before the Crash of 2008 and certainly since, relates to executive

[1]See on financialized business practices eg Lazonick and O’Sullivan, 2002; Kiarie, 2006; Froud et al, 2006.

remuneration[1].The Occupy Wall Street and G20 Summit protests[2] perhaps stand testament to this. The examples highlighted by the media of rogue executives who have lined their pockets and retired with huge payouts, even as they were running their former companies into the ground, only fuels the ordinary person's anxieties[3].

But concerning regular managers and senior executives, not the exceptional types of cases hitting the headlines, the issue is how the remuneration of these individuals appears to have become progressively linked to their company's stock price in recent years to the detriment of a long-term corporate outlook. Sometimes coming under the heading of *financialization,* where managers see corporate concerns through only a financial lens, this specific behaviour relates to a tendency to see performance as based on strategies maximizing short-term return on investment. And it personifies executives as looking only towards the next half-yearly corporate reporting date and the figures they are to produce.[4] Surveys of finance executives appear to support this myopia, demonstrating that many were willing to forgo value-creating projects in order to deliver short-term earnings (Graham et al, 2006). There is also the suggestion that companies utilizing equity-based compensation to a major extent in their pay regimes are more likely to manipulate their reported earnings through discretionary accruals (Bergstresser and Philippon, 2006). Additional evidence points to such manipulation extending to careful timing of the release of information, and

[1]Remuneration refers to compensation or pay; it can mean a whole package of incentives, including salary plus bonuses (for eg performance) plus equity-based pay.

[2]On October 10, 2011, a Facebook campaign was launched that called for protests to take place at the London Stock Exchange, Paternoster Square, for the 15th October. It was to be in solidarity with the Occupy Wall Street protests against social and economic inequality taking place during that period in many countries (OWS is part of the Occupy movement inspired by anti-austerity protests in Spain by the 15-M movement). There were to be simultaneous protests planned for the day in New York and other cities worldwide. On 15th October, while The London Stock Exchange was the initial target for the Occupy protesters, the police blocked access to Paternoster Square, enforcing a High Court injunction against public access. It is estimated 2,500-3,000 people gathered instead nearby outside St Paul's Cathedral, with around 250 camping overnight. The protest stayed at the site till late December (see further at https://en.wikipedia.org/wiki/2009_G20_London_summit_protests#Timeline_of_the_protests).

[3]See also Chapter 2, Fig 2.8, underscoring how these perceptions might be wrong.

[4]In the US, where reporting dates are more frequent, it is a managerial myopia dubbed 'quarterly capitalism' (see Barton, 2011).

where this appears to coincide with lower market prices prior to the uptake of options (see Millon, 2002). Whether these behaviours indicate short-termism or something more inappropriate, though, is debatable.

Still, a principal reason believed to account for short-termism, and how this behavior became a norm for executives, is the increased use of stock options or stock-related forms of pay (which by definition get pegged to market performance) in addition to basic salary and bonuses as part of the executive package received.[1] For example, data suggests that up till the 1990s pay arrangements were in place utilizing long-term performance linked pay (Boschen and Smith, 1995). The inclusion of equity options in executive pay packages then rose, according to Mauboussin and Callahan (2015), to about one-quarter during the early 1990s, moved to about one-half in the early 2000s, and levelled near 40 percent, around the time of their research.

Alternatively, in looking at the pre-crisis years, 1980-1994, there is a 97.3 percent increase in salary plus bonus. However, with the addition of annual stock option grants real-term valuations rise to a mean of 209 percent for what executives actually took home (Hall and Liebman, 1998). Taking slightly different time frames, Conyon (2014) showed that US CEO equity-based pay between 1980 and 2003 grew six-fold. He noted, too, that with this tendency of public companies to provide executives with more 'pay at risk' forms of remuneration it is not just stock options but also grants of restricted stock – which cannot be transferred till certain conditions are met – that have been gaining in use since the mid-2000s. While Murphy (2012) shows that inflation-adjusted median CEO compensation

[1]Investigations in this area - in the years around the financial crisis - often focus on US data due to greater reporting transparency, as Bruce and Skovoroda, 2015, note. US figures are nevertheless likely indicative of the UK so are worth consideration. Indeed, Zalewska (2013) showed there is often conformity between US and UK data on pay and performance. However, in referring to British companies in her aptly titled 'Gentlemen do not talk about money', where performance differences are demonstrated, it is associated with remuneration dispersion amongst board members. Nevertheless, the issue is perhaps more complex. For example, that varying cross-national mediators - ie the operation of institutional and cultural factors - are involved at some level in affecting remuneration practices is underscored by Gooderham et al (2018).

packages at S&P 500 firms increased from $2.9 million in 1992 to about $9.0 million in 2011, which he points out represents 'a real growth rate in US CEO pay of approximately 4 percent per annum every year for almost 30 years'. It seems the Crash of 2008 caused little interruption to this trajectory.

These packages, however, are long-term incentives, not short-term, and something boards have moved increasingly towards using as the above figures show (see eg Polsky and Lund, 2013). Nevertheless, taking into account a broad range of compensation incentives that includes equity-based pay, there appears a likelihood of detecting a corresponding association with value-enhancing performance indicators.[1] Added support for this association was observed when looking at the highest paid directors of companies, where an 8.94 percent increase in their annual income produced through cash and unexercised options combined (option value was calculated using a Black-Scholes approximation), generated a ten percent rise in shareholder value (Main et al, 1996).

A connection between remuneration and performance can therefore be made – and one seen as a background factor to unfolding events of the pre-Crash period. But the nature of the remuneration was to incentivise for the longer term. Executives were prepared to wait for their money until they exercised their option – or indeed, till they had increased performance to make the option more valuable. Hence, whether equity-based remuneration caused executives to become more short-termist – particularly as portrayed by media commentators – in the context of these types of compensation arrangements does not seem to be supported.

3.2.1 Other reasons for an assumed link: There can be many reasons for executive remuneration and stock prices becoming associated and why such pay packages continued

[1]See eg Mehran, 1994; Benito and Conyon, 1999; Buck et al, 2003; Conyon, 2014. Although, while such findings may be useful, they also serve to obscure reality.

to be used that had nothing to do with an assumed exploitative managerial disposition towards short-termism. For example, 'US companies were not required to treat employee stock option grants as an expense until 2004. This created a superficial picture of greater profits even though the market recognized the economic consequences… [and] the stock market had above-average results in the 1980s and 1990s, which conferred substantial benefit to those executives who took equity-based pay' (Mauboussin and Callahan, 2015, p73:14).

In the same vein, the pay-performance link, often taken to be the underpinning rationale for the use of pay incentives, might in fact be tenuous once cumulative data is used to look at shareholder returns rather than annual accounting data (Marshall and Eling-Lee, 2016). A different picture emerges by that perspective (see below: *A matter of time frames in reporting*), and where it is the short-termism imposed by the process of quarterly reporting that causes the difficulty, not managers themselves.

A Matter of Time Frames in Reporting

Four-hundred and twenty nine major US companies were analysed for MSCI by Marshall and Eling-Lee (2016), looking at the years between 2006 and 2015. Companies that '…*awarded their Chief Executive Officers (CEOs) higher equity incentives had below-median returns'.* As Fig 3.2 shows, there is little relationship between higher pay amounts and 10-year TSRs (*Total Shareholder Returns*) – where there was the expectation of a decent relationship if incentivizing were effective in producing improved market performance.

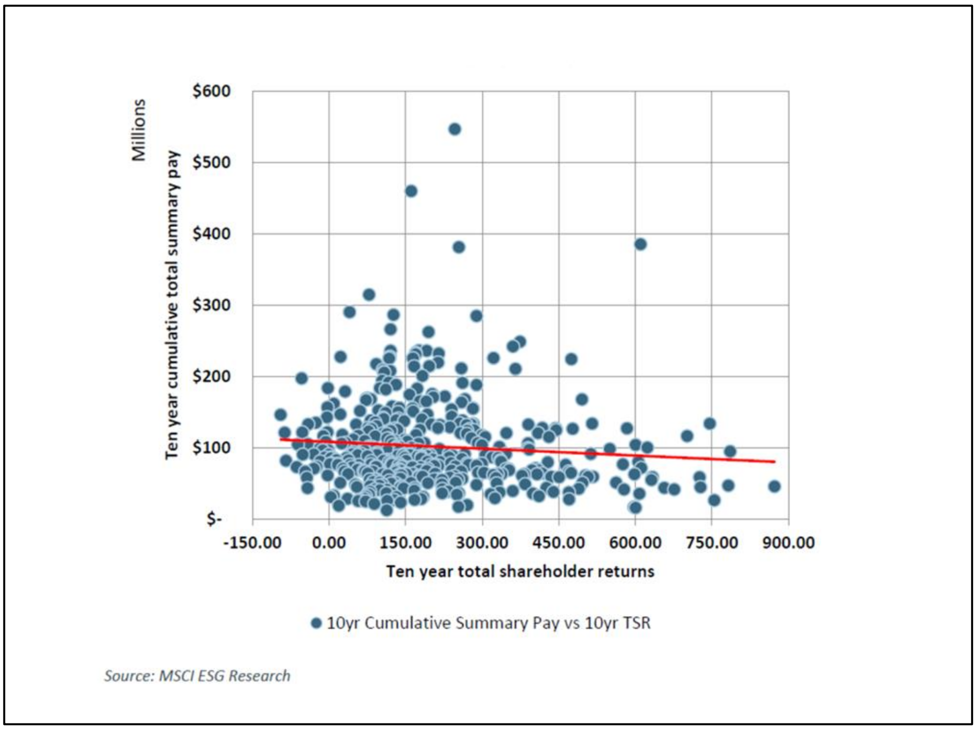

Fig 3.2

Most of the TSR activity clusters towards the left. The red line indicates the median, and where a slight negative relationship suggests a small association between *lower* pay and improved performance. A more detailed analysis of this latter finding showed that, broken down by sector, some companies paying their CEOs less could outperform other companies by as much as 39 percent.

From a cumulative perspective, Marshall and Eling-Lee (2016) suggest, pay incentives might only fuel managerial pay excesses and there appears little reason to maintain them.[1] Indeed, they add, senior executives receive as much as 70 percent in equity-based compensation, yet can have no long-term effect on the market perception of the company.

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[1]The interesting corollary is that a question then exists about why companies would continue to give performance-related remuneration – let alone why it would be thought by anyone to be connected to termism – if it does not actually work in the longer-term. See also Ariely et al, 2009 on how paying in excess of what is fair does not necessarily make individuals any more motivated for dealing with non-routine challenges.

Overall, such factors may serve to give a false impression that excessive short-termism is in operation. Moreover, there appears no clear link between equity-based pay and short-termism – nor it seems with market performance. In assessing the research, Walker (2010) stated that he was 'aware of no empirical evidence establishing that executive pay term is inadequately focused on long-term performance [*ie biased towards short-termism*] from either a shareholder or societal perspective.' In addition, rather than anything to do with termism, executive remuneration is it seems associated with the size of the company in the economy (see Hall and Liebman, 1998; Conyon, 2014; Gabaix et al, 2014). Yet the common belief that equity incentives and short-termism are connected remains very strong and perhaps has more to do with perception than reality.

Nevertheless, a possible reason for the belief is the assumed use of transitory managerial tenures. The thinking is that with short employment contracts managers are not going to be staying long and so want to milk their profits – equity-based or otherwise – as soon as they are able. This could also mean they may have a shorter time horizon than investors, and again motivated to act sooner rather than later (Walker (2010). Indeed, they will have little motivation for long-term strategizing as it is their successors who will more likely receive the recognition if an intervention is effective, and 'benefit from rents that come to the company under that approach' (Alan and Gale, 2000). Managers, similarly, might take on more risk than appropriate for the simple reason that if they do better than the expected market target they will get a substantial bonus while if they do not do better or they fail in some manner, as their tenure is short the cost to them of losing their job is minimal (EY, 2014). However, as tenures and remuneration lengthen increased risks may also be taken, but to the detriment of shareholder value in the process (Cooper et al, 2016).

In contrast, though, to all these possibilities, average tenures while dipping during the worst of the financial crisis have in fact generally increased overall. Figures produced by

Schloetzer et al (2014) for The Conference Board[1] show tenures for the years in question: 10 years (2000), 11.3 (2002), 7.2 (2009), 8.1 years (2012), and 9.7 years (2014). CEO tenure, the authors propose, started lengthening in 2013 as the effects of the 2008 financial crisis subsided and stronger markets took effect.[2]

The upshot is that tenure is not an effective argument for managerial short-termism.

3.3 Perceived pressures to be short-termist

A Price Waterhouse Cooper survey amongst 250 executives of FTSE100 companies revealed, they would choose an option of a low return sooner (£250,000 tomorrow) than the option of a high return later (£450,000 in 3 years) (PwC, 2011; see also Haldane and Davies, 2011). Similarly, US executives would give up the chance of pursuing viable longer-term projects that created economic value for their firm in order to meet that quarter's earnings expectations (Graham et al, 2005). Indeed, counterproductive strategies may even be followed where the chance of long-term benefits to the company are reduced in favour of short-term gain (Blair, 1995). Working towards the next results date was, therefore, the reality for many managers (see Millon, 2002).

But despite greater profitability often sidelined willingly by executives, they nevertheless felt heavily pressured.

> 'The executives I work with speak openly about the market pressures for short-term performance. Though my perspective might be colored [by] my empathy toward them, I would say that to a person, they want to ensure that their companies do as well as possible in the long run. But they believe the capital markets place unrealistic and unproductive

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[1]There are additional corroborating figures provided by Karlsson et al, 2008; Favaro et al, 2010; and Equilar, a provider of board intelligence data.

[2]What has happened since is more complex. PWC, for example, provide figures showing a decline in UK tenures: 8.3 years (2010), and 4.8 years (2017), against a global downturn to an average of 5 years. However, actual measurement is not clear-cut. A variety of factors affect results (eg depends on the form of departure – ie whether the executive was dismissed, retired, or changed industry position - the age of the executive, and the geographic location - ie Europe, US, UK or worldwide - as well as the metric or methodology used by a particular study) (see also Conference Board, 2017).

constraints on them. Their eternal question is, How much can we invest in the long term before Wall Street starts agitating and making our lives so miserable that it threatens our ability to manage productively at all? For the better positioned of them, the answer is that they can invest nearly all that we would wish them to. But the CEOs who are already under threat or pressure, especially from activists, can invest almost nothing at all'

Martin, 2015

According to Bawden (2007), Henry Silverman, chairman of Realogy Property Services Group, 'complained bitterly' about shareholders being obsessed with the short-term.[1] His solution was to advocate taking companies private. But from many managers' viewpoint, pursuing shareholder value in the short-term was a smoothing exercise, though one that dominated their behaviour often uncomfortably[2]. And the pressure was felt to be mounting to the extent it needed attention: 'The balance between short-term accountability and long-term value creation has fallen out of balance; it is time to reconsider what can be done to restore the long-term to its proper place in corporate planning and strategy' (Barton et al, 2016, p3).

3.3.1 Boards as the origin of short-termist perceptions: Boards may – with awareness or not – support short-term distortions of managerial behaviour, according to Roe (2013, 2015). Managers might therefore: vigorously pursue good results during a limited tenure; push off poor results to a future time beyond their tenure; or fit in with the board culture, be it 'dynamic' or 'lacklustre'. And where, if the latter, a board can cite any number of misunderstood short-term market pressures on them for a failure to adapt to new business conditions. *'It is not impossible that the short-termist view captures a rhetorical high ground*

[1]Bawden, T. (2007). Surge in buyouts of quoted companies as hassled bosses line up to go private. The Times (January 13).
[2]See eg Barton et al, 2016; Koller et al, 2017.

in the case for board autonomy by contrasting the positive connotation of patient long-term capital against short-termist frenzy' (Roe, 2013. p1005).

Claiming short-term pressures may also deflect problems faced in the running of the company, allowing managers to feel less accountable (Edmans, 2017). Yet managers could also fear for their jobs, or are persuaded by the board that if they do not engage in a short-term strategy shareholders will 'move against them and have them removed through one of: pressure placed on the board; a resolution at a shareholders' meeting; or as a result of a takeover' (Keay, 2013). In agreeing tenure terms, suggests Edmans (2017), claiming they should not be evaluated for three years is an attempt by managers to address the problem by guaranteeing employment for that period. However futile the attempt might be, with financial markets increasingly short-term focused it could be that managers are not entirely incorrect in trying to extend their employment time frame.[1]

Similarly, in pursuing shareholder primacy as a route to achieving their corporate objective, boards may misguidedly believe that managing for the short-term is the expectation (CLR, 1999; Millon, 2002; see also Mitchell, 2001 on the *ethic of stock price maximization*). As a fixated position, however, this belief may in reality be inconsistent with shareholder primacy, which specifies no specific time frame for companies to achieve results (Millon, 2002).

If companies feel compelled to act based on a short-term horizon one possible cause is the influence of investment consultants, who in turn advise the major institutional shareholders (Barton et al, 2016). The company board then takes the brunt of the effect, as Barton (2011) highlighted. This occurs despite those shareholders agreeing they were a cause of short-termism (MORI, 2004).[2]

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[1]See eg Rappaport, 2005; Tonello, 2006; Aspen Institute, 2009; Alan Greenspan, Francis Boyer Lecture, The American Enterprise Institute for Public Policy Research, Washington DC, December 5, 1996. . http://www.aei.org/publication/the-challenge-of-central-banking-in-a-democratic-society-2/; Keay, 2013.
[2]MORI, 2004, NAPF/IMA Short-Termism Study Report.

Hence, while managers may blame market pressures for short-termism, in reality they are subject to a variety of board pressures affecting them (eg Hayes and Schaefer, 2009; Cable and Vermeulen, 2016).

Business leaders, however, realize that short-termist pressures affect them and freely admit they would prefer to use longer strategic planning horizon. But, with an internal corporate initiation through metric use and a subsequent response of managers to changed investor conditions, they are in a cycle of self-reinforcing perceptions (Barton et al, 2014). Indeed, a *negative feedback loop* (Barton, 2016).

Within that context, the impetus for executive compensation may not always be from executives. With a short-term outlook, stressing share price performance, boards could have an embedded pay-for-performance culture. Their actions may then purposely create *wage distortion* through the incentives they offer. With the market a keen observer of corporate activities a CEO’s wage may be over-inflated to temporarily move market perception skyward with respect to the company’s current value and future prospects (see Hayes and Schaefer, 2009). The research carried out by these investigators addresses what is termed the *Lake Wobegon Effect*, a behavioural disposition where no company wants to admit to having a CEO who is below par, and so no company lets its CEO's compensation contract fall below market expectations. Hence, having an upwardly distorted compensation contract is a signal to the market to expect good things!

The pressure from boards is undoubtedly a strong effect. And it is progressive as well. Almost two-thirds of managers said the pressure to generate short-term results had increased over the previous five years. Yet at the same time nearly 90 percent stated that a longer time horizon in business decisions would have a positive effect on corporate performance (Barton and Wiseman, 2014). Managers are, it seems, trapped between knowing what is good for the company and doing what is good for the company; and with any pressure from boards apparently tracking down the line onto them

3.3.2 Market pressures on managerial behaviour: A market in which discount rates[1] appear to favour the short-term for corporate investment does not help managers to choose the appropriate time horizon to use. There is excess discounting – that favours the short-term use of capital – and which has increased over time (Haldane and Davies, 2011). For companies it can fuel a tendency for share 'buybacks'[2] as the best use of funds. Buybacks, according to Plender (2015), have risen to pre-crisis levels.

Similarly, since 1980 dividend payout ratios[3] have generally been in an upward trend, according to Haldane (2015). And with shorter equity holding periods and higher discount rates, there is an augmentation of any short-termist outlook (see also Kay, 2012).

For many, these facts reflect a move of the market system towards producing short-term pressures on companies. Indeed, noted Haldane (2015), 'over the past decade the equity market no longer appears to have been a source of net new financing to the UK corporate sector… Total payouts to shareholders, both dividends and buy-backs, are also back to their pre-crisis peaks, totalling almost $1 trillion in the US, and £100 billion in the UK, in 2014'.

However, these short-termist notions implied, argued Kaplan (2017), the money disappeared from shareholders and reinvestment never occurred. Indeed, without long-term projects to invest in, share buybacks remain an important option. This is a view that sees

[1]The generally accepted belief is that companies look to buy back their own shares to increase short-term market prices, irrespective of the long-term impact. For example, where they are likely to miss their Earnings-Per-Share target (see eg Lazonick, 2014; Edmans, 2017).
[2]The use of discount rates is for assessing investment projects against other potential sources of value generation. And discounts are 5 percent to 10 percent greater than would be expected at one-year time horizons, and are therefore a significant barrier to longer term investment horizons, and particularly so when accumulated and compounded (Haldane, 2015).
[3]Dividends paid to shareholders relative to the amount of total net income of a company.

How short-termism is not the problem commonly believed

Inaccuracy of perceptions

- Chief executives serve increasingly longer terms, not shorter ones as widely held: bosses departing in 2015 had an average of 11 years in office for S&P 500 firms, the highest figure for 13 years.
- Activist hedge funds are not leveraging the market by large block holdings; they own less than 1% of the stock market.
- Trading of the average share occurs many times because of high-frequency computerised traders. But their churning masks the sharp rise of passive funds, which already own 13% of the market and which hold shares indefinitely.
- Incentivizing CEOs through *pay for performance* or stock options has increased from $2.9 million in 1992 to around $9.0 million in 2011 (Murphy, 2012). And the use of incentives has been associated with increased market returns. However, this masks the long-term nature of incentives. CEOs will not get the profits from these unless they stick around and improve the company. Further, if the reporting period is changed from a year or less to a 10-year cumulative basis to report shareholder returns, paying CEOs more does not lead to companies performing better in the stock market (Marshall and Eling-Lee, 2016).
- Quarterly capitalism (managers putting their efforts towards the next reporting date) is blamed for short-termism. But it also depends on the industry the company is in, the kind of investors they attract based on their time horizon, and the narrative managers tell about their company. Many long-term investors will stay in for the long-haul and not be swayed by short-term figures.

Apparently myopic markets often look far into the future

- The bond market lends to the government for 30 years for an interest rate of just 3%.
- Equity investors place enormous values on firms that will not make serious profits for many years. That includes through new offerings (IPOs), venture capital funds, and directly for companies that have a convincing narrative. Amazon is the world's fifth-most valuable firm, with a colossal $400bn market capitalisation. About 75% of that value is justified by profits where the expectations is they are to be made a decade or more from now. It is probably the biggest bet in history on a company's long-term prospects. But Jeff Bezos, its CEO, annually reiterates the company's long-term approach.

Companies are not investing at dramatically low levels

- Figures suggesting hoarding of capital to fund excessive buy-backs are misleading. Buy-backs are so high because profits are abnormally high, which in turn may reflect the rising level of concentration in most industries. Were firms to try to invest all their surplus funds, they would need to almost double investment to a reckless 17% of sales. If Ford invested all its record cash flows, based on 2016 figures, it would double its plant in 30 months, an act of insanity in the car business.
- Investment - capital spending plus research and development - is 9% of sales for S&P 500 firms, in line with the 25-year average (excluding financial companies).
- For the economy, private-sector capital spending, excluding housing, is at 12% of GDP, equal to the average since 1945.

Main source adapted from The Economist, 2017

Fig 3.3

buybacks not as a short-term market pressure but rather a utilization of markets by managers, albeit in the short-term.

Furthermore, a long-term view, not a short-term one, is supported by high – or volatile – stock prices, otherwise there would be no excess value within a share price over and above a company's known asset value (Abarbanell and Bernard, 2000; Rappaport and Mauboussin, 2001). Similarly, PE ratios when historically high mean prices are forward-looking (see eg Kaplan, 2017, p22). Indeed, despite high valuations varieties of companies come into being all the time with little in the near term to recommend them. Amazon is an example, where for many years it was in this position, including with debt and a lack of any positive returns. These are the so-called 'unicorn' companies – often the focus of IPOs in such areas as biotech - where, rather than short-term gains, investors are thinking about potential future, long-term gains, when they make their buying decision (Mauboussin and Callahan, 2015).

So why do critics from politics, academia and the media propound the idea that the *market* is the source of short-term pressure on companies - and that this is a pressing danger? Part of the answer may have to do with cognitive bias. First is *hindsight bias,* where people under pressure may look to past times as being better than the present, which they see as fraught with economic perils. Yet they forget there were pessimists in the past too and markets and businesses survived (see eg Kaplan *in* Frick, 2017*).* The second example is highlighted by Edmans (2017) who points out that 'In the current political climate, many people see companies as evil, and are very willing to accept evidence that supports this view and reject evidence that contradicts it'. This is, in other words, a form of *confirmation bias*.

Yet overall, '…short-termers ignore a lot of evidence that goes against their position' (Kaplan 2017). Hence, the pressure on managers to be short-termist. And with slim evidence to the contrary, it is pressure apparently not coming specifically from the markets.

3.3.3 Sorting behaviour: Research suggests companies and investors do not all behave the same with respect to time horizon. Public companies, for example, are less likely than private companies to invest more in the short term. An outcome is that public companies are more near-term profit seeking than private companies (Bergstresser and Philippon, 2006), and attracting particular kinds of investors with different time preferences accordingly.

In fact, a certain amount of winnowing is involved, and where a matching eventually occurs between companies with investors. Observing corporate behaviour without appreciating this time-related process can lead to a misperception about short-termist market pressures dominating. Evidence for this market-matching behaviour comes from research on voluntary disclosure horizons in conference calls by Brochet et al (2012, 2015). Their work demonstrated how short-term orientated investors appeared more attracted to companies with a greater focus in their conference calls on the short-term; while long-term oriented investors appeared more attracted to companies with a greater focus on the long-term.

Like attracts like it appears; or as Buffet (1979) wrote, 'In large part, companies obtain the shareholder constituency that they seek and deserve.' Yet a mechanism appears in place where long-term investors incline towards companies having: longer time horizons for higher discretionary spending on R&D and advertising; less issuing of guidance[1]; and less risk- taking. Conversely, short-term oriented investors incline towards companies associated with poorer use of resources; more myopic choices, and higher risk-taking (Brochet et al, 2015).

But these apparent differences may obscure a certain market balance achieved between short and long-term institutional investment, as Brochet et al (2015) indicate. The sorting process, through investor attraction to companies with either short or long-term orientation,

[1]This is a comparable finding stressed in Bushee, 2004, on quasi-investors; see also Chen et al, 2011 who document an increase in long-term investor holdings after stopping guidance completely

Examples of short- and long-term oriented industries and companies

Panel A: Examples of industries with short- and long-term focus, based on Fama-French industry classification (48 industries)

Long-term oriented industries	*Short-term oriented industries*
Aerospace	Electronic Equipment
Apparel	Computers
Beverages	Banking
Utilities	Trading
Agriculture	Energy
Consumer goods	Steel
Defence	Business Services
Automobiles and Trucks	Shipbuilding, Railroad Equipment
Construction	Wholesale
Pharmaceutical	Business Supplies

Panel B: Examples of short-term and long-term oriented firms

Long-term oriented companies	*Short-term oriented companies*
Teco Energy Inc.	Apache Corp.
Mosanto Co.	Seagate Technology Corp.
Pepsico Inc.	Chevron
Northrop Grumman Corp.	Cisco Systems Inc.
General Mills Inc.	ConocoPhillips
Colgate-Palmolive Co.	Cypress Semiconductor Corp.
Allegheny Energy Inc.	General Cable Corp.
General Mills Inc.	Goldman Sachs Group Inc.
Coca-Cola Enterprises Inc.	United States Steel Corp.
Coca-Cola Co.	Netgear Inc.
Caterpillar Inc.	Netopia Inc.
Ford Motor Co.	On Semiconductor Corp.
Walt Disney Co.	Packaging Corp of America
Dow Chemical	Lorillard Inc.
Nike Inc.	Skyworks Solutions Inc.
Kohl's Corp.	Valero Energy Corp.

Source: Brochet et al, 2015

Fig 3.4

thus informs a categorization of particular industries (see Fig 3.4), and underlies the market's effective character.

Brochet et al's (2015) research is very much about the narrative produced in company disclosures; and one of the very few pieces of research conducted that is comparable to the present study[1]. This kind of qualitative approach, they highlight, is revealing about managerial actions in a way that quantitative studies based on metrics cannot be.

Looking deeper at how investors sort, Bushee (2004) classified institutional investors into three categories: transient, quasi-indexer, and dedicated. Of these, as their name suggests, transient investors have short-term interests in the market - smaller holdings, a speculative trading orientation, and a tendency to act rapidly on corporate disclosures, whether media-attractive 'news events' or frequent short-term earnings guidance figures. Quasi-indexers, however, are long-term investors in many companies, although holding relatively small positions. They are attracted to companies producing detailed annual and quarterly reports, covering monitoring or historic information[2]. Dedicated institutional investors are also long-term investors but there is a reversal of other characteristics: they take major stakes but in a small number of companies (see also Serafeim, 2014). Both quasi-indexers and dedicated institutions are generally insensitive to short-term performance and their presence in the market related to lower stock price volatility. Yet seeing the market only from the perspective of transient investors provides a false impression of associated corporate activity, as well as the need for a broad market activity profile.

These broad investor interests inevitably alter over time to different industry sectors. And for short-term investors this has particular resonance. As Barton et al (2017) showed, since

[1]See also Li, 2010, for a review of the textual analysis literature associated with this limited area. There is additionally a small literature on using qualitative analysis of annual reports to predict stock prices. See, for example, Wisniewski and Yekini (2015) who suggest these narratives contain valuable information that the market may not have taken into account in its pricing. See also, Merkley (2014) and Brochet et al (2015) on the further use of narrative disclosures and what they can reveal.
[2]Brochet et al, 2015, produce similar findings

2015 the use of funds dictated by a short-termist approach migrated more strongly to idea-intensive industries such as pharmaceuticals, technology, software and biotechnology. While in capital and labour-intensive industries such as automobiles, chemicals, machinery and retail, margins contracted.

There is a vital sorting mechanism for termism at various levels - including the sector and the individual levels - that is integral to how managers interact with the financial market. Yet, the complexity involved may serve to obscure the actual time horizon companies have implemented.

3.4 The pace of things

Connected to termism is another temporal phenomenon, which is how the speed of things is perceived. Things can 'feel' as if they are getting faster; the events around one moving at a more rapid rate. And there is a *sense of urgency* to act, or to at least respond in kind, to meet this effect. It is behaviour for which there has been very little research[1] or even understanding that it is relevant, as well as different, to short-termism when it comes to companies. If at all discussed, in fact, the two can get characterized together (*in the work of Mauboussin and Callahan, 2015, for example, despite its extremely useful analysis of the termism field this similar categorization can be found*). The present research, however, investigates both *termism* and this notion of a *sense of urgency*, and while recognizing their association, treats them as separate temporal concepts.

3.4.1 Communication patterns: For many individuals and companies, their temporal experience is of a speeded up world due to changes in modes of communication dictating pace. In our time, this pace is increasingly faster as technology advances. Compared to what

[1]A small, more philosophical literature exists, beyond the scope of this review, which discusses urgency in relation to preference, equality and wellbeing. See Amartya Sen's (1979) lecture.

is now called ‘snailmail’ received in the post, email, Twitter, WhatsApp, Facebook, are much quicker methods of communication, and all tend towards a pressure for an (almost) immediate response. Urgency is becoming a norm for many. Stories about employees harried by voicemails from their superiors demanding information or reports, long after work hours ended, are legion.

And underlying changes to communication patterns is that the diffusion of technology is faster too. Thierer and Eskelsen (2008) provide figures for the time it takes for the use of new technologies to become the norm for half of US households. It took 71 years for the telephone and 10 years for access to the Internet. Radio, the personal computer, and colour television, are somewhat in the middle at 28, 19 and 18 years respectively. Increased technology diffusion rates, they suggest, coincide with the feeling within individuals themselves that change is happening at a faster pace (see also Mauboussin and Callahan, 2015).

3.4.2 Cultural influence: Interestingly, there is a cultural dimension associated with the experience of an urgency to act amongst managers. The basis of this, Hampden-Turner and Trompenaars (1993) observed, is that Eastern cultures understand time ‘synchronously’ whereas in Western cultures time is understood more ‘sequentially’ (see also Table 3.1). And companies in Eastern cultures, such as Japan, will look to coordinate corporate efforts to function simultaneously, even if the resulting objective takes longer to establish. By contrast, companies in Western cultures, such as the US and the UK, will aim to achieve objectives fast, with units of time minimized, and hence using the shortest sequences to achieve the end result. It all points to a cultural difference in the perceived sense of urgency to take action as challenging market events arise. Or simply day-to-day business problems which are similarly with handled at the requisite pace. In comparing managers, Hampden-

Turner and Trompenaars (1993 p78) highlight that: *sequential managers* do one thing at a time, keep to schedule, and are accustomed to a series of short-term relationships, broken without much difficulty and new ones formed. On the other hand, *synchronous managers* do many things at once - as there is a much more elastic conception of time - understand schedules as desirable rather than absolute, and are accustomed to permanent links formed through a lifetime. Whatever the advantages or disadvantages of either approach to managerial behaviour or to how business is conducted[1], the point is that there are these differences in culture when it comes to the speed or sense of urgency with which action is taken.

3.4.3 Market background: The market environment in which managers operate can change with respect to time horizon and a sense of urgency. As Wiggins and Ruefli (2005) showed, the time period in which companies may enjoy a degree of sustained competitive advantage across industry sectors has reduced. The reason for this, the investigators suggested, is a shift to *hypercompetition.*[2] This effect might be due to a price war, the invasion of established product, services, or geographic markets, or indeed the result of 'deep pockets' where an aggressive company has an overwhelming financial capital advantage. This latter case may be due to the power of a multinational or power created through corporate alliances, or corporate and political alliances. In these circumstances, 'Betting on the future feels risky and even imprudent if change is rapid… [and] If the sustainability of a company's economic profit is fleeting, there is less reason to bet big on the future' (Mauboussin and Callahan, 2015). Additionally, shareholders fall into different classes within the market nowadays based on time preference rates[3] serving to mediate perceptions

[1]A full analysis of the specifics of pace with respect to cultural differences of managers is beyond the scope of this review.
[2]A rapid and dynamic form of competition characterized by unsustainable advantage.
[3]And particularly transient investors as Bushee, 2004, notes - *see Section 3.3.3*).

(Haldane, 2015); and with fibre optic technology improvements algorithmic trading has dramatically reduced holding periods down to milliseconds for specialist hedge funds (see Lewis, 2015). To the extent these factors operate and represent an urgent financial challenge, investors can feel a greater sense of needing to act in the near-term rather than wait.

Also intertwined with a sense of urgency are changes to industry configuration within the market (who is important, who is not). In this context, 'asset lives'[1] could be considered, though in association with market capitalization profile to understand their impact on a sense of urgency. It is a logical presumption that companies that spend more for equipment expected to have a long life-span, and do not seek a rapid return on their capital outlay, are also taking a longer-term view of their potential business. They are in it for the long haul compared to companies who take an opposite approach.

However, as Mauboussin and Callahan (2015) draw attention to, the market capitalization profile of certain sectors in the market has changed over time along with asset lives. For example, they note that in 1980 healthcare and information technology as a group represented 17 percent of the market capitalization of the leading 1,500 US public companies, with an average asset life of 11 years. By 2015, these sectors, even though representing an increased 30 percent of the market, had an average asset life of eight years. This effect overall reflects a dramatic change in market configuration to favour a faster pace for many businesses.

In reality, however, for some companies in particular sectors it makes sense to have a short-term horizon for capital investment while for others a long-term one is far more appropriate. There are therefore different time frames for planning ahead – a water supply

[1]Asset lives are accounting measures of depreciation representing the useful life expected of capital equipment, such as vehicles or machinery.

company may have many years to develop a project whereas a computer chip maker is subject to ever-changing demand for the next upgrade. Yet the figures presented by Mauboussin and Callahan (2015) on asset lives show that overall they have reduced in recent times. It all points, once again, to many investors and managers feeling an urgency to react sooner rather than later in a market that is largely reforming for them on a continual basis.

Another outcome of the findings is that they suggest a potential shake out of companies and investors whose feelings of urgency to react (or termist mindset) do not match the industry sector. Other pressures may feed into this, but it nevertheless points to a dynamic process centred on where the action is and that managers or investors have to navigate.

Besides any selection process occurring to favour one type of company or sector over another based on a sense of urgency to choose, the additional interrelating factor of corporate governance might be involved. Mauboussin and Callahan (2015) test this utilizing a HOLT score, a measure of effective corporate governance. And corporate governance tends to be better in sectors, they report, where asset lives are long than in sectors where asset lives are short. In other words, in cases where *monitoring* long-term investments is most relevant, corporate governance tends to be the most developed. Once more, it is perhaps a case of like being attracted to like; or in fact, it is about the narrative told by companies to attract those investors as well as motivate their stakeholders to keep involved.

Still, with corporate governance seen to be better for sectors with longer asset lives, this observation conceivably reflects a business desire to favour the longer term in a market whose overall makeup over time has changed. The reality, though, is a market balance favouring a majority of companies, where the perception is that things need to happen within a narrower time frame because that is the expectation. As Mauboussin and Callahan (2015) put it, *'the appropriate period of evaluation has shrunk as the composition of the* *market has shifted from companies more reliant on long-term assets to companies with shorter asset lives.'* Although as they go on to propose, *'This is not short-termism but rather a clear-eyed reflection of the changes in the underlying economy.'* Yet, with asset lives reducing the perceived change in pace, or sense of urgency, for those sectors and companies involved is apparently speeding up.

3.4.4 Psychological influences on a managerial sense of urgency: Urgency, as a factor of *salience* managers need to take account of in addressing the primacy of a stakeholder constituency's interests, is an important psychological and temporal concern within companies.[1] Yet, 'given the different manifestations of time in organizational life, there is surprisingly little research on time in this setting' (Goodman et al, 2001, p507; see also Bluedorn and Denhardt, 1988). Indeed, it is not just about how managers might interact with important constituencies or even markets to, say, favour a short-term position; albeit one accepts that view of their behaviour. Rather 'there is a shortage of research in the project management literature on aspects of time other than clock time' (Biesenthal et al, 2015). It is no surprise then that when it comes to the temporal concept of a *sense of urgency* with which managers might take action, something they undoubtedly need to do in a variety of different ways when faced with diverse and challenging situations, the dearth of management and psychological research is perhaps even more pronounced. An increasing trickle of applicable temporal studies is becoming evident however. As they begin to form an integrated body of work, a number of these are considered.

i) Effects of time pressure: Deadlines are perhaps the most obvious pressure on a sense of urgency to act. Locke and Latham (1975, 1984) highlighted how deadlines employed in

[1]See Mitchell et al, 1997; see also Eyestone, 1978; Wartick and Mahon, 1994; Hill and Jones, 1992; Williamson, 1985.

association with an organizational goal increased that goal's motivational aspect[1]. And in some cases, as Peters et al (1984) show with 164 managerial and non-managerial bank employees, with deadlines shortened performance can actually increase.[2]

But while deadlines may create a greater urgency to complete work in a shorter timespan, there is conversely 'Parkinson's Law' (Parkinson, 1957), where 'work expands so as to fill the time available for its completion'[3]. Hence, a reduction in a sense of urgency, as when deadlines lengthen subjects work at a slower pace (Bryan and Locke, 1967; Arvedson, 1974).

Pressures of deadlines notwithstanding, for CEOs the time urgency they embody may be expressed in the way they handle the time management of their teams; and when teams do well, a CEO's time urgency, according to Chen and Nadkarni (2017), is in turn positively related to their corporate entrepreneurship[4]. It is about how CEOs through their sense of time urgency interact with their senior managers to lead, motivate, and indeed push them, towards the corporate objective (see also Waller et al, 2001).

Whilst not specifically couched in terms of 'urgency' a few allied temporality studies are notable. For example, how time pressured decisions become more politically conservative (Hansson et al, 1974); how inequality of choice alternatives serves to lengthen the time for decision-making (Pollay, 1970) and so lessening any sense of urgency. And how 'negative information', that is information about why not to do something or what could go wrong, became more relevant as time pressure to make a decision increased (Wright, 1974).[5] Similarly, the better the self-control in the face of rewards now versus

[1]See also: March and Simon, 1958; Bassett, 1979; Peters et al, 1984; McGrath and Kelly, 1986; Bluedorn and Denhardt, 1988.
[2]See also Kelly and McGrath, 1985; Andrews and Farris, 1972 on the complexity of this finding and a possible U-shaped relationship.
[3]Bluedorn and Denhardt, 1988, similarly highlight 'Parkinson's Law'.
[4]Defined as activities covering innovation, corporate venturing, and strategic renewal (Zahra, 1996).
[5]See also Ben Zur and Breznitz, 1981; Zakay and Wooler, 1984; also Greenwald, 1969, on how decision options are mediated not simply by time but also by option attractiveness.

rewards later the more an individual may be able to avoid procrastinating (O'Donoghue and Rabin, 1999). This is clearly useful for managers; although the researchers find such individuals may also be too fast on the trigger, having a tendency to act with excessive urgency! And an associated strand of this topic, though beyond this study's range of coverage, is that of 'intertemporal choice'; making some type of calculation of the economic tradeoffs with respect to the relative costs and benefits of taking an action sooner, more urgently, as opposed to later.[1]

ii) Effect of individual differences and cognitive impact on managerial context: There is an apparent stability or systematic nature for the *urgency* phenomenon.[2] Research on temporal orientation and deadlines, for example, considered the experience of time urgency amongst individuals (Waller et al, 2001). Yet in finding perceptions differ, they observe time urgency[3], however, to be a relatively stable individual-difference personality variable. This variable differentiates into groups based on temporal orientation: *time-urgent and non-time-urgent*. Time urgent individuals need schedules to drive them, often using deadlines as measures of the time *remaining* to complete a task. Non time-urgent individuals tend to be less concerned about remaining time, even tending to under-estimate its passage (Waller et al, 2001). Rastegary and Landy (1993) point out, that where there are tight deadlines it may indicate a need to intensify one's work pace as the deadline approaches. But, it is a pressure to get things done, that time-urgent individuals may feel more keenly than those who are non-time-urgent. By that account, time-urgent executives would be more likely to react to situations - or indeed favour one stakeholder group over another since it is the most

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[1]See eg, Samuelson, 1937, on the discounted utility model in which the passing of time is conceived of as reducing the value of a behaviour or choice to be made; and recent work on how this idea is flawed due to oversimplification by Frederick et al, 2002.
[2]That is it functions repeatedly in the same way amongst subjects or groups with the same temporal orientation.
[3]Waller et al, 2001, define time urgency as the frequent concern with the passage of time.

expedient thing to do given the business constraints on them and the forces of their own personality.

Additionally, in many cases other psychological factors tend to impact a sense of urgency. Waller et al's (2001) work emphasizes this aspect, in that while time urgency might be a relatively stable individual-difference variable, it is also understood to be about what the individual brings to bear cognitively to cause a different outcome in the face of a need to act with urgency. As Zakay (1993, p67) wrote '…time stress is a product of either real-time constraints or because of a subjective perception of time stress due to personality traits or managerial style'. Certainly, as time stress or pressure mounts – ie the time allowed or available to make a decision reduces – the research suggests there is a greater urgency to take action. Yet in those highly pressuring scenarios, the psychological as well as the contextual characteristics of decision alternatives appear to impact the urgency with which managers might act (see also Bluedorn and Denhardt, 1988). Indeed, as time pressure increases on individuals: a) the search for [viable] alternatives will become more vigorous, and b) selective perception will increase (March and Simon, 1958, pp.196-194).

iii) Temporal synchronization and entrainment: A sense of urgency is often about how a manager perceives the pressure with which they should interact with time itself to get their project completed. Table 3.1 provides various definitions of time applicable to organizations and hence a means to understand the temporal framework managers work within.

Time pressures are also cues (*zeitgebers*) which underlie the sense of urgency to act managers experience. Examples include: deadlines for scheduled projects or processes, including a new product launch to be introduced to the consumer market by a particular date (Craig and Hart, 1992; Deschamps and Nayak, 1995); turbulence in the environment, including at its worst with the financial crisis; market or business uncertainty forcing a change in managerial behaviour (Crossan et al, 2005).

Temporal term	Definition
Chronos	Objective, homogeneous, measurable, Newtonian time, (also termed *even time, physical time, calendar time,* or *clock time*). Flows in one direction, linearly, where the managerial goal is often to speed up organizational processes
Kairos	Subjective, heterogeneous, experienced, Einsteinian time (or *event time*)
Linear time	Linked to clock time and represents an objective understanding of time in organizations as a limited organizational resource – eg projects with a defined start and an end and to which time is allocated.
Cycle time	Time is seen as a recurring pattern, which enables predictions and planning conceptually based on the past.
Entrainment	The process of adjusting pace or cycle of one activity to synchronize with Another.
Zeitgeber	Pacers or temporal cues that guide entrainment *(a zeitgeber may also be seen as a stimulus, and a sense of urgency a manager's psychological response).*
Urgency	A cognitive response to external temporal cues largely in the form of time pressures, and causing an altering of time horizon towards the shorter-term. Time urgency, however, is also understood as a stable individual-difference personality variable.
Monochronic and polychronic time use	The utilization of time can be *monochronic*, where one activity is done at a time, or it can be *polychronic*, where many activities are done at the same time (this may also be due to cultural variation – sometimes expressed as a *sequential* versus a *synchronous* experience of time). Greater urgency may be attributable to both forms depending on circumstance.

Table 3.1: Temporal concepts (adapted from sources including: Hall, 1983; Das, 1991; Crossan et al, 2005; and as quoted in Biesenthal et al, 2015).

Similarly, inter-institutional projects embody macro cycles set by dominant players or situations (Dille and Soderlund (2011).[1] Viewed as time givers or time setters (also zeitgebers), these players create pace and speed for activities to proceed, or scheduled elements to be controlled, and to which other organizations in a project must adjust. The

[1]See Shi and Prescott, 2012, on the topic in relation to the acquisition of, or alliance with, another company.

time given out or set, the researchers indicate, could also be by industry leaders or government entities through budget or audit cycles.

Management, therefore, must often synchronize its activities to get in step with players setting the macro pace for activities to proceed smoothly; a process referred to as 'entrainment'[1]. However, the difficulty is when there a failure to maintain synchronicity. Project entities could be out of sync with their different macro pacers causing devastating effects on the project (Dille and Soderlund (2011). Or if inter-institutional relationships operate at different cycles or temporal rhythms, it can lead to confusion and conflict, and in turn affecting successful collaboration (Biesenthal et al, 2015). Time overruns and being over budget are common outcomes. Alternatively, there is an absence of mediating zeitgebers, and a company cannot synchronize its chosen activities, as it does not receive the cues necessary to adapt and old patterns persist (Ancona and Chong, 1992; Ancona et al, 2001). And without these cues a company is unlikely to manifest any sense of urgency when called to.

Given that a (positive) pacer impacting the company demands faster action it will potentially cause a company to act with greater urgency to achieve the same pace, with cycles matching. However, if an adapting tempo or pace is absent from a company it will likely return to its initial state, and any urgency with which a pace was attempted will deteriorate. McGrath and Kelly (1986), for example, showed that groups maintained their initial pace even when subsequently given differing amounts of time to complete their task. A change in pace is possible the researchers note, but subsequent entrainment is 'not as

[1]Entrainment concerns the process by which synchronization occurs (Table 3.1) and for it to work properly there must be some sort of repetition to give one process or activity a chance to latch on to another. The ability to *entrain* to a new cycle is understood as a function of exposure to 'zeitgebers', that are new pacers or cues (see Table 3.1), to which a company must adapt – synchronizing their tempo, rhythm or pace to the new cycle.

automatic and easy as initial entrainment'.[1] This means that, however urgent the need, things get harder to change as time goes by and behaviours become entrenched.

3.5 From temporality to narrative

As the debate on primacy moved towards an 'enlightened view', to take account of a wider range of constituencies, there has also been a greater acceptance that taking this approach itself feeds into long-term value creation. By contrast, there has unfortunately been a generalized thinking that short-termism is associated with shareholder primacy. Reflected in the pre-Crash state of affairs, managers' incentive contracts are a main cause for this issue, is the belief, and largely for all that is wrong with the corporate world. The research support for this is weak. While there were undoubtedly areas that needed to be addressed in the way companies were run that fed the financial crisis - including extreme pay discrepancies between employee levels, and external forces operating such as from institutional investors[2] - termism does not appear to be functioning as the main culprit in the way it is often thought to be. In fact, short-termism seems more likely led by board behaviour as well as managers themselves in a self-reinforcing cycle. Further, to consider short-termism from the perspective that all investors and companies are the same does not do justice to their variation, an aspect inherent to efficient market functioning. Certain companies, like electronics or wholesale companies, have to be short-termist because that is the nature of their business; and others, like utilities or pharmaceuticals, long-termist for the same reason. The jury is still out, therefore, on determining exactly how short versus long-termist behavior of corporate executives operated in relation to the financial crisis.

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[1]It is a characteristic of the entrainment model that could explain why changing the senior executive team and the CEO often brings positive results, according to Ancona and Chong, 1996.

[2]Pay discrepancies (CIPD, 2017) and institutional pressures as discussed are in evidence nowadays as well.

A similar reasoning is applicable to the sense of urgency with which executives acted. Although highlighted in the way it has been in this review, a sense of urgency represents an alternative way of thinking about this temporal concept as something distinct from short-termism, though related. Although, the scenario in place with respect to the Crash is again unclear. Still, because the normative view seems to be that short-termism and a sense of urgency to act – along with a focus on shareholder primacy – were the prevailing perceptions prior to the Crash of 2008, the research hypotheses[1] of the present study take their lead from that in an attempt to ascertain the reality.

But if any certainty is possible to draw from the literature on this topic, it is that of the fundamental importance of temporality – termism and a sense of urgency – to the corporate governance methods businesses employ. This applies internally as well as externally to the way managers think, strategize, and interact with their markets. Indeed, with recent work on integrated reporting,[2] time horizon is an increasingly recognized factor companies need to take into account when they assess, through developing their reporting narrative, their operational and systemic behaviour, with the aim of improving these integratively for value creation 'both now and in the future' (Howitt, 2017). It is about time. And for companies time is a factor that cannot be undervalued.

[1]For example, NUR prior to the Crash. See H2a.
[2]See the IIRC: https://integratedreporting.org/what-the-tool-for-better-reporting/

4. The Development and Implementation of the Narrative Staining Technique

This investigation presents a complex set of research questions and hypotheses. These relate to changing managerial primacy and temporality perceptions as they impact corporate value creation in response to the 2008 Crash. An outcome of this complexity is the requirement to assess multiple variables simultaneously – this is something that does not appear to have been attempted previously. And the approach chosen to undertake this is a narrative-based qualitative analysis.

An approach of this type often begins with some form of content analysis of a text. In this investigation, however, a corpus linguistic approach appeared more suited to an in-depth assessment of the collected datasets: multiple annual reports for different stakeholder domains. It was also more suited to the requirement to make comparisons of these domains over time. And fundamentally, for corpus linguistics, its analytical rationale is less about themes, as focused on with content analysis, and more about an examination of patterns found in the text, which is particularly relevant to the high volume term frequency data this study generated. Sinclair (1991, p100) aptly stated ‘language looks rather different when you look at a lot of it at once’.

Furthermore, beyond simply assessing whether comparative change occurred - with respect to how managerial thinking about value creation altered in relation to the financial crisis - this study additionally sought to visually map these changes in primacy and temporality perceptions as the catastrophic effects on businesses were experienced. Corpus linguistic techniques, stressing a patterning aspect, appeared therefore to offer a useful methodology.

But while a corpus linguistic approach provided insights, the multiple demands of the investigation required something more than currently available to carry out the analysis in its entirety. As a consequence the technique of *narrative staining* was devised and applied.

This chapter discusses the development of the narrative staining technique as a novel qualitative methodology, problems experienced as the approach was progressed, and how the technique was implemented for this investigation. To begin, an overview is given of some relevant qualitative approaches that bear on the research analytics required for this study.

4.1 Comparing qualitative techniques

Discourse analysis was initially considered for the investigation but quickly found to be unsuitable. Primarily the reasons for this were: its unit of coding was too large, utilizing the sentence or categorical level; its focus tends to be on a fairly small particular text or two rather than being easily used comparatively across large multiple corpus datasets; and it is concerned with how individuals construct categories, and is hence a subjective approach depending largely on the context and discursive qualities of the writer of the text, as well as the interpretation by the investigator. Meaning can be fluid. Indeed, discourse analysis aims at revealing socio-psychological characteristics of people involved rather than text structure. It is an approach, therefore, too abstract. For this research, an approach was required that readily homed in on the text structure itself. Data had to be inherent in the text and not a result of an exploration of how any categories were socially constructed. Hence, the need was for a far more objective analysis to consider how data might change over time to reflect managerial bias.

By contrast, content analysis, which seemed applicable to the textual focus of the study, attempts to describe the characteristics or properties of documents and communication objects, such as textual data, pictures, audio, or video, in some manner. As such, it may have a number of purposes and cover a variety of techniques (Neuendorf, 2002). It sometimes gets used, as a result, as a catch-all term, including for both qualitative and quantitative methods. Yet the procedure can lead to being able to make valid inferences from the text (Weber, 1990, p.9) and in a systematic manner (see Krippendorf, 2004, p.3). However, as a descriptive technique inference is limited to that text and by the scope of the content. Hence, it is not causal, nor can in some form, one document be related to another, which was a requirement for making comparisons over the crisis period.

At its simplest, the use of content analysis to examine frequencies of word occurrences in a text or corpus - which is where this research similarly takes its lead. Another use is to extract an underlying theme from an examination of the spoken or written material of individuals – a procedure eliciting data examinable qualitatively or quantitatively. The procedure often involves thematic coding, so building up a picture of the distinctive, often subtle, perceptions reflected in the material that may be prevalent. For example, looking at organizational or stakeholder behaviours.

Yet while thematic features were relevant, the conclusion was that content analysis was inadequate as an approach because it could not handle all the analytical requirements of the current research.[1] Besides the above issues, any social or organizational constructs identified in a content analysis are in a singular thematic form, whereas this research required the functioning of bias to be understood when *corporate value* - even as a theme - is viewed in the context of different dimensions on which it impacts (ie components of primacy and temporality). This is a far more complex construct. A theme of stakeholder behavior – or any other variable including that of corporate value – on its own would not therefore provide the necessary data to address the hypotheses, which consider combined constructs (eg *H1a: Pre Crash, value-related terms will dominate in the space representing short-term ShP*).

Likewise, when using content analysis more thematically it may be concerned with meaning, intention and consequence (Downe-Wamboldt, 1992) to try to make sense of the construct found and examined. While this may help theoretically to describe the corporate value phenomenon of interest and provide the flexibility to make abstractions (see eg Robson, 1993), data in this research does not require consideration in that way. Instead, and in line with basic content analysis, a more elementary frequency-based approach is used.

Examining frequencies is fundamental to corpus linguistic analysis too. And, in further comparing content analysis with corpus linguistics, a corpus linguistic search to explore term use can, by contrast, be as simple or as complex as one wants it to be (see eg Gries, 2016). Such analyses may thus have a much larger scale of focus and assessment[2] than content analysis, making it potentially of use. However, though having more flexibility with corpus sizes[3] than content analysis - where a very limited number of texts or other objects

[1]There is also *thematic analysis* as a separate but similar technique to content analysis though similarly found to be too abstract for the needs of this research (see Vaismoradi, et al, 2013).
[2]Where term frequencies underlie the use of not only corpus linguistic analysis, but also perceptual mapping and correspondence analysis (See also Lebart et al, 1998).
[3]This refers to the number of documents within a corpus. One document, however, can contain millions of words.

such as transposed interviews may be used – corpus linguistics can similarly have limitations.

Content analysis might also be considered contrived, as constructed themes in analyses are dependent on the investigator's evaluation of what constitutes a theme. Corpus linguistics however is more objective, and with a concern on language use in real contexts (Adolphs and Lin, 2011). On that basis, one important linguistic analytic method is colocation analysis. And with its mapping facility, it was initially thought applicable for this research. Work on climate change (Fig 4.1) by Grundmann and Krishnamurthy (2010), for example, is a foremost study demonstrating how a visual assessment can be made of a discourse through examining the collocation of words; that is how one particular word is present in relation to another. It also showed, significntly, how colour could be used to indicate changes in perception. And a method of visualization was specifically a requirement for the present research in mapping how bias with respect to primacy and temporality might alter over time.

In applying collocation, an examination is made of each side of the discourse to see if, or how, it differs from the other. In one part of their study, drawing on twenty years of newspapers in the US and the UK, Grundmann and Krishnamurthy compared how the terms 'change', 'warming' and 'greenhouse' varied in relation to other high frequency terms within a five-word proximity. These terms were then colour coded according to a specific area of interest, or frame as they identify it, though in essence a theme.

It is an interesting study as it shows a variation between the UK and the US in the way each country thinks – whether by a political, scientific or an action frame. For example, the UK (with more purple) is seen as far more action-oriented than the US on climate change. Based on term frequencies the approach in general demonstrates a visual mapping of how the thinking about a concept – in this case climate change – can be compared between corpuses and mapped.

COLLOCATION lists – ENGLISH: content word collocates (+/-5 words). Colour coding: yellow=politics frame, blue =science frame, purple= action frame

US-cc:	UK-cc:	US-gw:	UK-gw:	US-ge:	UK-ge:
change	change	warming	warming	greenhouse	greenhouse
CHANGE	CHANGE	WARMING	WARMING	GREENHOUSE	GREENHOUSE
CLIMATE	CLIMATE	GLOBAL	GLOBAL	EFFECT	EFFECT
GLOBAL	GLOBAL	CLIMATE	CLIMATE	GASES	GASES
PANEL	TACKLE	SCIENTISTS	EFFECTS	GAS	GAS
INTERGOVERNMENTAL	LEVY	GREENHOUSE	CHANGE	EMISSIONS	EMISSIONS
WARMING	TACKLING	TREATY	CAUSED	WARMING	CARBON
ENERGY	EFFECTS	CAUSE	THREAT	CARBON	GLOBAL
EFFECTS	IMPACT	EMISSIONS	WORLD	GLOBAL	WARMING
RESEARCH	ENERGY	GASES	EMISSIONS	DIOXIDE	DIOXIDE
INTERNATIONAL	ACTION	POLLUTION	TACKLE	REDUCE	ATMOSPHERE
KYOTO	PANEL	EFFECTS	EFFECT	ATMOSPHERE	CAUSED
ENVIRONMENTAL	WORLD	KYOTO	POLLUTION	SCIENTISTS	REDUCE
ISSUE	THREAT	REDUCE	COMBAT	HEAT	RUNAWAY
REPORT	ISSUES	THREAT	CARBON	CAUSED	CLIMATE
NATIONS	MR	CONTRIBUTE	SCIENTISTS	OZONE	CONTRIBUTE
SCIENTISTS	COMBAT	FIGHT	IMPACT	CLIMATE	OZONE
POLICY	INTERGOVERNMENTAL	TREND	GREENHOUSE	PERCENT	CAUSE
ADDRESS	BILL	ENERGY	US	REDUCING	SCIENTISTS
ISSUES	HELP	ISSUE	FIGHT	RAIN	CHANGE
HUMAN	NEED	BUSH	DUE	CONTRIBUTE	CAUSING
CONFERENCE	PEOPLE	REAL	GASES	KNOWN	WORLD

Fig. 4.1: Simple mapping by colour. Source Grundmann and Krishnamurthy (2010)
Initial search term to identify appropriate texts: cc = climate change, gw = global warming, ge = greenhouse effect

In relation to the present research, this type of linguistic analysis, designed to explore language use for a given corpus, seemed to offer analytical possibilities. It was feasible, for example, to examine frequencies over time, one corpus against another, by such an approach and map the effect. Independently, too, the idea of using terminology relating to 'action', had been thought an interesting notion to explore. For this study, it took expression as a *sense of urgency to act* – and in comparison to other research, finessed more in conception as part of a larger temporal construct.

Yet while all that was the starting point for this investigation, a standard corpus linguistic analytical approach was not suited to the requirements. It would not have been possible, it was felt, to examine a complex variable as had been conceived in this way (ie primacy and temporality together – *see Introduction*). Indeed, looking at the frequencies of each part of such a combination individually for mapping was not an option. In many ways corpus linguistics, though often sophisticated for identifying patterns, as Grundmann and Krishnamurthy (2010) demonstrated very well, did not allow the addressing in some combined or multivariate manner the impact of one frequency on another as it changed over time; rather a purely corpus linguistic approach would take the research in a different direction. Such methodology also generally confines itself to two or three corpuses at a time, whereas in this research there were two primary corpuses and ten secondary ones. Furthermore, this type of corpus linguistic analysis lacked a sufficiently advanced visualization tool. Hence, one that could handle the multiple variables this research employed (ie two time periods, themselves variables, for: shareholder primacy bias, stakeholder primacy bias, short-term time horizon, long-term time horizon, along with the use of value-related terms *or VRTs*)[1]. And it meant that, while providing considerable ideas for tackling the research challenge faced, a corpus linguistic analysis approach was not feasible.

In sum, the design of most qualitative analytical techniques, whether content analysis or others[2], and differing with respect to thematic verses pattern evaluation, enables the

[1]See Appendix 4 for examples
[2]For applications and their limitations see: Timmis, 2015: p.4, on what can be done with corpuses; Scott, 1996, p53, on *semantic prosody*, how a word can take on a positive or negative orientation by virtue of its association with another word (eg 'sure': as in *definitely sure* v *not sure*); *corpus stylistics*, the exploration of literary texts, (see eg the CLiCDickens project at Nottingham); and Uhis and Greenfield (2011) - utilizing Greenfield's Theory of Social Change and Human Development (2009) in conjunction with Kasser and Ryan's Aspiration Index (1996), for generating a list of aspirational terms for experimental testing, such as how the desire for 'fame' or 'power' changes over time, http://faculty.knox.edu/tkasser/aspirations.html. It is about changes in a value system. The application of this corpus linguistic orientated approach is to a content analysis

handling of only a limited number of datasets. And colocation analysis apart, all have inadequate or non-existent mapping capabilities, a component the present research required. A colocation analysis while not appropriate for this research, however, is nevertheless a related methodology to what was ultimately to become narrative staining.

4.2 Casting a different approach

Investigating the financial crisis over time presented considerable challenges to determine the way primacy and temporality variables required specification and examination, as well as mapping how they changed over the period of investigation. Standard linguistic analysis techniques, as discussed, while providing insights about how to go about the research were nonetheless unsatisfactory for the task it was found. As a result of the lack of suitable methodologies for the needs of the present research, therefore, that the approach of *narrative staining* was devised.

Narrative staining - itself based on *perceptual mapping* found in marketing - is essentially a qualitative approach. As an addition to the family of corpus linguistic analysis techniques, through using frequencies too, narrative staining also has a quantitative element. Additionally, it is a type of advanced graphical methodology. This narrative-based analytical method is, consequently, useful for analysing multivariate research questions from high volume frequency data – which is to say, where more than one conceptual phenomenon is simultaneously under investigation and the requirement is to look at the interplay. More specifically, the method allows a visual assessment of complex (interacting, term-based) variables in large corpuses. Comparisons can then be made of multiple corpuses, both contemporary or at different time points. If taken to its conclusion for this

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of TV shows in different decades to see how any shift in *communitarianism* versus *individualism* might be operating.

extensive purpose, the approach is also a type of qualitative data reduction method. Chapter 6 explores the far-reaching implications of this, as there is an impact on many academic domains as well as other areas of scientific and business importance.

The name 'narrative staining' is inspired from the variables (as combined terms) when processed appearing much like bacteria in a Petri dish once treated in some manner to change their colour. The name apart, from this central analysis, other secondary analyses are then possible – generally by making frequency counts of the data in different ways – that allows for further research questions to be addressed.

Applied to analysing the way a complex (combined) construct, *corporate value*, operates over time, narrative staining, rather than describing the construct, as with content analysis, focuses on its dynamic form in the context of primacy and temporality as it is impacted over the period of the financial crisis. Indeed, it is not how the construct is used per se, rather it is the objective change in its use that is to be assessed. Q1, for example, seeks an answer about a change in the relative merits of shareholder versus stakeholder primacy. Moreover, there is an avoidance of absolute conceptions of the construct of corporate value. The only interest is in the *perception* of relative change in corporate value in some larger comparative sense as a focus over time. In that regard, no qualitative method appears to date to have used a combinatory approach for assessing multiple variables. Hence, perceptual change, expressed as a combination of variables, reflects the manner managerial bias impacts on, firstly, who those executives favour (shareholders or stakeholders) and, secondly, their temporal horizon (short-term or long-term) in creating corporate value.

Additionally, in contrast to content analysis and the centring on what Hacker (2004) called the 'visible communication content' in applying narrative staining the theme of corporate value – and its specification as VRTs – is chosen in advance of an analysis of the text. It is not an extracted or 'visible' theme, or text-dependent in that sense, but a pre-selected one. The purpose of this is to make the investigation research led rather than text content led.

Colour coding based on themes is routinely a part of content analysis. However, narrative staining utilizes a different type of colour coding. Crucially, instead, the basis of the colour coding applied is on the combinations of the variables of VRTs and DimSyns[1]. And it is the distribution of these coloured combos, rather than any themes – as understood by content analysis - that generates the mapping effect over time. Hence, this was not achievable with currently available content analysis or alternative linguistic analysis methodologies.

Whilst the focus of qualitative analytical approaches is on a limited number of datasets, narrative staining is, rather, a qualitative data reduction method. Due to this there is great flexibility when it comes to examining multiple corpuses - and with particular applicability to multivariate research questions from high volume frequency data for complex variables.

The observation may be made of a small number of data insufficiencies in the dataset of occasionally missing data points (see Appendix 3). However, the scale of the analysis – one of the features made possible by the approach – has helped to smooth out anomalies, particularly from the large primary corporate and regulatory corpuses.

The technique has not been easy to develop but the reward is that narrative staining has proven highly effective in analysing a very large body of data in an original way; and beyond the parameters of this study, it is also has broader relevance. Indeed, narrative staining, where terms are extracted and handled dissimilarly to other methodological techniques, and with its ability therefore to look at complex bias, can be understood as having a different purpose to a collocation analysis or other related corpus data extraction

[1]And as seen below, coloured according to what DimSyn (primacy or temporality) the combo contains, not the VRT, as this gives a more effective result.

methods. On that basis, narrative staining appears to fit as another form of corpus linguistic analysis, and with consequently extensive application.

Furthermore, something that does not appear to have previously been undertaken is to look at multiple corpuses in the way conducted for this investigation. Yet the method developed has provided a window into the multi-actor, value-creating outlook of companies. Coupled with looking at other stakeholder organizations it provides a view across the economy of business thinking in regard to value creation apparently never before observed.

4.2.1 From simple perceptual mapping to more sophisticated possibilities: In using the narrative staining technique its underlying analytical methodology, based on perceptual, or positioning mapping[1] as it is also called, was found to be connected with correspondence analysis (see also Lebart, et al, 1998). This opens up other areas of possible investigation – as well as potentially further quantitative analysis if a study requires it.

Important corpus linguistic studies using correspondence analysis and that bear on the current research include: measuring the changing usage of scientific terms over time (Degaetano-Ortlieb et al, 2013); how gender difference relate to spoken English (Brezina, 2013); and comparing English and Japanese professional writers of English language, such as journalists, to assess how they each express their discourse (Yasuhiro, 2013).[2]

The key point is how the methods are geared to analysing high volume frequency data in visual form; perceptual mapping (largely used in marketing) and correspondence analysis (with wider academic use). This is in contrast to SPSS[3], which appears never to have been a

[1]The use of these names is interchangeable. See: MEXL from DecisionPro Inc, http://www.decisionpro.biz/, the utility used in the present research
[2]Statistics Package for Social Scientists; often the first choice for conducting analyses but apparently not for graphic requirements.
[3]See also: van der Veen, et al (2008) on *diachronic analysis* – a time-based data comparison. Their work is relevant to the current research, even though theirs is a study in the field of environmental archaeology. It is also important for using Conoco, another correspondence analysis utility. In addition: Abdi and Bera (2014) on the relationship between types of music favoured and colour preference; and the extensive work on

favoured option in any easily identifiable research, despite its significance-testing capabilities and the numerical statistics it can generate.

Furthermore, while much of this material was not detectable early on – as there was no one to furnish the information directly – the extensive effort to find it was eventually rewarding. To date, the current research appears to be the first to look at corporate behaviour and perceptual bias with respect to value creation, and to attempt it from the angle of complex variables. In addition, the achievement of this is within the context of narrative, which has been key to the analytical focus taken.

Nevertheless, having gone through this investigative process, the multidisciplinary usage of these techniques highlighted is here observed not only to be germane to the present work, and how narrative staining could evolve, but could also be said to similarly reflect the type of cross-boundary research this study embodies.

4.3 Some research difficulties encountered

Narrative staining begins with the collection of narrative material in order to form (original) corpuses. However, apart from the challenge of developing a methodology, discussed above, it was equally a challenge initially acquiring material. There were also technical problems that needed addressing. The following section reviews several of these difficulties.

4.3.1 Acquiring annual reports for company and stakeholder organizations: Going back to 2004 or 2005 material was not always available, on either dedicated websites (eg PortAlchemy) or academic databases (eg Northcote). Material had to be narrative-based not *financial reports and accounts* (FRAs). It may be noted, some specialist portals were not in

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correspondence analysis and its development as an important methodological approach by one of the foremost writers on the technique, Michael Greenacre. In particular, the measurement of raw data of ecological samples (Greenacre, 2010).

existence until fairly recently. The outcome is a lack of historic content. In addition, they often use the same corporate sources to find and display company reports, and if the company has not made it available for indexing or uploaded (for which they sometimes pay a fee to commercial sites) they are not there. Companies were, therefore, contacted directly – sometimes they had reports and sometimes they did not! As a result, tracking down of this information required the expenditure of significant time. One company (UDG Healthcare) had its original registration in Ireland and therefore presented a slightly different set of access difficulties. The designated contact for investment matters, in this case, did not reply to requests. A contact in the subsidiary did, providing a copy of an early report, though it was a very poor photocopy. All other companies did respond, and were helpful in providing what they could. Although, similar problems were faced with the peripheral stakeholder organizations.

Another problem was the changes that companies had gone through over time. There were name changes as well as takeovers, but also a movement with respect to their placing in the FT250. Over such a time span as covered in this research these types of changes are inevitable. So an initial check was made of companies on when they were established. All were in existence at 2004 or prior – with existence an obvious pre-requisite for going public. With regards ranking in the FT250, except for one company, ranked in 2015, they were generally all constituents of the FT250 for 2004 and 2012. It was Sophos, in fact, that gained its ranking in 2015. However, it was determined acceptable to stay in the research, as it was the only company in the overall study that had this profile, though more importantly had an analysable history for the time period required. If ranking of companies was in 2004 and 2012 but fell out later that would not have been considered a problem; as it was those particular periods that were of interest. However, all companies had gained their rank at the time of the study and so it is true to say they were all FT250 constituents.

Besides accepting the natural evolution expected of companies as they transform to meet the challenges of their markets, some flexibility was necessary here too due to the difficulties accessing for each company both website information and annual reports and doing this for two time periods. With these criteria, the choice of companies for the study was not simply a matter of looking up a list of FT250 constituents and picking some. Indeed a lot of sifting took place. Hence, being too strict in this regard would have led to having insufficient information. It was a matter of balance.

ii) Corporate websites: The analysis of corporate websites initially formed a pilot study to test the methodological approach and the analysis software. Later incorporation of these results into a larger dataset were made along with the annual reports – although dropped in the final analyses, as they were only representative of the corporate corpus, not the full twelve.

The biggest problem encountered was to be able to analyse multiple pages of a company's website. And to do this for both pre-Crash and post-Crash periods.[1]

4.3.2 Additional technical problems faced:

i. ***Utilizing content providers correctly:*** A decision had to be made concerning the best system to use: ProQuest or Factiva? In due course, the finding was that Factiva was better. Also a challenge at first was to find the best way to generate content from searches carried out. After trial and error, the finding was that the single search term 'corporate governance' gave the most effective results and that generated content that allowed independent assessment of the frequency of VRTs and DimSyns.

[1]Textstat, a corpus analysis utility, was used to do this.

Additionally, as a term, the finding was that 'corporate governance' also had the added feature that needed employment: that it did not contain any of the VRT or DimSyn terms.

ii. ***Forming and using a specialized corpus for frequency analysis in this research:*** Specialized corpuses proved a vital factor in this kind of investigation. And it is something that had to be constructed. It is particularly important too since this investigation is heavily company-focussed and the requirement was the assessment of change in bias within these (and peripheral stakeholder) organizations.

iii. ***Term size:*** A range of terms were generated for VRTs and DimSyns (see Appendix 4). These included single word terms and multiple word terms. For VRTs for example: *cash, earnings, margin, business strategy, sustainable advantage,* and *strategic management*. For the time horizon DimSyns, there were potential terms such as: *brief, persistent, fast-track,* and *slow deployment*. It would be useful to use multiple word terms to obtain a more rounded view of how companies think. But in practice, single word terms are far more prevalent in annual reports – something all companies produce – so there is little choice other than to use them.

iv. ***Problems with term meanings:*** One of the biggest issues that had initially required grappling with related to value primacy definitions: The corporate governance literature uses several terms related to corporate stakeholders, but often somewhat loosely. *Shareholder value,* for example, may also mean *shareholder primacy* or *shareholder value primacy*; and similarly where the stress is on stakeholders as the central terminology of use ie *stakeholder value* and *stakeholder value primacy*, and so forth. The same is true if the use of terminology for *shareholder value* *maximisation* is considered. And for companies themselves, there is often a difference between corporate value (a monetary amount) and corporate values (the core philosophies that drive a company's conduct, and in many cases espoused through their mission statement). The addition of one letter, an 's', makes a considerable difference to perceived meaning – particularly for those working in the corporate world. Although just to confuse things, a corporate value could also mean one core value in a list of corporate core values. Similarly, an understanding of corporate value may be purely from an accounting point of view; eg *the present value of all cash flows before the planning horizon plus the present value of all predicted cash flows after the planning horizon*.

While in many cases of analytical research a consideration of these types of nuances might not matter much here a way was needed to pick this apart linguistically so that it could be seen exactly how perception was actually being impacted and who exactly was being impacted. It was, therefore, necessary to address the degree of blurring. And as a result, the conception used of measurement variables was as dimensions. And the dimension chosen of *shareholder primacy* and *stakeholder primacy* (corporate governance dimension) refer, always, to categories of individuals – eg investor, manager, owner, and so forth. In the same way, when considering *long-term* or *short-term* or *urgent to act* and *non-urgent to act* (temporal dimension) it refers to a perception or related affect. And then, likewise, another measurement variable, a value-related term, was then always a descriptor of a generally accepted term used to mean value in some form, such as *share* or *earnings*. There could be theoretical controversy or debate over a value-related term's usage as to its being truly reflective of value (eg price v efficiency) but all these value-related terms deemed acceptable for the master list played in to the concept of value through a wide-ranging perspective of how such terms are used by different constituencies when talking about corporate value.

v. ***Handling document word bias****:* Such as where there is a differential appearance of particular terms in different documents. Eg ‘price’ may appear more in a company report than in a regulatory report. All terms that are comparable in some way are important to tell us the narrative differences of interested, and most usefully compared to highlight the narrative of a particular set of terms to reflect a mass perception. Bearing in mind there is an external choosing of terms, the idea was to find a term that best reflects the content of all the material examined.

vi. ***Term noise:*** For example, ‘share’ can mean *I will share with you*, or it can mean a *share of a company.* In constructing the frequency list, these terms all required checking. Also considered was term context. This becomes relevant when examining phrases like ‘short-term’, where the context could be positive or negative, as in *the company has shown short-term success v the company has been a complete failure in the short-term*. Another, issue to contend with was how to handle word variants. It was not an issue for all terms chosen for VRTs and DimSyns but where applicable a set of rules about what to include had to be set – and the solutions was to be consistent in applying the rules. Included with ‘environment’, for example, were ‘environments’, ‘environmental’, and ‘environmentally’.

vii. ***Corporate dataset orientation concerns:*** Though this research has focussed on UK FT250 listed companies, in reality big companies frequently have global operations, and are not only UK-oriented. The upshot of the situation is that, while quite understandable and indeed appropriate that managers would steer their companies that way, it is nevertheless difficult to get a fully UK-centric view of business from them. This is something that can potentially bias the results in the sense that any study of this nature can never truly be about a total UK perspective of how UK companies perceive value.

viii. ***Validity concerns when comparing time periods:*** How certain, for example, might the thinking be that any difference – or movement in term perception – found between the two time periods looked at are a valid reflection of any change caused by the Crash of 2008? In reality, as with any scientifically rigorous correlational analysis there cannot be an ascription of causal reasons; that the Crash altered corporate perception concerning the value narrative cannot be said in absolute terms. What can be said, however, is that a relationship is observable. And because the Crash was the biggest event between the time periods examined, the assertion that the Crash is a major associated factor in changing perception amongst corporate executives as well as other stakeholders – rather than a cause – has considerable validity.

4.4 Applying the 'narrative staining' procedure

The analytical part of narrative staining entails the extraction of term frequencies for specific pre-selected categories of terms appearing in stakeholder corpuses for pre and post-Crash time points. Corpuses are then compared according to the *research questions and hypotheses* detailed in the Introduction.

To that end - and hence in order to undertake an analysis of complex terms within corporate narrative as this investigation required - a number of stages must be gone through (*researcher instructions are given in Appendix 5*). Many of the stages, it can be noted, whilst simple in theory and often involving repetition, in practice can require a lot of time-consuming effort. In *Stage 1*, for example, the production of a specialized corpus (as was constructed a number of times) may involve collating extensive material from multiple sources after making personal approaches to the appropriate organizations; none of which, as discussed above, may be straightforward to do.

4.4.1 The narrative staining procedure as undertaken considered in more detail:

i. Conceptualization of a complex topic: First, is a clear specification of the concepts for investigation – though as indicated above accomplishing this was not straightforward and a degree of objectivity was necessary to pick apart amalgams of financial concepts concerning shareholder primacy, stakeholder primacy, and corporate value, that have popular resonance.

Once specified, the approach taken was to collate a variety of terms often used for these concepts. Rather than an exact version of a concept – which is unfeasible due to the impossibility of definition in many cases – what is aimed for are terms in use by organizations that are a reflection of a theme or an underlying construct. Hence, this research is not attempting to define corporate value. In the majority of instances this means a 'family resemblance'[1], may be attributable to different terms; but bearing in mind the fluidity of language, they might not always reflect common thinking. Then deemed as 'related' in some way, any variety of these terms form a single category. For the main research variable, namely *perceived corporate value* – which by this process can include terms that concern both financial and non-financial value – a depiction of the terms of

[1] A concept from Wittgenstein's *Philosophical Investigations*, as terms are not quite synonymous but related.

interest are therefore made as value-related terms or VRTs[1]. But to understand the further complexity involved with respect to this study's research questions – in other words to see how the VRTs might be affected by perceptions as companies pass through the Crash of 2008 – then considered are the contextual, similarly perceptually-rooted factors, as dimensions. For this research, the interest is on the primacy of shareholders versus stakeholders. And as with the VRTs, terms for these shareholder and stakeholder dimensions (DimSyns) are chosen in a likewise manner.

As indicated in the Introduction the VRTs and dimensions can be understood as operating within a conceptual search space. This space is a representation of a corpus, and with more than one corpus dataset examined – representing pre-Crash and post-Crash periods – it allows a format for detecting movement and hence picking up any changing bias over time.

ii. Creating a master list for choice of initial terms: Choice of Terms used was by virtue of being the most relevant on the master list of terms (see Appendix 4). The component lists consisted of *value-related terms* and *dimension synonym terms* – this latter set covering corporate governance terms for dimension that included: primacy (shareholder and stakeholder) and temporal (termism and sense of urgency). Together, all these terms formed the basis for assessing how their corpus frequencies, pre and post-Crash, were later observed and hence fed in to the narrative staining procedure. The construction of the master list was as follows:

[1]This method, it may be noted, is applicable to other research areas too where instead of perceived corporate value the topic requiring examination might be, for example, 'belief' where it would be a *BRT*, or 'disaffection', a *DRT,* and so forth accordingly.

a) ***Choice of value-related terms (VRTs):*** These were taken from the business literature and popular business press, (eg, ‘competitive advantage’, ‘market forces’, ‘price, ‘share’...). Table 4.1 shows the final list, containing a whittled down selection of VRTs. Its production was by assessing for relevance using the Ngram[1] viewer of the British Library. This generates a measure of user-defined search volume data of its digital web archive[2]. The viewer can generate monthly usage search volume data for any term between 2004 and 2011. Also used for an alternative measure of monthly web search volume for particular terms was Keyword Spy[3]. The aim of the site facility is website promotion. As data was progressively collected for both measures a correlation was run which showed a fairly strong relationship (r=0.67). Later term analysis therefore mainly used Keyword Spy, as this was easier to implement.

Terms may include those describing value assessment (eg monetary), those reflecting value drivers (eg connected to productivity improvements), or other related phrases. Yet what the research is interested in here is not a structural understanding of value, or indeed how some of the terms may be interrelated with others in any attempt to depict what business value is, but rather how these value-related terms might track over time. Terms like competitive advantage, market forces, earnings, assets, strategic management, CSR, ethical behaviour, stock option, and so forth, were candidates through sifting out for the most relevant ones. In practice, as noted above, single-word terms were found to be better to use as they

[1]The basis of the Ngram viewer is the concept of ngrams, referring to a contiguous sequence of n elements in a sample of speech or text. However, an explanation of this, from the field of computational linguistics, is outside the interest of the present research.
[2]See http://www.webarchive.org.uk/ukwa/ngram/
[3]See www.keywordspy.com

tended to have higher frequencies of corpus use, making it much easier to find instances to assess.

b) ***Choice of dimension synonym terms (DimSyns):*** A similar approach was undergone to source DimSyns then check for relevance as was conducted for value–related terms. Shown in Table 4.1 is the final list containing a whittled down selection of DimSyns.

As illustrations of initial candidates of synonymous terms, a consideration was made of the following (see also Appendix 4), and where some of these terms were eventually used. However, there was a rejection of several on technical grounds. For example, and as previously noted, single word terms are more likely to be used as they work better than multiple word terms which have low frequency of occurrence in annual reports.

- On the *corporate governance* dimensions (ie shareholder primacy, stakeholder primacy) for 'shareholder': shareholder, investor, equity partner, stock owner, etc; for 'stakeholder': stakeholder, manager, agent, supplier, and employee.[1]
- On the temporal dimension, for *termism* (Long-Term): time horizon, future objectives, plans etc, for *termism* (Short-Term): temporary, now, etc.
- On the temporal dimension for a *sense of urgency* (urgency to reorientate): must do something, action, execute, force, hurry, etc; and a *sense of urgency* (non-urgency to reorientate): all's ok, aligned, balanced, fine, etc.

[1]The term 'employee' whilst having a monthly search volume of 5,000,000 (see Appendix 4) is nonetheless a much rarer term in annual reports, making it difficult to use.

iii. Further selection by frequency analysis: Extracted from the master list were twenty VRTs and twenty DimSyns (Table 4.1), using criteria of highest search volume frequency data.

Numbers on the vertical axis refer to the VRT reference position in the Excel spreadsheet used, so ‘Alliance’ is number ‘16’ and so forth.

Shown in Fig 4.1 are the graphed results. This initial analysis using corporate websites formed the pilot study[1].

The graph in Fig 4.1 shows the frequency analysis for the twenty chosen VRTs conducted on the corporate website dataset. This was a corpus constituted with the websites of the 20 FT250 companies examined in this investigation, and for the same years the annual reports were assessed (2004 and 2012). In a similar manner to Table 4.1, numbers refer to their reference position in the Excel spreadsheet, though here on the horizontal axis; so once again ‘16’ is ‘Alliance’ and so forth.

[1]Website results were incorporated into part of the main analysis to produce a wider stakeholder corpus for the initial assessment and determination of terms to use. However, in the final analysis corporate website frequency data was not included as no other peripheral stakeholder domain had suitable websites for analysis, and hence for further comparison – ie the use of website data might have skewed the result so this part of the corporate corpus dataset was removed. One reason for this eventuality is that corporate websites have a different audience, often the general public. However, corporate websites and other stakeholder organizations’ material, largely based on annual reports, have a more business-oriented audience.

	Value-related (VRT)
16	Alliance
17	Capital
18	Communication
19	Competition
20	Customer [1, 2]
21	Dividend
22	Enterprise
23	Environment
24	Equity
25	Information
26	Investment
27	Labour
28	Manufacturing
29	Pay
30	Performance
31	Price
32	Resource
33	Return
34	Share
35	Strategy

Dimension synonyms *(DimSyn)*
ShP
Chief
Investor
Owner
Principal
Shareholder
StP
Affiliate
Agent
Employee
Manager
Stakeholder
LT
Always
Extended
Long-term
Permanent
Sustainable
ST
Current
Interim
Now
Short-term
Temporary

Table 4.1 – Examples of terms used

Extracted terms from the master list, both value-related terms (VRTs) and dimension synonyms (DimSyns)

ShP=shareholder primacy; StP=stakeholder primacy; LT=long-term; ST=short-term

Corpuses for both time points were analysed for frequencies of the same terms. What is observable in Fig 4.2 is how some terms in the analysis – due to greater frequency – drew apart from pre to post-Crash. That was one of the criteria of interest, along with whether terms had any implied connection that made intuitive sense when considered together – as the basis for a following stage where sought would be a formation of, and a balance in, combinations. For example, whether some terms were financially oriented and others were non-financially oriented with respect to value creation.

[1]Cells in yellow refer to terms used in preliminary analysis, as detailed below in Fig 4.2 (these terms subsequently also forming VRT-1 variables). Note that, as only used in later combinations DimSyns are unnumbered.

[2]'Customer' is a stakeholder term but it can also be a value-related term where a customer is an asset amenable to leverage. It is a characteristic of language that terms often have varied meaning dependent on context. The implication of this is that it is necessary to make a choice on usage for conducting research. Likewise, other single terms are feasible but dependent on their document frequencies, eg 'environment' or 'community' may be good potential stakeholder terms – and have high search volume - but have rare occurrence in a specific text.

The same analysis was conducted for the corporate annual reports Table 4.2, for example, shows how the term frequencies were analysed in greater depth in Excel.

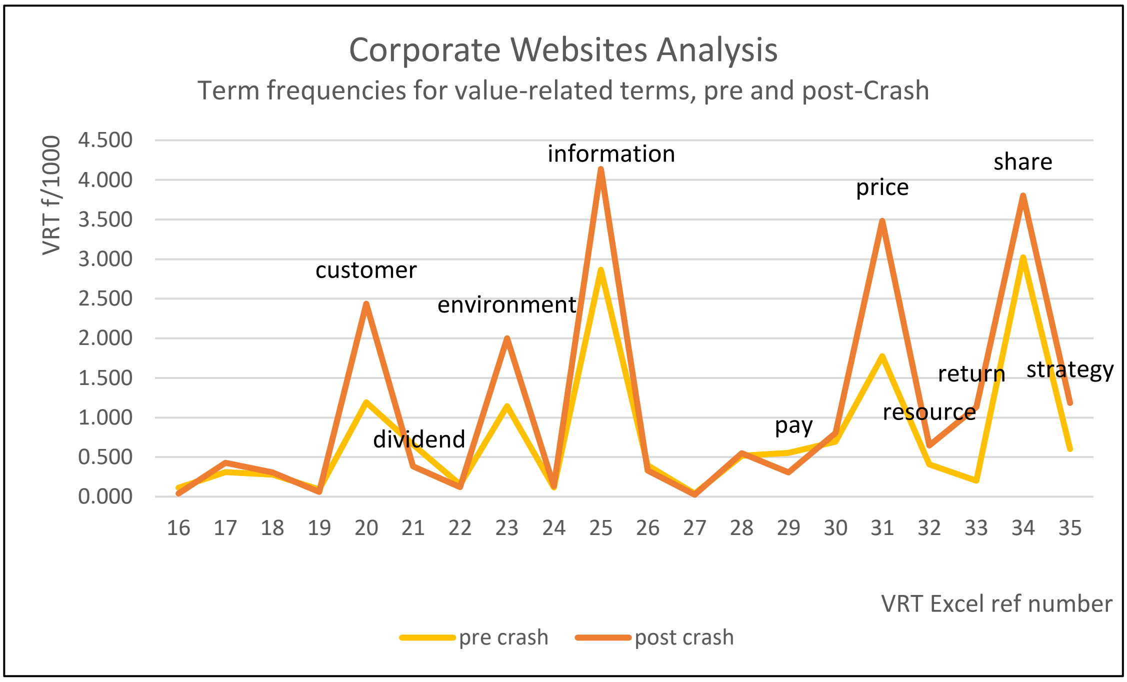

Fig 4.2

With comparably interesting results obtained from an analysis of annual reports, and added to the websites making a fuller corporate managerial view, as a result ultimately of the pilot study and further analysis the terms chosen were: customer (c), price (p1), return (r), and share (s). As indicated in Tables 4.1 and 4.2 where the cells are coloured yellow.

The frequency and graphical analysis indicated that the four VRTs chosen were interesting and of greater importance to explore. That is not to say that other terms would not be assessed, or that they were not interesting by themselves or in combination, but simply that this was the first group thought suggestive to be looked at. Additionally, of importance here was the development of a new methodology; terms can then be added later for further investigation – as in fact a variety were to the extent possible in this research.

The frequency analysis used Textstat and Nvivo analytical software. Textstat is a free utility for carrying out corpus linguistic analytics on websites. Nvivo allows advanced analysis of qualitative data from textual material. Also done was a normalizing of the data for each document in the corporate dataset, a procedure allowing comparisons across documents with varying numbers of words. This also allowed an amalgamation of the documents into one single corpus – though a consideration was also made of websites and annual reports separately. Yet, as seen later, the finding was that annual reports were the more useful.

Term frequency table for FT250 companies, pre and post crash (managerial database using annual reports)

	AO World (Retail)				**Qinetiq** (Defence/Aero-space)				**PZ Cussons** (Manufacturer)			
Period	pre		post		pre		post		pre		post	
Number of words in doc	1450		8181		31756		60868		26141		50912	
Terms												
Value-related	*raw*	*stdrdzd*	*raw*	*stdrdzd*	*raw*	*stdrdzd*	*raw*	*stdrdzd*	*raw*	*stdrdzd*	*raw*	*stdrdzd*
Alliance	0.000	0.000	0.000	0.000	0.000	0.000	3.000	0.049	0.000	0.000	0.000	0.000
Capital	4.000	2.759	23.000	2.811	31.000	0.976	63.000	1.035	43.000	1.645	44.000	0.864
Communication	0.000	0.000	0.000	0.000	18.000	0.567	17.000	0.279	9.000	0.344	14.000	0.275
Competition	0.000	0.000	0.000	0.000	5.000	0.157	2.000	0.033	0.000	0.000	3.000	0.059
Customer	0.000	0.000	10.000	1.222	65.000	2.047	99.000	1.626	2.000	0.077	11.000	0.216
Dividend	0.000	0.000	5.000	0.611	7.000	0.220	45.000	0.739	31.000	1.186	52.000	1.021
Enterprise	0.000	0.000	0.000	0.000	1.000	0.031	3.000	0.049	0.000	0.000	0.000	0.000
Environment	0.000	0.000	0.000	0.000	21.000	0.661	33.000	0.542	15.000	0.574	47.000	0.923
Equity	0.000	0.000	2.000	0.244	16.000	0.504	74.000	1.216	22.000	0.842	61.000	1.198
Information	4.000	2.759	0.000	0.000	53.000	1.669	53.000	0.871	16.000	0.612	35.000	0.687
Investment	0.000	0.000	7.000	0.856	34.000	1.071	78.000	1.281	58.000	2.219	64.000	1.257
Labour	0.000	0.000	0.000	0.000	0.000	0.000	2.000	0.033	0.000	0.000	1.000	0.020
Manufacturing	0.000	0.000	0.000	0.000	8.000	0.252	0.000	0.000	24.000	0.918	41.000	0.805
Pay	0.000	0.000	16.000	1.956	39.000	1.228	132.000	2.169	22.000	[illegible]		
Performance	0.000	0.000	3.000	0.367	37.000	1.165	142.000	[illegible]				
Price	0.000	0.000	1.000	0.122	7.000	0.220	49.000					
Resource	0.000	0.000	3.000	0.367	19.000	0.598						
Return	0.000	0.000	4.000	0.489	12.000							
	6.000	4.138	43.000	5.256								
	[illegible]	0.000	0.000									

Table 4.2 – Extract from term frequency table for annual reports for three of the twenty FT250 companies examined (‘*stdrdzd’=normalized*).

4.4.2 Term combinations: The terms chosen were then examined in combination, using the approach of 'n choose r', often denoted as n!/r!(n-r)!, for different subsets, hence 4 choose 3 as shown below in Table 4.3. Although initially calculated manually for the pilot study – by forming matrices, and then reading off the required combinations, as Table 4.3 indicates – more complex calculations for the main study were done with an Excel calculator[1] that was adapted for use in this investigation.

c	p1	r	s		Result (code)	4-element combo product definition
✓	✓	✓			**cp1r**	customer x price x return
✓		✓	✓		**crs**	customer x return x share
✓	✓		✓		**cp1s**	customer x price x share
	✓	✓	✓		**p1rs**	price x return x share

Table 4.3

Simply as an example of how the approach works, Table 4.4 demonstrates the outcome of this procedure for the first 11 VRTs using a 4-element set. Though as explained below much of the analysis was conducted on the 8-element set (as a larger set of results these *8 choose r* sets are given in Appendix 6), and making these 4-element combinations redundant for the main part of the research as they contain no DimSyns. The combination frequencies were then multiplied to give the product on which the subsequent data analysis was conducted.

[1]Source: http://www.get-digital-help.com/2015/02/26/return-all-combinations/#comment-285532).

Level	Ref number	4-element combo code	4-element combo product definition
bi	1	cp	customer x price
	2	cr	customer x return
	3	cs	customer x share
	4	p1r	price x return
	5	p1s	price x share
	6	rs	return x share
tri	7	cp1r	customer x price x return
	8	crs	customer x return x share
	9	cp1s	customer x price x share
	10	p1rs	price x return x share
quad	11	cp1rs	customer x price x return x share

Table 4.4: Coded term combinations for a 4-element set

As a conventional starting point, this 4-element combo formulation allowed the conducted of an initial exploratory frequency analysis on the primary (corporate and regulatory) corpuses. Results confirmed that differences in term usage in this combined form over the period were evident.[1]

4.4.3 Including dimension synonyms: Having confirmed that the combo approach generated differential findings for the VRTs, the next step was to assess how they behaved in an interactive form with dimensions of interest to this investigation, hence that of primacy and termism. Using an 8-element set for the main analysis, an examination was made of all terms in order to form combos (ie including DimSyns with VRTs). These terms were handled in the same way as the initial set of four VRTs (*customer, price, return,* and *share*),

[1]Preliminary and intra-corpus term frequency analyses are given in Appendices 8 – 10. This includes for 4-element and 8-element combinations where DimSyns are included with the VRTs.

considering their frequencies to sift out the most relevant. There were another four terms making eight in total, which additionally included: *investor* (i), *manager* (m)[1], *permanent* (p2), *now* (n). Respectively, these represented the dimensions of shareholder primacy, stakeholder primacy, long-term and short-term. This formed the basis for the *Set 1* analysis.

4.4.4 Deeper levels of analysis: With an *n choose r* approach as the value of *r* increases from 2 to 4 (the latter being the maximum *r* value) there are increasing combo levels to investigate. These are represented as *bi, tri* and *quad* levels. In a similar way to that demonstrated in Table 4.4, calculated accordingly are the product frequency totals.

4.4.5 Basic filtering: With an 8-element set balancing is necessary so as to allow for possible VRT/DimSyn bias (ie even though these were all being treated simply as *terms* at this point, representatives of all one type or the other was not wanted – though representative of each were wanted). Thus to exclude combos that could not be effectively used involved filtering. Table 4.5 shows excluded *bi* combos in with a fuller table for *tri* and *quad* combos provided in Appendix 7.

cp	Customer, price	im	Investor, manager
cs	Customer, share	ip2	Investor, permanent
cr	Customer, return	in	Investor, now
ps	Price, share	mp2	Manager, permanent
pr	Price, return	mn	Manager, now
sr	Share, return	p2n	Permanent, now

Table 4.5: Filtered *bi* combo exclusions for Set 1 VRTs

[1]This may seem an odd choice for the stakeholder category. But based on academic definitions of a stakeholder (see Chapter 2, Fig 2.5), managers are stakeholders, and the term 'manager' is thus understood as a stakeholder term. And while other stakeholder terms (eg 'employee') may be seen as better, it is subjective. Additionally, there are constraints based on the narrative itself, ie what terms are actually present in the text used so are measurable.

For example *cp*, representing *customer* and *price*, could not be used in the main analysis as they are both VRTs; nor in a *bi* combo can *ip* for *investor* and *permanent* as there would be no VRT. Similarly, in a *tri* combo *cp2n* (*customer, permanent, now*) would be excluded. The reason is that terms in the combo from different dimensions conceptually represent opposing ways of thinking. Hence, individuals (shareholders and stakeholders) whose viewpoint are being measured cannot be both long-term and short-term oriented simultaneously *(ie permanent* and *now* respectively). As a result, their experimental treatment, as a general rule, is to cancel each other out.[1] Combos similarly cannot be oriented for both shareholder primacy and stakeholder primacy in their perception for the <u>*same*</u> VRT.

4.4.6 Sets of variables examined: For the research overall, four studies were conducted, with each using a different combination set of VRTs and DimSyns. As above, all

Set 1. *VRT-1*: customer, price, return, share; *DimSyns-termism*: short-term (now), long-term (permanent).

Set 2. *VRT-2*: equity, pay, performance, strategy; *DimSyns-termism*: short-term (now), long-term (permanent)

Set 3. *VRT-1* and *DimSyns-sense of urgency*: urgency-to-reorientate (action), non-urgency-to-reorientate (efficient).

Set 4. *VRT-2* and *DimSyns-sense of urgency*: urgency-to-reorientate (action), non-urgency-to-reorientate (efficient).

Fig 4.3. Sets of VRT and DimSyn variables

[1]This will be explained in more detail in Section 4.6.3: Rules applied to *tri* and *quad* combo output and dealing with partials

frequencies were initially determined. In the first two studies, there was a variation of the value-related terms but there was use of the same DimSyns.

In the third and fourth the same VRTs (as in Set 1 and Set 2) were used but in these cases looking at the alternative temporal dimensions for a *sense of urgency*; which reflects a need to take action or not. Hence, an *urgency-to-reorientate (UR)* and a *non-urgency-to-reorientate (NUR)*, where the DimSyns respectively were *action (a)* and *efficient*[1] *(e2)*.

4.4.7 Further combo processing for initial analysis of multiple stakeholder corpuses:

i. Data normalization: Having produced letter (bi) combinations, their corresponding term combination frequency totals are calculated. However, frequency data for each term had to normalized, as with single terms (see Table 4.2), and so enabling cross-corpus comparisons. Normalization is done prior to multiplying to form a combo, it may be noted. For the corporate dataset (websites and annual reports), this was done for each term of each of the twenty FT250 companies used. The regulatory dataset, though large, required a more straightforward normalization as there were a smaller number of documents. The other stakeholder corpuses were later similarly handled. To make results easier to work with a scaling factor, 10^n, was applied. Hence, the calculation was: (term1 frequency/no of words in doc1) x (term2 frequency/no of words in doc1)… x (10^n), and so forth

This procedure does not change the distribution of results across conditions – though may statistically – but rather amplifies the results, allowing processing of these by utilities that would otherwise have problems carrying out calculations on extremely small numbers (*see also Appendix 5. Stage 9*).

[1]It may be thought that 'efficient' would not be an opposite to 'action'. However, when things are efficient they are working fine and no changes are required; there is no need for action.

At this time, there has been use of a basic product of term frequencies in the combo formation to reflect value-creating perceptions. However, the work holds out the possibility of using more complex mathematical combinatory relationships between terms that might better mirror how the brain perceives intricate concepts, an effect going beyond the province of corporate governance.

ii. Comparing multiple corpuses in greater depth: The above process yielded 96 usable and comparable combinations for the 8-element set with term subsets for *bi, tri* and *quad* levels analysed, hence subsets ≤4 (note there are 112 combos if partials included)[1]. Also looked at for completeness during the pilot study were the frequencies for the 4-element set.[2]

For the next step, there was the use of another filtering procedure. This was on the combinations to determine which ones had increased (or decreased) over time the most according to stakeholder corpus. Constructed for this purpose was a minimax difference measure, with automatic calculation for this set up using an Excel template. It applied the following simple formula: (High – low)/high.

The application of this formula was to pre and post-Crash datasets, and yielding a result for each term across all available stakeholder corpuses, which were now all included in the analysis[3]. The dataset produced had a range of 0 – 100 for each data point generated. However, a result could be higher in pre or post-Crash datasets so the information of whether a result was pre or post-Crash had to be preserved. This was accomplished by denoting pre-Crash results with a '-' symbol (and post-Crash results simply with no additional symbol). This choice of this approach was due to being best indicative of direction; it did not mean actual values were negative or positive.

[1]This will be explained in more detail below in Section 4.6.3).
[2]As shown in Appendices 8 and 9.
[3]The minimax output is given in Chapter 5, Table 5.1

However, treated in this manner the data lent itself to correlational analysis. Thus Q3 – assessing whether regulatory changes over the crisis period were associated with changing executive perceptions of corporate value – could be addressed.[1]

Filtering of the minimax results allowed a highlighting of the visual effect. Colour coding was used for ranges at or above +/- 60% - 80% and +/- 80% - 100% and the others ignored. This output shows that colour coded cells distributed unevenly, indicating how they could reveal patterns that might vary amongst different stakeholders.

iii. Filtering output of perceptual maps: Minimax difference filtering was also useful when generating perceptual maps (a process described in the next section). Where combos in a map appeared to be providing an erroneous impression of their impact, they could be excluded based on their minimax difference value, or a pre to post-Crash normalized data difference. In practice, there was often a 20% cut-off used, with any combo below that amount removed.

4.5 Stakeholder corpuses used

The overall corpus contained sub-corpuses that included corporate documentation for pre and post-Crash time periods, made up of corporate annual reports and website pages for twenty FT250 companies, while the regulatory corpus consisted of hard law and soft law, ie The Companies Act, Corporate Governance Codes and The Stewardship Code. These sub-corpuses were the main focus of the initial research. Table 4.6.a gives a breakdown of constituents and corpus sizes. Then extending the study, there was a consideration of ten other stakeholder organizations (Table 4.6.b) through the information they produced.

[1]Q3a and Q3b looking at soft and hard law respectively could also be addressed.

Table 4.6. Primary and Secondary Stakeholder Corpus Constituents and Word Sizes

a) Primary Corpuses Word Sizes

i. Regulatory corpus – pre and post-Crash with number of words in sub-corpuses

Pre-Crash		*Total*	**Post-Crash**		*Total*
Companies Act 2006	Combined Code 2003		Companies Act 2006 with amendments and notes 2015	UK Corporate Governance Code *and* Stewardship Code 2012	
307,806	22,469	*330,275*	569,115	14,716	*583,831*

ii. Corporate corpus – pre and post-Crash (2004/2012)[1] with number of words in sub-corpuses by company

Company	**Sector**	**Annual Report**		**Website**	
		pre-Crash	*Post-Crash*	*Pre-Crash*	*Post-Crash*
AO World	Retail	1,450	8,181	14,781	131,836
Qinetiq	Defence/Aero-space	31,756	60,868	40,973	45,395
PZ Cussons	Manufacturing	26,141	50,912	30,191	39,600
Bodycote	Engineering Services	29,221	55,249	6,033	59,035
BTG	Biotech	30,305	60,253	47,529	38,999
Pennon Grp	Utility	28,584	64,076	10,872	26,737
Croda	Chemical	25,881	55,813	8,124	27,851
Redrow	Home Construction	30,393	42,493	18,133	86,539
National Express	Transport	41,969	81,138	35,384	19,897
Electro-components	Electronics	35,419	52,380	36,332	34,926
Greene King	Pubs	23,193	55,344	12,813	40,072
Amec	Infrastructure consulting ind/eng - Oil & Gas	39,434	62,681	25,057	27,041
Cairn Energy	Oil & Gas Products	40,402	70,732	26,380	16,249
AA	Auto Services	8,909	13,307	43,583	104,688
Sophos	Software	6,387	22,801	31,903	99,320
Tate & Lyle	Food	49,320	75,506	10,575	12,557
UDG	Healthcare	21,933	51,727	11,154	8,446
Rank	Gaming	43,922	72,114	13,169	42,820
Vectura	Pharmaceuticals	23,203	34,658	10,520	9,191
Page Group	Recruitment	24,193	57,429	40,604	118,972
Totals		*562,015*	*1,047,662*	*474,110*	*990,171*

Table 4.6 Cont.			
b) Secondary Corpuses Word Sizes - pre and post-Crash with number of words in sub-corpuses			
Organization	**Corpus constitution**	**Corpus word size**	
		Pre-Crash	*Post-Crash*
Financial Services Authority (FSA)	Annual reports and business reports for 2004/2005 and 2011/2012.	90,901	112,886
Financial Times (FT)	All FT article sources for 2004 and 2012 from digitized newspapers. A single primary search term of 'corporate governance' used to pull a manageable corpus via Factiva - this then searched as with other corpuses.	682,131	185,237
Newspapers (general)	Combined article sources for *The Times, Sunday Times, Daily Telegraph, Sunday Telegraph, The Guardian,* both 2004 and 2012 from digitized newspapers. A single primary search term of 'corporate governance' used to pull a manageable corpus via Factiva - this then searched as with other corpuses	181,525	152,565
Centre for Policy Studies (CPS)	Variety of corporate governance related topic reports, 2004 and 2012	75,313	57,229
Confederation of British Industry (CBI)	Annual reports 2004-2005 and 2012	10,611	15,423
Chartered Inst. of Management Accountants (CIMA)	Annual reports 2004 and 2012	11,650	25,517
Inst. of Chartered Secretaries and Administrators (ICSA)	Annual reports from 2005 to 2006 and 2011 to 2012	17,000	9,280
Inst. of Directors (IOD)	Annual reports plus relevant corporate governance documents for 2004 and 2012 - also includes ecoDa report, 'Comply or Explain' for 2012.	25,528	26,445
Inst. of Public Policy Research (IPPR)	Variety of corporate governance topic reports, 2004 and 2012 (labelled 'a'), and for the same years mixed reports on energy and climate change (labelled 'b'). The two document groups were combined as a total ('a'+'b').	173,962 (a:72,098) (b:101,864)	397,192 (a:243,902) (b:153,290)
Trades Union Congress (TUC)	Congress reports and associated website documents, 2004 and 2012.	191,753	211,295
Totals		*1,460,374*	*1,193,069*

In constructing this original stakeholder corpus dataset a balance between constituents was sought. For the formation of the primary corpuses - the regulatory domain apart due to the limited documents available - there was careful selection of varied FT250 companies,

[1]In a small number of cases when specific year reports not available the nearest year's documentation was used eg 2005 and 2011.

with the aim of no more than two or three from each business or industry area. For the secondary corpuses of peripheral stakeholder organizations, a cross-section of different types of organization was similarly sought.

A significant amount of time and effort went into the sourcing and production of this broad corpus dataset. Achieved, however, was as even an organizational mix as possible for assessing changing perceptions over time with respect to a variety of stakeholder narratives concerning corporate value.

4.6 A perceptual mapping approach

Standard graphing utilities have limitations, being unable to depict multiple variables extensively as this research needed.[1] But it has been determined, instead, that *perceptual maps* are very appropriate for this study, as they best represent the virtual search space conceived. In the marketing domain, these types of maps are often used. Many academic disciplines also employ variants: eg in environmental biology, utilizing forms of multi-dimensional scaling, factor analysis or correspondence analysis. There is further consideration of this in Chapter 6, where an exploration is made of how the approach may be developed. Within marketing, perceptual maps are sometimes termed 'positioning maps' due to their association with attempts to look at market perceptions based on surveys of, say, brands in relation to the attributes each might have in the perceptions of consumers; eg for a beer it might be taste, thirst-quenching capability, strength, colour, nice to enjoy with friends, and so on. In these instances, it is therefore about understanding the market position of a product. This type of graph is thus adapted for use in this investigation, where corpuses are like brands and term combinations, as discreet groups, are like attributes.

[1]It is possible to depict the combos and their movement on a bar chart. However, these have little flexibility and are not easy to produce, requiring considerable manual construction (see Appendix 11).

A proprietary system called MEXL was identified[1] that could handle the analysis in a more sophisticated manner than producing a basic graph – including being able to generate results in 3D if required. Extensive use, therefore, has been made of its abilities where, for example, a plot can be made of 8-element bi combinations for all stakeholder organizations to look at distributions pre and post-Crash. And similarly, for providing an overall feel for what the organizations are doing as a whole in relation to each other and specific combos.

However, the main use of MEXL has been in its application to single organizations where an assessment has been made of pre and post-Crash sub-corpuses. In this context, while multiple data sources are the norm for these kinds of approaches (ie looking at attributes for multiple beer brands; or in fact as also done, multiple organizations), the uni-dimensional analytical possibilities of these graphs it is found have been overlooked as a useful qualitative method. And these are possibilities that have particular relevance to the complex research questions this study poses. Indeed the maps, as applied for this work, are ideally suited to deconstruction and then later reconstruction in a consolidated form across stakeholder organizations, allowing for easier large-scale comparisons.

4.6.1 Processing the uni-dimensional graph with colour coding: The pre to post-Crash result is generated on a single dimension axis[2], as shown in Fig 4.4a for the Financial Times in a *Set 2* analysis[3,4].

The observation is that there are two clusters, which fall into pre and post-Crash conditions respectively. Data do not always split symmetrically like this but when they do it

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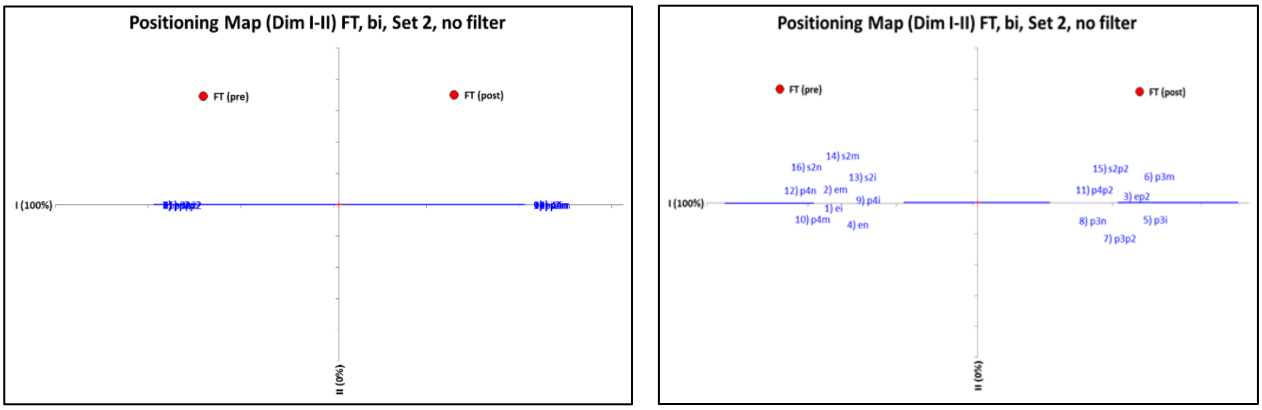
[1]MEXL is an add-in for Excel produced by DecisionPro Inc, (http://www.decisionpro.biz/).
[2]Axes represent variance explained, and Dim 1, the horizontal axis, accounts for technically 100% of the variance. However, as the maps' uni-dimensional features alone are being employed variance is not relevant to the use of the maps in this research (ie variance is only on one dimension hence it accounts for 100%).
[3]See also Section 4.4.6: Sets of variables examined for their different combinations.
[4]Note that the use of 'Dim' as axis dimension labels is not to be confused with the separate use of dimensions in this research – as 'DimSyns' – which are categories of biasing variables, forming parts of combos.

is these clusters that are of interest. And in fact, for MEXL, each cluster is a mass of combos one on top of another, and (though automation would be much preferred) these are then manually separated as shown in Fig 4.4b so that they can be examined.

Hence, there is no meaning attributable to this manual positioning – it is simply what makes the combos easier to read and further process. The only thing that is important is that there are two main clusters based on the two conditions.



Combos are manually exploded from the horizontal axis before colour coding

A categorization is then made of the mapped combinations into four colour-coded groups. This is dependent on what dimension synonym (DimSyn) they contain, not their value-related term (VRT). So *ri* (return, investor) is coded according to its shareholder primacy dimension, which in this case is 'investor' (*i*). Hence, the categories are:

VRT-shareholder primacy, VRT-Stakeholder primacy, VRT-long-term, VRT-short-term

Used for this part of the analysis are blue, green, purple and orange, though colours are an individual choice based on what personally works visually.

When applied it produces a positioning (perceptual) map for the FT as depicted in Fig 4.4c.

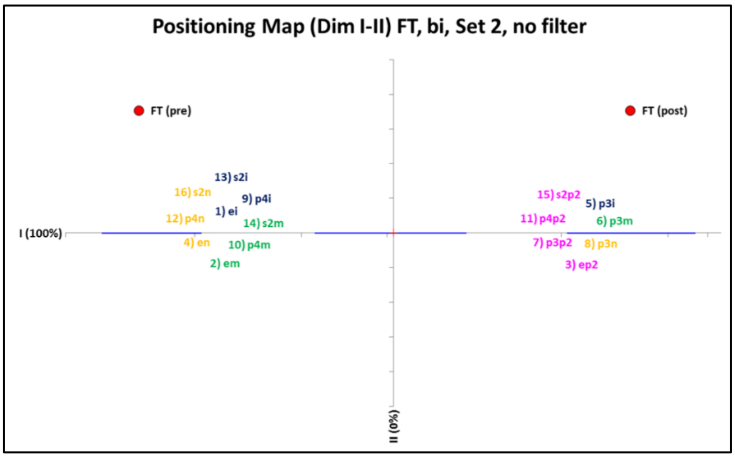


Fig 4.4c: Positioning map for the Financial Times with colour coded exploded view of term combinations on Dimension 1

It can be noted here that the output from other utilities, such as XLSTAT - which is more quantitatively oriented - necessitates the requirement for a similar handling of the results to pull the combos apart and colour code them.[1] However, because of its greater flexibility and graphical features, MEXL has been determined to be more useful for analysing the twelve stakeholder corpuses and the large quantities of accompanying data in the study.

4.6.2 Interpretation of the output: To interpret this map for the FT and similar maps, the relative distribution of colours are looked at (here also used are *Set 2* VRTs, *see Section 4.4.6*, though the approach is the same whatever the VRTs). In this case, in Fig 4.4c the

[1]See also Appendix 12 for a comparison of utilities

proportions of shareholder primacy terms (blue) and stakeholder primacy terms (green) are the same pre and post-Crash (1:1 in both cases). But noticeably there is a bias of short-term terms pre-Crash (orange), where there are 3 orange combos but nothing else for *termism*. While post-Crash there is a bias for long-term terms (purple); in this case, 4 purple to 1 orange. The perception in respect of primacy has not altered pre to post-Crash for the FT. But in respect to *termism*, perception for the FT is very different, where pre to post-Crash it has in fact moved over the period. As mentioned, this approach is applied across all the data.

4.6.3 Rules applied to tri and quad combo output and dealing with partials: In the *bi* scenario, the requirement is to have always one VRT and one DimSyn; there cannot be any more elements for a *bi* combo. However, in the *tri* and *quad* analyses the procedure requires a modified approach as there is a third (or fourth) slot that can contain another element.

Where this additional slot in the combo has a DimSyn that is opposing, or conflicting, the rule is set such DymSyns cancel each other and are removed[1]. A manager, for example is thus treated as unable to be both *short and long-term* oriented simultaneously for the same VRT.

The case of *partials* arises when – in the quad scenario for example – after filtering any conflicting associated DimSyns, there remains a secondary combo, which for the quad scenario will be in the *bi* form. Table 4.7 provides an example of this situation. As Chapter 5 shows, *partials* may sometimes be useful to include in an analysis.

[1]See also: Basic filtering, Section 4.4.5.

Output	Example	Output combo count	Colour code
More than one VRT, is considered as one VRT	*tri*: rsn (return, share, now)… *quad*: crsn (customer, return, share, now)…	rs-n (1) crs-n (1)	According to 1 *dimsyn* ie n
More than one dimsyn, the output term is reproduced (unless they conflict in any way – see next box below)	*tri*: rin (return, investor, now)… *quad*: rsin (return, share, investor, now)…	r-i; r-n (2) rs-i; rs-n (2)	According to 2 *dimsyns* ie first for n(a) and then for n(b)
When dimsyns are present from associated dimensions they cancel each other and are not counted. These will, most likely, have been removed during earlier filtering.	*tri*: rim (return, investor, manager)… *quad*: rsim (return, share, investor, manager)…	r-i; r-m (0) rs-i; rs-m (0)	No coding: *VRT*-i and *VRT*-m cancel each other because they are considered opposing perceptions.
Partials - after removal of conflicting dimsyns there is still a combo present.	*quad*: rimn (return, investor, manager, now)…	r-n (1)	According to 1 dimsyn ie n

Table 4.7 General rules for handling *tri* and *quad* combo output

Table 4.7 shows the general rules applied. However, to make it more clear Fig 4.5 shows the *tri* scenario output for the FT after exploding the view and coding. Looking at the post condition at the top of the cluster it may be noted that *19) emp2* (equity, manager, permanent) has been manually reproduced – first colour coding is for *permanent* (p2) so coloured purple, as it is a long-term DimSyn, then for *manager* (m) so coloured green, as it is a stakeholder DimSyn. By contrast, *4) ep3m* (equity, pay, manager) next to it has only one DimSyn (manager) so is not reproduced but coloured green accordingly. Other combos are similarly treated.

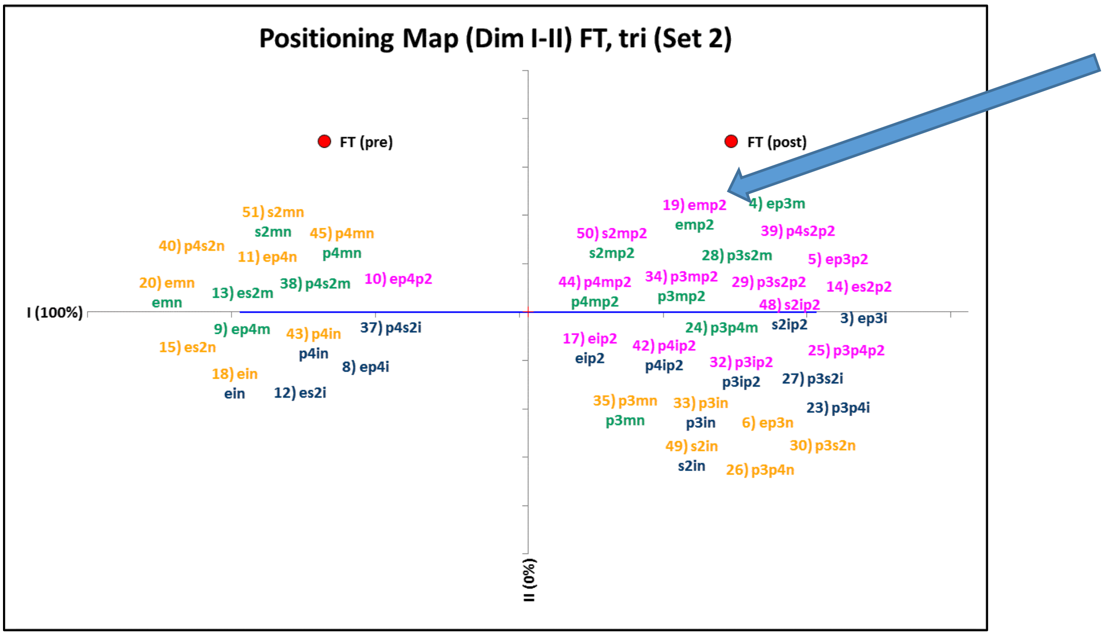


Fig 4.5

Another observation is that with more combos present, it potentially provides an enhanced analysis in comparison to the *bi* analysis. Chapters 5 and 6 consider the meaning and usefulness of a combo analysis conducted in such a manner.

4.7 Conducting secondary analyses

Once generated, the use of positioning maps is not only to understand perceptions on an individual stakeholder basis but also in a comparative fashion. By consolidating many maps together in an original way, it becomes possible to gauge more universal perceptions of the producers of these data. This not only provides a hitherto unavailable understanding of large-scale perceptions across many stakeholder groups in an accessible manner but also enables the examination of alignments between different stakeholder organizations that might not be otherwise apparent.

In addition, while much of the thrust of the research is to consider the combo as a whole, but from the colour-coding perspective of the DimSyn, it is also possible to look in greater detail at the VRTs themselves by drilling down into the combo. Now described is how these analyses are done.

4.7.1 Universal perceptions: A 'consolidated view' was formed of all the positioning maps as a type of single heat map. It is not quite a heat map, though it uses colour to denote the bias in each organization's value-related narrative, as recorded from their positioning map. As such, it constitutes a *narrative strip*.

As demonstrated below, each corpus's positioning map is recorded based on a count of the relative amounts of the combos present by colour and expressed according to which dimension has the greater number, hence has a bias. This approach allows the easy viewing of a very large amount of information as a whole, as well as allowing further assessment. As with the maps themselves, colours chosen are a personal choice; it is just a matter of what comes across clear and is easily interpretable, although it is advised to use the same colours as adopted for the maps in any study undertaken.

		Corporate (Annual Reports: AR)		Regulatory		FSA (AR's & BR's)		FT	
		Primacy	Temporal	Primacy	Temporal	Primacy	Temporal	Primacy	Temporal
Set	***Timepoint re crash***	bi		bi		bi		bi	
Set 1 (VRT-1)	**Pre**	st	ST						
	Post	sh	LT						

Fig 4.6: Extract of *Narrative Strip* (Consolidated Stakeholder Narrative View) as basic form

With *Set 1* data for pre and post-Crash, each organization has eight dimension possibilities associated with it, ie four pre-Crash and four post-Crash (2x: shareholder/not shareholder, stakeholder/not stakeholder, short-term/not short-term, long-term/not long-term).

Fig 4.6 is a simplified extract from the larger *narrative strip*. It shows results for four corpuses (Corporate, Regulatory, FSA, and FT). The way to consider the result is to look at each organization as a separate group of colours in relation to four squares. So, looking at the results for the corporate annual reports corpus, bordered in red, each of the four squares can take one of two colours, corresponding to two possible dimensions (though, to be specific, it can also show the absence of colour as a white square when there are no combos present for the dimensions). Hence, in the pre-Crash condition for the corporate governance bias, the *strip* is recording the results from the positioning map that showed the bias was towards a stakeholder perception (st), coloured green – as opposed to a potential bias towards a shareholder perception (sh), which would be coloured blue. While in the post-Crash condition there is no stakeholder bias, rather the bias is in fact towards a shareholder perception (sh), and therefore in blue. The same logic is applicable to the next column displaying the map results for the temporal aspect of termism: Short-Term (ST, coloured orange) and Long-Term (LT, coloured purple).

The appearance of merged blue and green colours (and similarly the logic applies for any other merged colours) depicted in the corporate governance column for the regulatory corpus indicates an equal amount of combos for the shareholder and stakeholder primacy dimensions. Hence, there is no bias observable, and as this is carried through to post-Crash it suggests no change in perception across the period.

Although not shown in these extracts, any square merging a colour with white indicates the presence of only a single dimension and with only one instance of a combo present for it. This does not necessarily mean a weak effect of that combo, only that its effect is occurring without a counterpart.

		Corporate (Annual Reports: AR)		Regulatory		FSA (AR's & BR's)		FT	
		Primacy	Temporal	Primacy	Temporal	Primacy	Temporal	Primacy	Temporal
Set	*Timepoint re crash*	bi		bi		bi		bi	
Set 1	Pre	st: b=2;g=3	ST: y=3;p=1	b=1;g=1	y=4;p=1	b=0;g=2	y=2;p=1	b=1;g=2	y=2;p=0
(VRT-1)	Post	sh: b=2;g=1	LT: y=1;p=3	b=3;g=3	y=0;p=3	b=3;g=2	y=1;p=2	b=3;g=2	y=2;p=4

Fig 4.7: Extract of *Narrative Strip* (Consolidated Stakeholder Narrative View) with overlay

However, while merging colours within cells can highlight the magnitude of some of the effects observable on the maps, the gradient colouring facilities of Excel are limited. That aside, to take the analyses forward required something further. And, overlaying of the narrative strips with the actual counts for all dimensions for any corpus provides an even more detailed picture (Fig 4.7). In this way, for example, the first coloured square – primacy, pre-Crash – is denoted as b=2 and g=3 (or as later used, the format: b2, g3). This refers to the biasing observed and means there were 2 blue combos and 3 green combos appearing on the positioning map, pre-Crash. The square is coloured green as a stakeholder bias had the greater magnitude. As will become apparent, it is important to have this information in order to conduct further analyses but it does not alter the fact that the bias is for green (g3), hence for a stakeholder (st) perceptual bias.

4.7.2 Alignment analysis: On examining the narrative strip stakeholder organizations that have the same or similar colour (biasing) profiles – as recorded from the perceptual maps –

are considered to be aligned and may be placed in proximity for ease of observation, as has been done in Figs 4.6 and 4.7.

Example Group of VRT-DimSyn instances (corp, reg, FSA, FT)	**Pre-Crash (total colour count)**	**Pre-Crash (mean of total colour count)**	**Post-Crash (total colour count)**	**Post-Crash (mean of total colour count)**
VRT-shareholder	*b=4*	1	*b=11*	2.75
VRT- stakeholder	*g=8*	2	*g=8*	2
VRT-short-term	*y=11*	2.75	*y=4*	1
VRT-long-term	*p=12*	3	*p=12*	3

Table 4.8

Table 4.8 shows how the overlay (depicted in Fig 4.7) is then used to form a matrix by calculating the mean number of different VRT-DimSyn (combo) instances for the stakeholder organizations that appear to align a particular way. For an example, Table 4.8 represents the assessment of four stakeholder corpuses (*Corp*, *Reg*, *FSA*, *FT*) for alignment based on the overlay of data in Fig 4.6. Across the corpuses being assessed simple counts are made of each of the individual dimensions, additively, the means calculated (ie dividing by the number of corpuses examined), and the colour scheme physically applied for graphing (ie b = blue, etc). Then plotted, as Fig 4.8 shows, are the pre and post-Crash mean total colour count values of the combos - for the group of stakeholder organizations considered (in this example there are four).

To interpret the plot in Fig 4.8 (an Excel line plot) the observation is that no change is depicted for long-termism (purple) or stakeholder primacy (green) from pre to post-Crash; though opposing changes over the period can be seen for short-termism (yellow) which falls and shareholder primacy orientation (blue) which rises. As a whole from an output

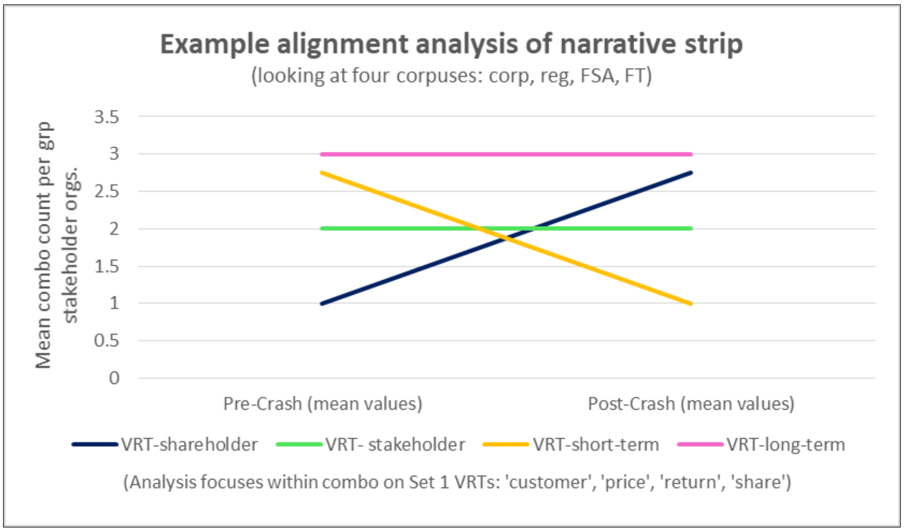


Fig 4.8

like this, few conclusions can be drawn – most likely because there is insufficient data for any real effect to emerge – something that changes with the addition of another two corpuses to this particular analysis in the later results. It is important to remember as well that any alignment is specific to the actual VRTs or DimSyns used, so can be sensitive to these term usage differences.

However, this is simply an example of how to carry out the procedure using data from Fig 4.7. Yet when definitive results are observable, there is potentially further interpretation needed. Indeed, when apparent, different VRTs – as constituents of different combos – that similarly align could be said to be accessing a similar value-related construct.

4.7.3 Examining VRTs within combo: The maps, as viewed, do not necessarily show the more subtle value-related changes if they are there. In large part this is because VRTs are depicted as a single class, with the concentration in the analyses so far in this account of the methodology of narrative staining on the corporate governance and temporal dimensions linking to them, and from which the colour-coding is formed.

In the present study, however, there is also a requirement to examine whether there might be a split between financially-oriented terms and non-financially-oriented terms over time. This addresses hypotheses H1c: *Pre Crash, there will be a dominance of financial value-related terms compared to non-financial value-related terms clustering towards the space representing short-term ShP*; and H1d: *Post-Crash, there will be a dominance of non-financial value-related terms compared to financial value-related terms clustering towards the space representing long-term StP*.

The positioning maps help to investigate this as they can have the information needed extracted from them.

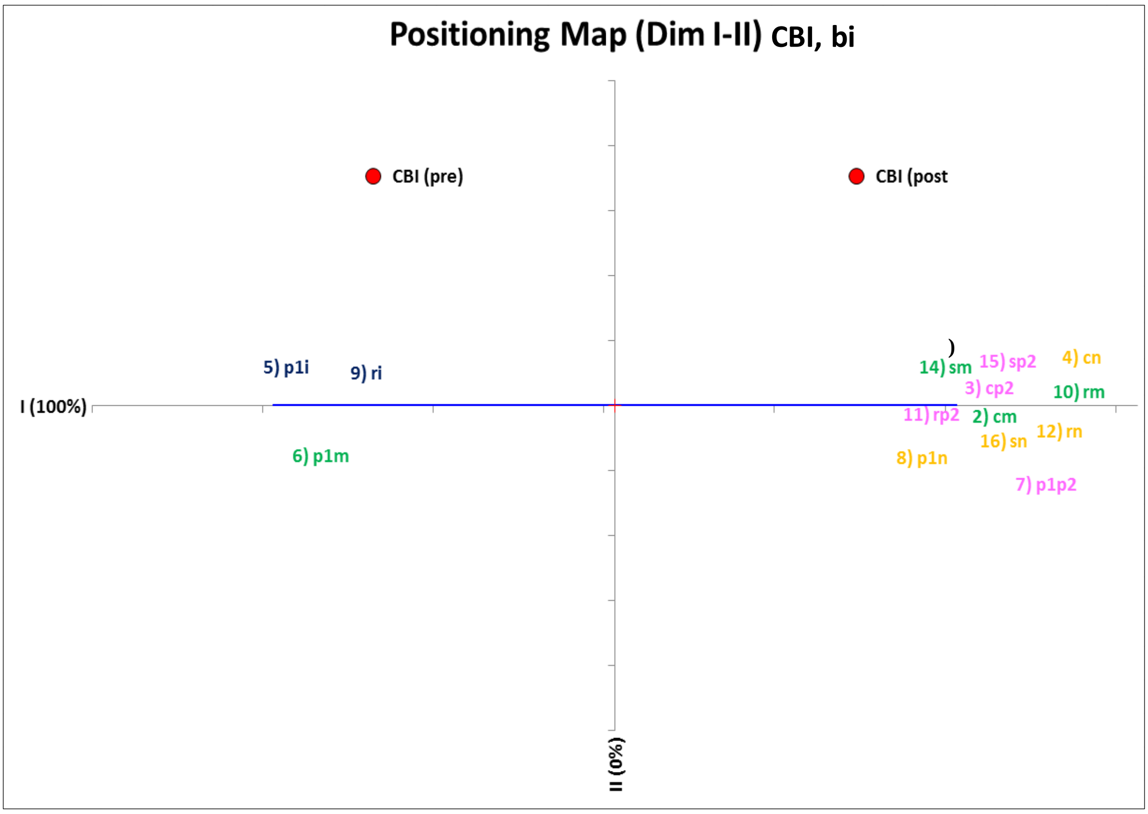


Fig 4.9

As an example using the CBI, and with Set 1 VRTs, a count is conducted by determining instances in a combo of: r (return), c (customer), p1 (price)[1], and s (share), and recording these. Consequently, looking at the pre-Crash condition for the CBI, 'r' is only evident with *9)ri*. As 'i' is for investor, and therefore the shareholder dimension (blue), it is recorded as 1-ShP (Table 4.9). Instances of 'p1' for price, however, appear twice loading on to both shareholder and stakeholder dimensions, *investor* and *manager* respectively: *5)p1i* and *6)p1m*. These are recorded as 1-ShP and 1-StP.

Count of VRTs loading on to DimSyns		
Set 1 VRTs	**Pre-Crash**	**Post-Crash**
r (return)	1-ShP	1-ST,1-LT,1-StP
c (customer)	0	1-ST,1-LT,1-StP
p1 (price)	1-ShP,1-StP	1-ST,1-LT
s (share)	0	1-ST,1-LT,1-StP

Table 4.9

The same procedure is conducted for the other instances of VRTs, though in these cases all are in the post-Crash condition. The results are transferred to a matrix, as in Table 4.10, and thus where '1' indicates the presence of a VRT for a combo and '0' indicates its absence.

Center for Policy Studies (CPS) Corpus	**Pre-Crash (1)**				**Post-Crash (2)**			
VRTs (Set 1)	**ST1**	**LT1**	**ShP1**	**StP1**	**ST2**	**LT2**	**ShP2**	**StP2**
r (return)	0	0	1	0	1	1	0	1
c (customer)	0	0	0	0	1	1	0	1
P1 (price)	0	0	1	1	1	1	0	0
s (share)	0	0	0	0	1	1	0	1

Table 4.10

[1]'price' is often denoted as 'p1' rather than 'p' as other terms used (eg 'permanent') have the same initial letter.

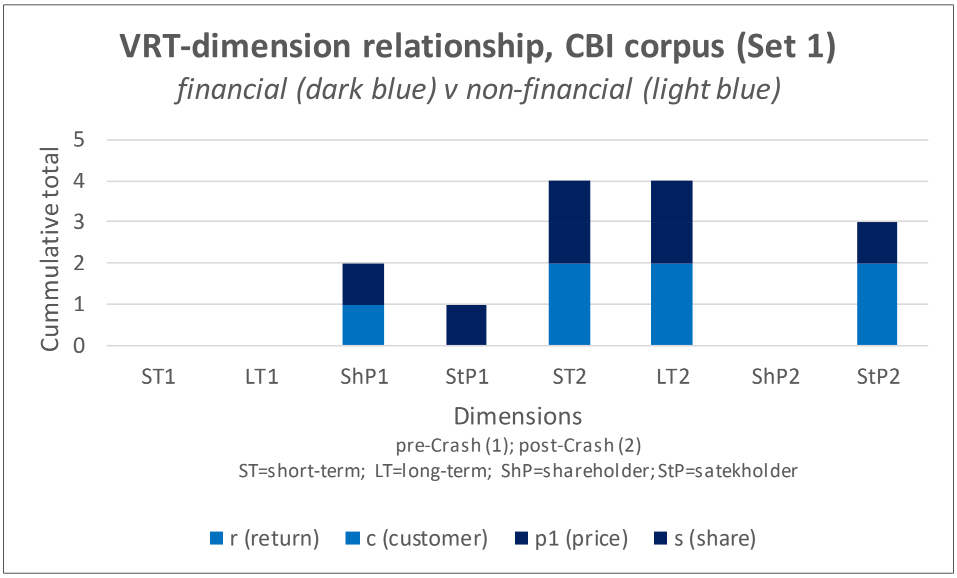


Fig 4.10

Hence, for the CBI in this case[1], the matrix (Table 4.10) contains a binary count of pre and post-Crash instances observable of *bi* combos (1 VRT and 1 DimSyn), utilizing *Set 1* VRTs, and with cells representing all possible instances appearing in the map for the individual VRTs against the primacy and termism dimensions.

A plot is then made of the matrix for a bar chart analysis in Excel (Fig 4.10), allowing a visual assessment of what happens to each of the VRTs, split between financial and non-financial terms, as they load on to the dimensions across the period.

The plot appears to show more activity in the post-Crash scenario. However, rather than the particular dimension loaded on or a simple quantity of colour in evidence, what is important is the ratio of financial to non-financial terms overall. The effect can thus be on any of the dimensions. Hence in the pre-Crash condition, there is equal managerial favouring on the shareholder primacy dimension (ShP1) for financial terms (dark blue) compared to non-financial terms (light blue) - and which can therefore be discounted. Or put

[1]It may be noted that two data points from the shareholder primacy dimension did not record.

another way, the main perceptual bias is for financial terms on the stakeholder primacy dimension (StP1). Alternatively, and giving the same result, considering ShP1 and StP1 together, the ratio of financial terms compared to non-financial terms is greater.

In the post-Crash condition, however, there is equal managerial favouring on the termism dimensions - these can therefore be discounted[1] - but the ratio is greater for non-financial terms to financial terms on the stakeholder primacy dimension (StP2). There is therefore an evident movement from the use of financial terms pre-Crash to non-financial terms post-Crash. And from the perspective of the hypotheses, the conclusion is that there is support for both H1c and H1d.

A point to note is that the map and bar chart (Figs 4.9 and 4.10) are different depictions of the same data, and with a maintenance of the ratios. In the pre-Crash condition in Fig 4.9, for shareholder primacy (blue) the codes are ri and p1i, respectively return (non-financial) and price (financial), and both attached to investor (i); a shareholder term. Return and price are in the ratio of 1:1. In Fig 4.10, pre-Crash for ShP1 there are similarly equal financial v non-financial term amounts, a 1:1 ratio. The same effect is applicable for the other data.

As with examining alignments for multiple corpuses (*Section 4.7.2*), also considered are multiple corpuses together to analyse the way VRTs are employed by multiple managers when it comes to the use of financial versus non-financial terminology.

FT + news-gen	**Pre-Crash (1)**				**Post-Crash (2)**			
VRTs (Set 1)	**ST1**	**LT1**	**ShP1**	**StP1**	**ST2**	**LT2**	**ShP2**	**StP2**
r (return)	2	0	0	2	0	2	2	0
c (customer)	2	1	2	2	0	1	0	0
P1 (price)	1	1	1	1	1	1	1	1
s (share)	1	1	0	1	1	1	2	1

Table 4.11

[1]See Section 4.6.3.

Table 4.11 shows the matrix for a combination of the Financial Times and general newspaper corpuses, and where treatment of the individual loadings across corpuses is additive for each cell.

In this case, rather than '0' and '1', larger numbers form the matrix cells (here, therefore, the binary count for the FT corpus and the binary count for the news-gen corpus are added together). As previously, a bar chart analysis may be undertaken. In this broader context, though, it is to consider the behaviour of sections of the economy based on various combinations of corpuses or on an even larger scale at behaviour across the economy.

In addition to individual corpus analyses, this research has conducted these broader analyses. Significantly, they provide a further way to understand perceptual processes involved relating to the use of financial versus non-financial terms by multiple managers, in unison, working in a variety of organizations as the Crash progressed.

5. Some Counter-Intuitive Results

The generation of results draws on the adaption of perceptual maps; and where visual representation begins to reveal the complexities of pre to post-Crash bias found to be operating within companies and other organizations. Appendices 8-10 demonstrate the preliminary findings, which helped identify a pre to post-Crash difference in term usage, and that variable combinations were in evidence to explore further.

5.1 Pre to post-Crash difference as a minimax proportion

Combinations (combos) were considered pre and post-Crash by a *measure of change*. This used a difference measure eventually producing a type of index of change from -100 to +100; and where 0 is the midway point representing no change from pre to post-Crash.

Table 5.1 - which is an extract of the fuller results - shows how a cut-off point was also applied, such that, at or in excess of (+/-) 60% to 80% was coloured green and that, at or in excess of (+/-) 80% to 100% was coloured pink. Any cell with values not meeting the cut-off point was coloured white.

Though not shown in Table 5.1, sub-corpuses were also analysed. These included: for the *Corporate*, websites (WS) and annual reports (AR) separately; and the same done for the

IPPR, where IPPR(a)[1] included mixed corporate governance documents and IPPR(b) included documents on energy and climate change for comprehensive coverage.

The results with VRT-1 data (*customer*, *price*, *return*, and *share*), firstly allow an answer to Q3, that is whether regulatory changes over the crisis period are associated with any changing managerial or executive perceptions of corporate value?[2] The correlation coefficient is calculated for the Corporate column and the Regulatory column (for all 8E data), with the two datasets representing an index of change over time found to have little association, r=0.03 (see Appendix 13). Using soft and hard law sub-corpuses, addressing Q3a and Q3b respectively, some significant results are evident, though these appear largely driven by websites, not annual reports. As with Q1, results appear dependent on the Set used

Filtered frequency term combinations for different stakeholder corpuses
- based on pre and post crash comparison using high-low percent difference change over time

High-Low Percent Diff: filter at >= +/-80% ; +/- 60% - 80%

Periods are pre crash: 2004-2005; post crash: 2011-2012, unless otherwise stated

'-' indicates greater bias pre crash; '+' greater bias post crash

Term code	Corporate (WS+AR)	Regulatory	FSA (AR's & BR's)	FT	Newspapers (general)	CBI	CIMA	ICSA	IOD	CPS	IPPR (a+b)	TUC
4E - bi, tri & quad	4 element set; combination (ie product) subsets <=4. *Term reference codes:* customer (c), price (p1), share (s), return (r)											
1) cp1	39.510	-98.508	24.321	7.891	-73.652	100.000	-51.363	0.000	78.521	-100.000	83.237	94.897
2) cr	9.022	-90.355	-70.105	-26.434	-33.471	100.000	0.000	-100.000	71.361	-100.000	84.203	100.000
3) cs	40.435	-86.169	1.618	1.974	-61.204	100.000	-51.363	-100.000	14.082	-100.000	84.767	100.000
4) p1r	22.898	-64.688	-0.830	36.906	-20.009	-82.788	0.000	0.000	64.201	-37.255	72.683	100.000
5) p1s	2.175	-58.049	70.342	54.500	-53.354	100.000	-16.622	0.000	-6.888	-84.350	73.658	100.000
6) rs	-21.076	-61.365	-23.715	32.853	15.096	100.000	0.000	-100.000	-30.166	-31.076	75.176	100.000
7) cp1r	3.612	-95.804	-37.410	11.120	-62.554	100.000	0.000	0.000	85.160	-100.000	91.495	100.000
8) crs	3.256	-82.912	-51.854	5.410	-44.864	100.000	0.000	-100.000	40.641	-100.000	92.271	100.000
9) cp1s	30.536	-93.239	53.009	35.905	-78.164	100.000	-55.588	0.000	55.480	-100.000	91.799	100.000
10) p1rs	-17.919	-75.205	37.388	56.095	-33.707	100.000	0.000	0.000	25.801	-73.984	86.635	100.000
11) cp1rs	-31.034	-90.156	0.795	38.151	-68.967	100.000	0.000	0.000	69.242	-100.000	95.839	100.000
8E - bi		8 element set; combination subsets <=4. *Term reference codes:* customer (c), price (p1), share (s), return (r), investor (i), manager (m), permanent (p2), now (n)										
1) ci	58.639	-99.845	29.367	-24.219	-30.879	0.000	-75.681	-100.000	50.677	-100.000	85.531	0.000
2) cm	55.897	-97.575	-41.917	-42.145	-74.623	100.000	41.256	-100.000	71.361	-100.000	87.306	91.169
3) cp2	67.067	-70.748	1.618	23.492	-53.584	100.000	0.000	-100.000	-100.000	-100.000	64.456	93.929
4) cn	3.577	-99.845	-63.172	-40.786	-67.284	100.000	-18.938	-100.000	49.881	-100.000	72.073	94.265
5) p1i	43.326	90.059	78.707	38.750	-16.892	-100.000	-58.311	0.000	38.346	16.118	74.979	0.000

/cont...

Table 5.1: Data result extract demonstrating differential biasing with minimax analysis across stakeholders (with Set 1 VRTs)

[1]IPPR data, as of secondary interest, were amalgamated and not assessed separately.
[2]The story, however, is more complex, as with VRT-2 data (*equity*, *pay*, *performance* and *strategy*), r=0.78; a result highlighting both a strong association and how sensitive to different terms corporate perception is. Chapter 6 gives consideration to what might be occurring; see also Appendix 13 for a further breakdown of correlations by Set.

Correlations notwithstanding, a further finding is that there is a distribution of coloured cells in a pattern and that the pattern varied amongst different stakeholders. The emergent pattern indicates that this variation breaks down differently according to a stakeholder focus for particular term combinations. Moreover, it is observable how (with both positively and negatively denoted figures) the results also vary from pre to post-Crash in many instances. Hence, some stakeholders, like the CBI, show high focus, post-Crash, for terms in the 4-element *bi, tri* and *quad* combination column, while in contrast the CPS is biased towards the use of these term combinations pre-Crash. The amount of resulting data is extensive but analysis also showed, for example, that 8-element set term combinations for the regulatory dataset – as a whole – are heavily biased pre-Crash, while for the IPPR and TUC they are heavily biased post-Crash. The corporate dataset by contrast is somewhat mixed.

5.2 Applying perceptual mapping

Taking an original line as suggested in Chapter 4, the form of positioning (perceptual) map used represents a summary of much of the collected data. Indeed, though differential biasing in the results was observed (eg Table 5.1), it is hard to make sense of, particularly across multiple corpuses. As such, in order to answer the research questions about the nature of perceived corporate value, pre to post-Crash, some type of more detailed – and more visual – consolidation is required in order to gain an overall sense of specific biases.

Useful insights were provided by 4-elelment sets (see eg Appendices 7, 8; Table 5.1). But the study's main focus is on 8-element sets with *DimSyns* (Table 5.1). Applying a perceptual mapping approach (Figs 5.1 and 5.2), what is found is that there is a type of conceptual space in which the twelve stakeholder organizations distribute in relation to one another. And the (*bi*) term combinations take up particular positions relative to the stakeholder organizations.

Looking at pre and post-Crash separately, what is clear is that a definite movement is observable over time for both stakeholders and term combinations relative to them; a finding that addresses the original research question Q1, that proposes movement will occur.

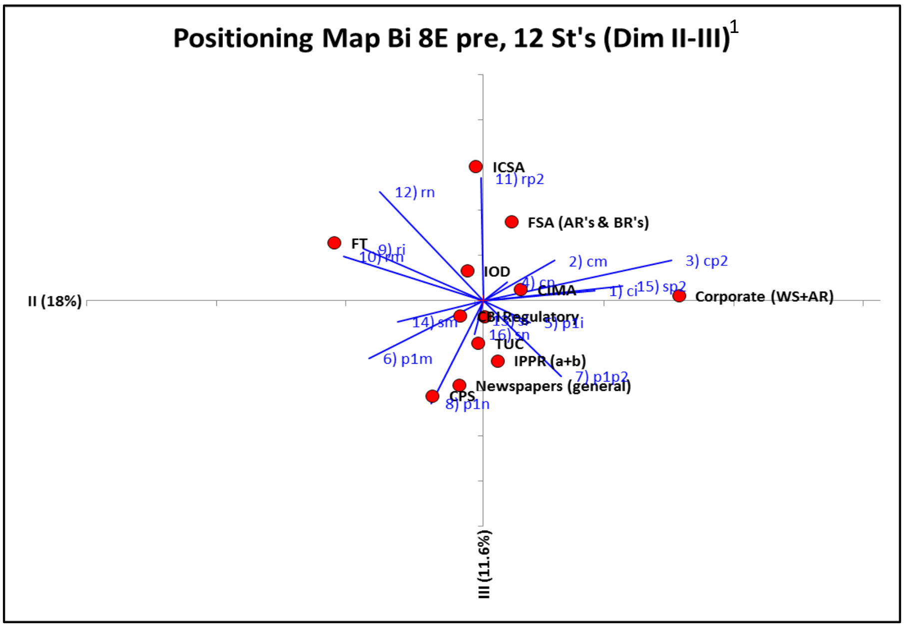


Fig 5.1

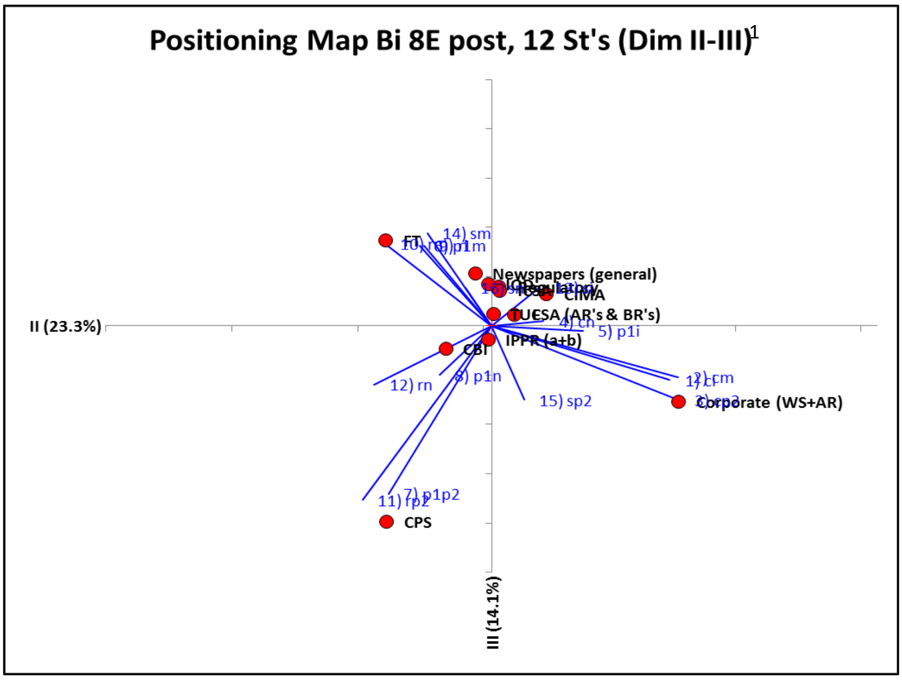


Fig 5.2

[1] This is in fact a 2D view of a 3D graph, rotated so that Dim II and Dim III appear to represent horizontal and vertical axes (Dim=dimension, referring to axes); hence Dim I is not shown. This rotation is made to give the best output view. Percentages in dimension brackets on axes refer to variance explained by the Dim or factor, ie its strength. This factor may be unknown but with several organizations and combos associating it suggests a common element – or depending on distance from Dims, a mixture of elements from both factors. Here, the Dims are attempting to characterize some combination of primacy and temporality in relation to stakeholder organizations, though variance is fairly low on these axes. But of real interest, only, is movement over time.

While absolute positioning cannot be taken as meaningful on these maps as a rule, ICSA, for example, can nevertheless be seen to move from a pre-Crash position high on the vertical and in proximity to rp2 (*return, permanent*) to, post-Crash, a more central point, while rp2 has moved to the lower left quadrant. This suggests that the (relative) affinity for this combo has moved over the period (a fact also supported by its ICSA's minimax difference value of -100, indicating a strong pre-Crash bias). In looking at the other stakeholder organizations and combos, a similar logic is applied. Clustering is also observable, specifically as it changes over time round the central axis. Though difficult to see or interpret on these maps, it suggests some type of alignment in operation. Further investigation to reveal any underlying effect, however, would be required.

Note, too, how stakeholder positions are also reflected in a correlation analysis (Appendix 13) where, for example, r=0.771 for the CBI and TUC, and which in both the pre and post-Crash conditions (Figs 5.1 and 5.2 respectively), though again hard to see, are in close proximity.

5.2.1 Multiple stakeholder v single stakeholder maps: While providing useful snapshots across time, the above maps, however, do not allow a sufficient assessment of all the potential biases and effects required for this investigation, and hence to address fully the research questions. Fig 5.1 and Fig 5.2, for example, allow a sense of what is happening pre and post-Crash. But while the maps can be combined they can also become more difficult to interpret – a pre-Crash/post- Crash map of the frequencies may be plotted (Fig 5.3), or a difference measure (as from - Table 5.1) may be similarly plotted, to produce a single map but interpretation is difficult with overlapping combos. If attempting to examine all twelve stakeholder corpuses simultaneously, for a consideration of the wider views of the business community, this difficulty only enhances.

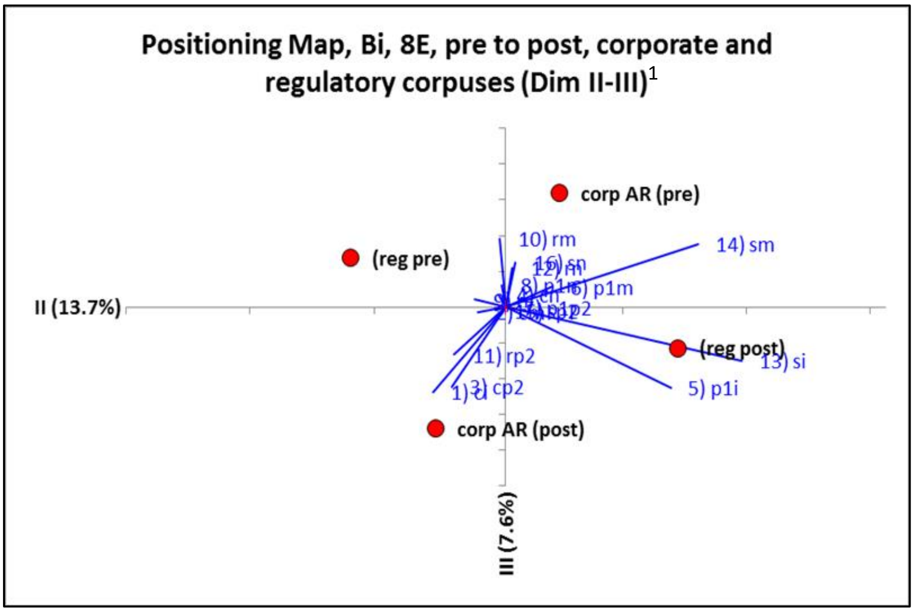


Fig 5.3

Nevertheless, it is apparent in Fig 5.3, simply looking at the corporate and regulatory corpuses rather than all twelve, that the upper half of the map appears to be associated with the pre-Crash corpus conditions and the lower half with the post-Crash corpus conditions. Indeed, particular combos are then visible associating more with the different pre and post-Crash conditions. For example, 10) rm (*return, manager*) is clearly within the upper pre-Crash area, though roughly equally between the regulatory and corporate corpuses. More specifically, 13) si (*share, investor*) and 5) p1i (*price, investor*) are associated with the post-Crash regulatory corpus, and in the lower half; while 14) sm *(share, manager*) appears to be somewhere between corporate, pre-Crash, and regulatory, post-Crash. The possible meaning of these associations are considered more fully in Chapter 6, although it can be said here that it only goes some way to provide the necessary information about *overall* biasing.

In a sense, maps with many stakeholder organizations and combos contain too much compressed information – and the above examples are also two dimensions of a 3D

[1]Dim II and Dim III account for 13.7% and 7.6% respectively. Again very low variances but anyway not of much interest in comparison to the relative positioning of combos in relation to stakeholder corpuses over time where biasing effects are depicted.

representation, which similarly adds to the complexity. Though, in Fig 5.4, it can be seen that 14) sm (*share, manager*) is in fact more associated with the corporate corpus, pre-Crash. The limited information at this point suggested therefore that for the primary corpuses combos with the term *manager* (a stakeholder term) are more prevalent pre-Crash and those combos with the term *investor* (a shareholder term) are more prevalent post-Crash. In terms of hypothesis H1a and H1b, with respect to predicted shareholder and stakeholder orientations as they might change over time, this is the reverse of what was expected. But there was a need for more supporting evidence for these findings - including for the *termism* dimensions, which are harder to see.

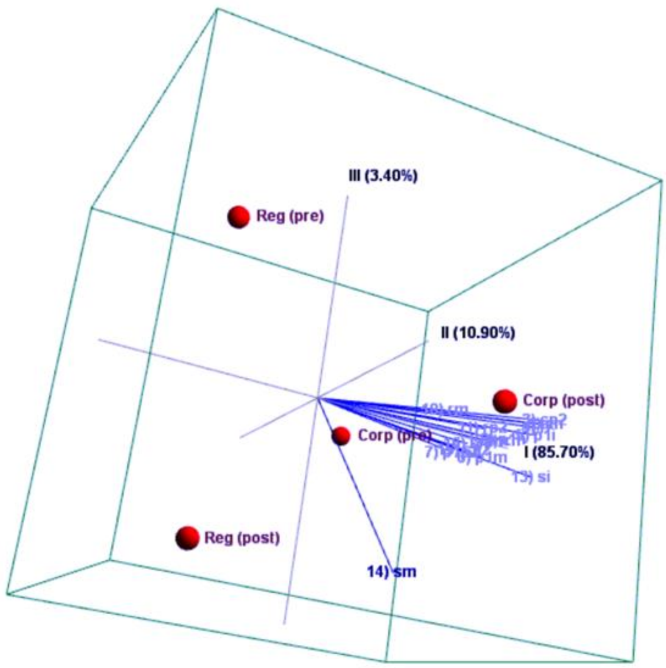


Fig 5.4: 3D positioning map of corporate and regulatory corpuses, pre to post-Crash[1]

[1]Fig 5.4 shows the corporate and regulatory corpuses in a space taking relative positions in relation to combos. Figs 5.3 and 5.4 both depict the same corpuses over time, though in 2D and 3D respectively. However, these maps, highlighting the affinity of combos to stakeholder corpuses, show heavy clustering (particularly evident with the 3D image) making it difficult to interpret the maps. Considered together the maps reduce ambiguity. Eg 14)sm is more clearly associated with the pre-Crash corporate corpus in the 3D image; whereas 5)p1i and 13)si, both with the DimSyn 'investor', are more differentiated in the 2D image in Fig 5.3, and associating particularly with the post-Crash regulatory corpus.

In the context of these perceptual maps, it is worth mentioning that other researchers using similar approaches in their fields are often faced with comparable challenges and may assess data in partial steps to generate a series of practical maps – as looked at above with just the corporate and regulatory corpuses. And, with a view to making additional simultaneous comparisons, if it is required to look at another temporal dimension - which this study has done when considering a '*sense of urgency*', and the results of which are given further on – there are a lot of variables to handle and display. For this research, too, the approach is adapted in a manner not previously attempted – ie employing combinations of terms - so further interpretation is difficult on that basis alone. Partly, though, difficulties are also due to the way in which the utilities are designed to work, which is to say whether their function is for marketing purposes or a deeper statistical analysis as used, say, in ecological studies.

The novel solution therefore applied is to break the process down, first deconstructing the maps into a uni-dimensional form, so allowing biasing effects to be shown using *narrative staining* (as detailed in Chapter 4) for individual stakeholder organizations. From there, and based on a reconstitution of the results, secondary analyses may then be applied to more fully address the research questions.

5.3 Main findings for primary corpuses

Having looked previously at how the uni-dimensional positioning (or perceptual) maps are formed (see Chapter 4) and the rationale for using them, mapped combinations are produced in four colour-coded groups, depending on what (DimSyns) they contain. To reiterate, the groups are:

VRT-shareholder primacy, VRT-Stakeholder primacy, VRT-long-term, VRT-short-term.

The approach to interpretation of the maps is to look at the relative amounts of these coloured combos, particularly for associated dimensions – ie shareholder/stakeholder; long-term/short-term – and how they differ across time. This allows an answer to the general research questions Q1 and Q2 (i and ii). Respectively: *Did the Crash of 2008 change perceptions of corporate value in relation to the relative merits of shareholder primacy and stakeholder primacy?* And, *did the Crash of 2008 change perceptions of corporate value in relation to the temporal horizon*?[1] At the same time, perceptual change is examinable in greater depth through hypotheses H1a – H1d, predicting movement of the combos. These hypotheses are thus variations of the same theme with respect to addressing potential change in value creation.[2] For example, *H1a: Pre-Crash, value-related terms will dominate in the space representing short-term ShP.*

The following sections are structured as follows. The results for the corporate and regulatory corpuses are highlighted in turn, broken down by study. Each study highlights a different combination of VRTs and DimDyns. Study 1 utilizes *Set 1* variables with VRT-1: *customer, price, return,* and *share,* and examined in the context of the different DimSyns relating to *primacy* (investor and manager) and *temporality (long-term and short-term).*

Underlying a strengthening of the validity of the approach, the question then arises of what would happen when VRTs are altered? Considered in Study 2, are *Set 2* variables, that is VRT-2: *equity, pay, performance* and *strategy*. Similarly, in line with research question Q2.ii – and utilizing both VRT-1 and VRT-2 in turn – there is a switch made in the focus for the temporal dimensions from *termism* to a *sense of urgency to act (urgency and non-urgency)* in Studies 3 and 4. Held constant throughout are the primacy dimensions.

As an additional confirmatory assessment of effects, combos in the positioning maps are in a number of instances also examined at three levels of complexity: bi, tri, and quad.

Note, other than any main split apparent between clusters of combos for pre and post-Crash conditions, the positioning of the combos themselves have no relevance.

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[1]The temporal horizon includes *i,* termism – *LT versus ST outlook*; and *ii,* a sense of urgency – *UR versus NUR.*
[2]Similarly, with respect to movement of the combos, H2a – H2d addresses managers' sense of urgency to act.

5.3.1 Corporate corpus: The results presented in this section use corporate annual reports as their basis[1]. Some of the data output is additionally shown with filtering. The use of filtering is to remove combos that have values that are near zero; the idea being to remove combos that demonstrate a weaker effect.

Study 1: Highlighted here are the output maps for the initial analysis utilizing *Set 1* data (VRT-1, primacy and termism). The first map highlighted (Fig 5.5) is for the corporate bi scenario, and without any filter.

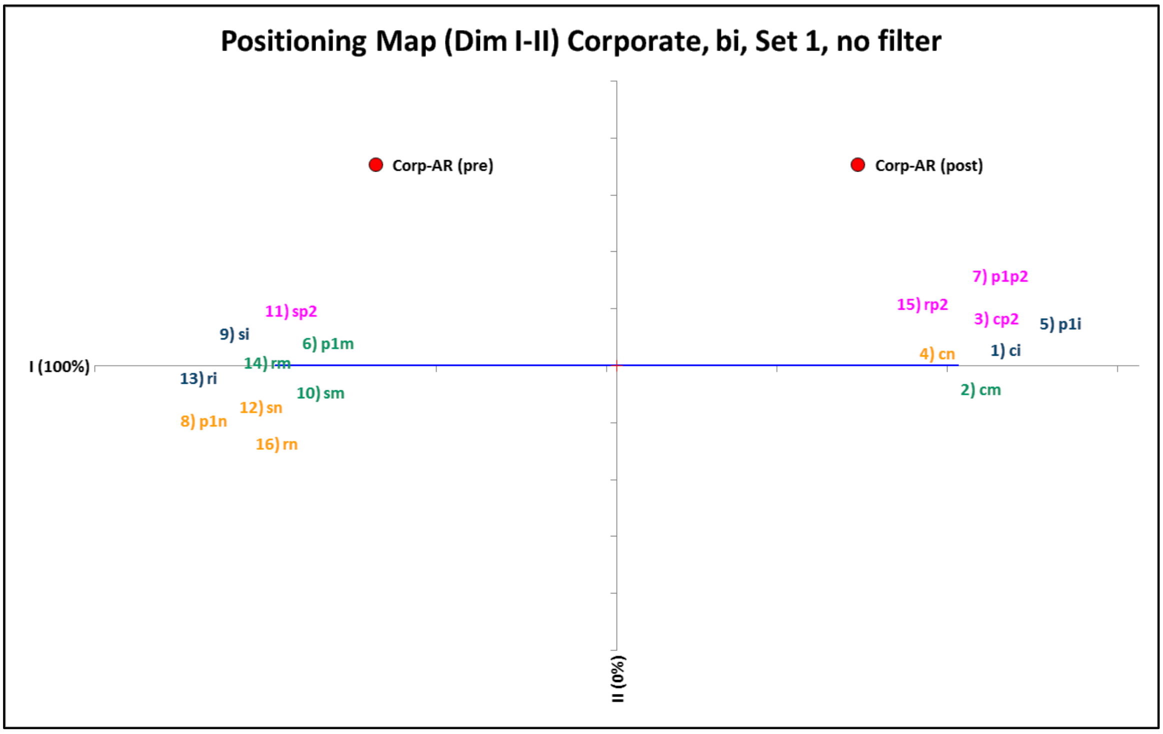

Fig 5.5[2]

[1]Corporate websites were initially included in the corporate corpus but these tended to disrupt the later more complex analyses. The reason for this, it is believed, was that websites are more geared to a different audience and are more marketing-oriented rather than appealing to a commercially-minded audience, so skewing the data – or indeed, making it more difficult to extract a result. As all the other corpuses assessed were commercially-focussed it made more sense to be consistent and focus on the annual reports and related documents of all the companies in the corporate corpus, and in this way making the range of analyses across corpuses for different stakeholder organizations more comparable (see also Chapter 4, Section 4.3.1.ii).

[2]Dim l and Dim ll respectively have percentages (in brackets) denoting 100% and 0% variance. This is because the maps are uni-dimensional; hence, 100% variance has to be on the horizontal dimension – and as such, a manual exploding of the combos is from the horizontal axis, as Chapter 4 showed. Consequently, variance in these maps - while having use as demonstrated above in 2D and 3D maps - can be ignored here and in the following scenarios, as there is no effective Dim ll for any practical purpose. Dim l, however, with the utility's graphics harnessed in the way they have been, indicates pre to post-Crash splits, where found, for the stakeholder organization examined. For example, as is observable in Fig 5.5 for the corporate domain.

What is observable is that shareholder primacy, denoted in blue, is the same pre and post-Crash, two instances of each. However, whereas pre-Crash there are more stakeholder instances than shareholder instances (3 green:2 blue), this is reversed post-Crash (2 blue:1 green). There is a movement, therefore, pre to post-Crash, stakeholder to shareholder. Similarly, of short-termism (orange), pre-Crash, to long-termism (purple), post-Crash. Addressed, therefore, are research questions Q1 and Q2.i; though hypotheses H1a and H1b are not supported - ie the movement is not occurring in the proposed fashion. The fact that the bias is apparently dependent on only one combo difference in some cases has been found to be far less of an issue than might be thought and is discussed further on in relation to the usefulness of tri and quad terms. Green and orange, stakeholder and short-termism respectively, are in equal proportions in the pre and post-Crash scenarios too (1:1); which simply means that there is no change in short-term stakeholder perception over the period, although this does change a bit as is observable with filtering.

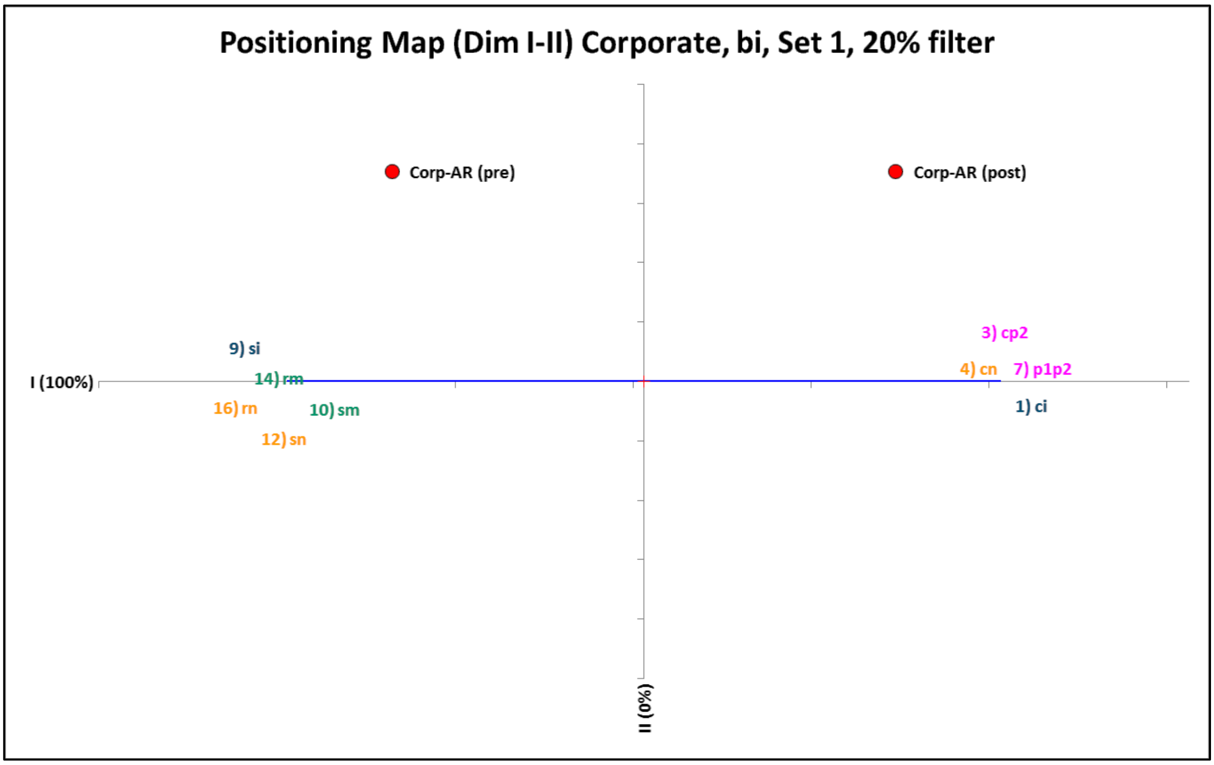

Fig 5.6

If a filter is added such that any combo values are excluded that are less than plus or minus 20% of zero (using a minimax difference value between pre and post-Crash data, see Table 5.1), similar results are found, as shown in Fig 5.6 (see also Chapter 4 concerning how this was done).

Though it is not a given, in this case, and with the absence of any stakeholder combo post-Crash (no green), the movement from short-term stakeholder primacy, pre-Crash, to long-term shareholder primacy, post-Crash, is maintained.

Bi terms, of the form AB, above suggest a change in corporate perception. However, the question was whether this effect was maintainable for tri terms, those of the form ABC.

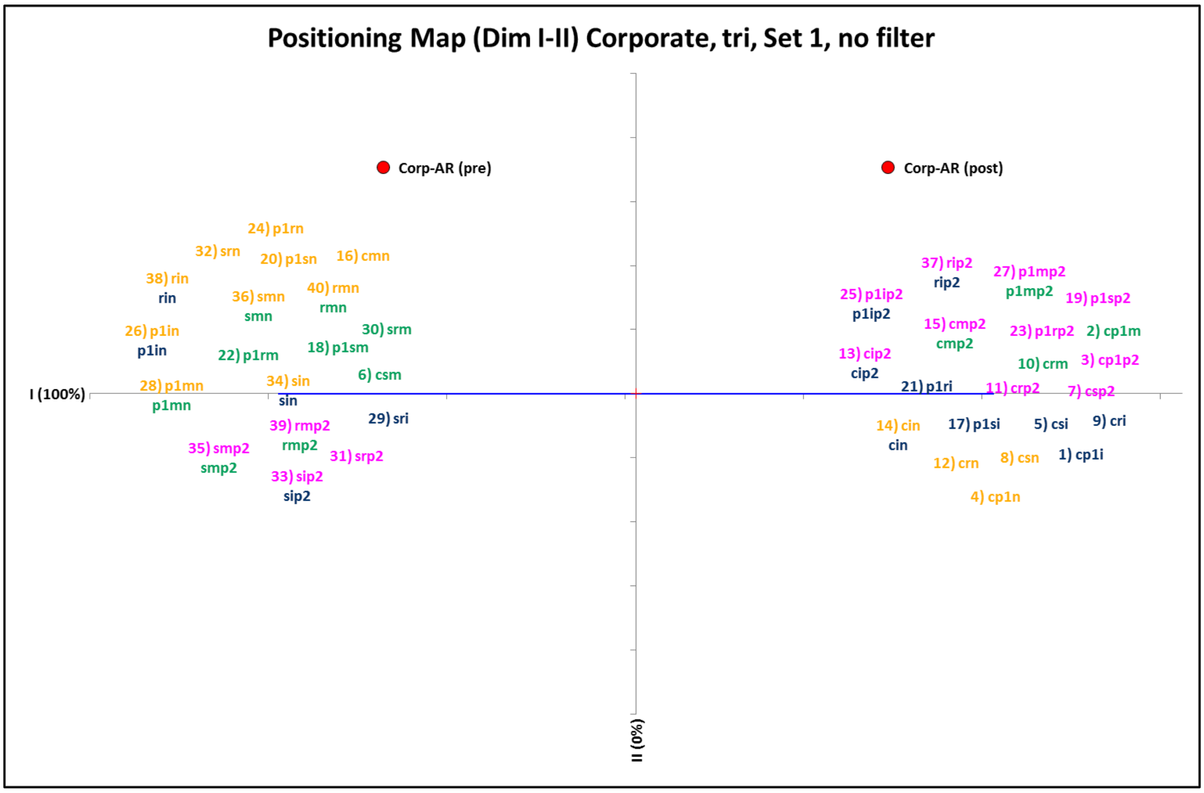

Fig 5.7

There are more combos present, quite obviously in the tri map (Fig 5.7). And very apparently the predominating colours pre-Crash are green and orange, while post-Crash the predominating colours are blue and purple. Hence, as with the bi analysis, the movement over time is from a short-term stakeholder perception to a long-term shareholder perception.

It is of note that whereas with bi terms there has to be an element of each of a VRT and a DimSyn, with tri terms it is feasible to end up with two of either - ie two out of the three. Chapter 4 (*Section 4.6.3*) discusses the rationale for the handling of this.

Fig 5.8 shows that even with a 20% filter applied the same predominating movement is observed ie short-term stakeholder, pre-Crash, to long-term shareholder, post-Crash.

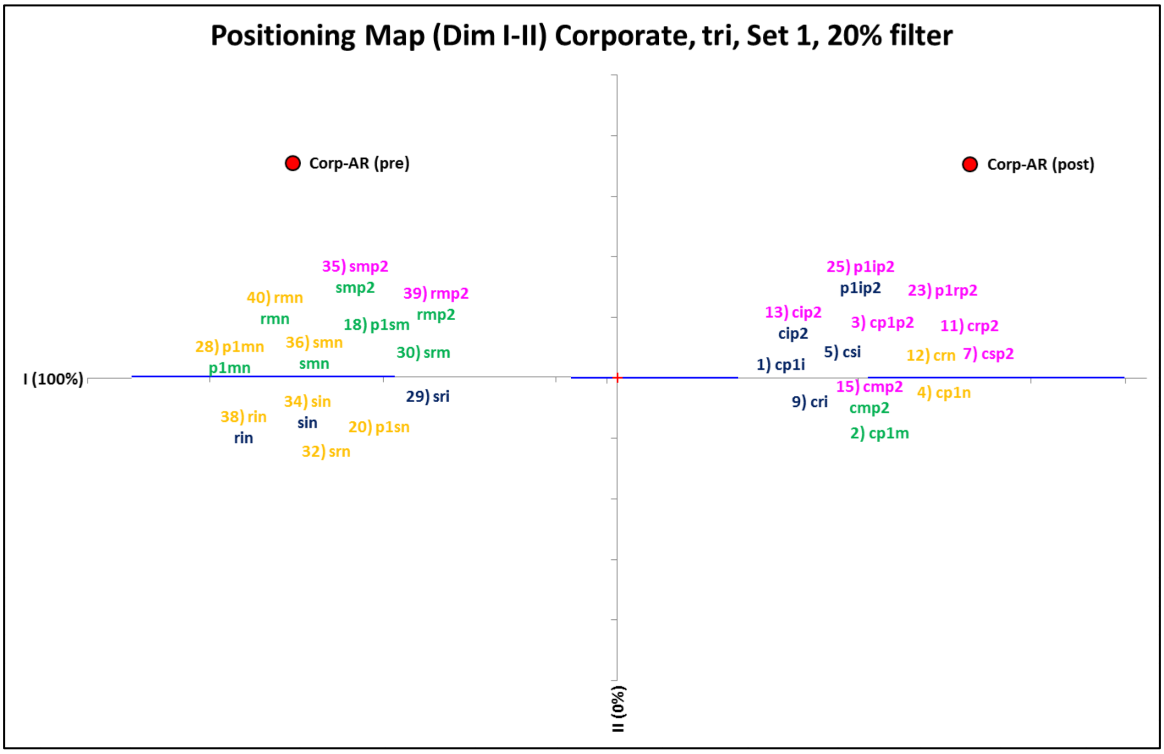

Fig 5.8

For quad terms of the form ABCD the findings are maintained. Fig 5.9 shows the result without filtering. Also looked at here are results without partials. Partials, as discussed in Chapter 4, refer to the way the different combinations form with increased options of what to include with the more elements there are – hence, more colour content too for the distribution if included. An example of a partial is: p1srm, where p1, s, and r, are all VRTs, and there is

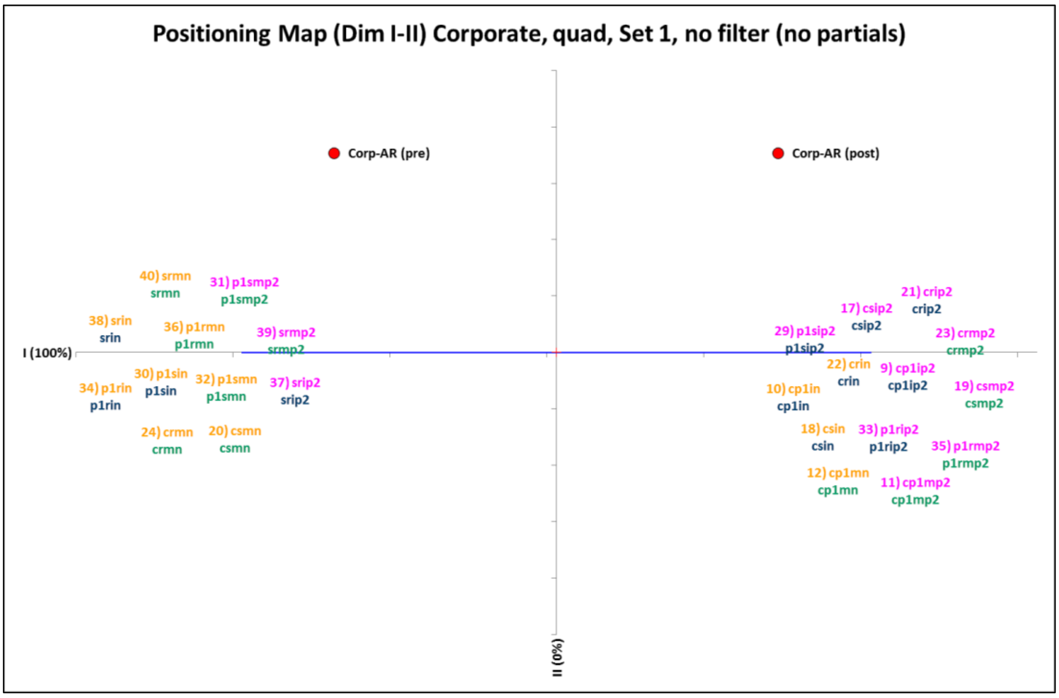

Fig 5.9

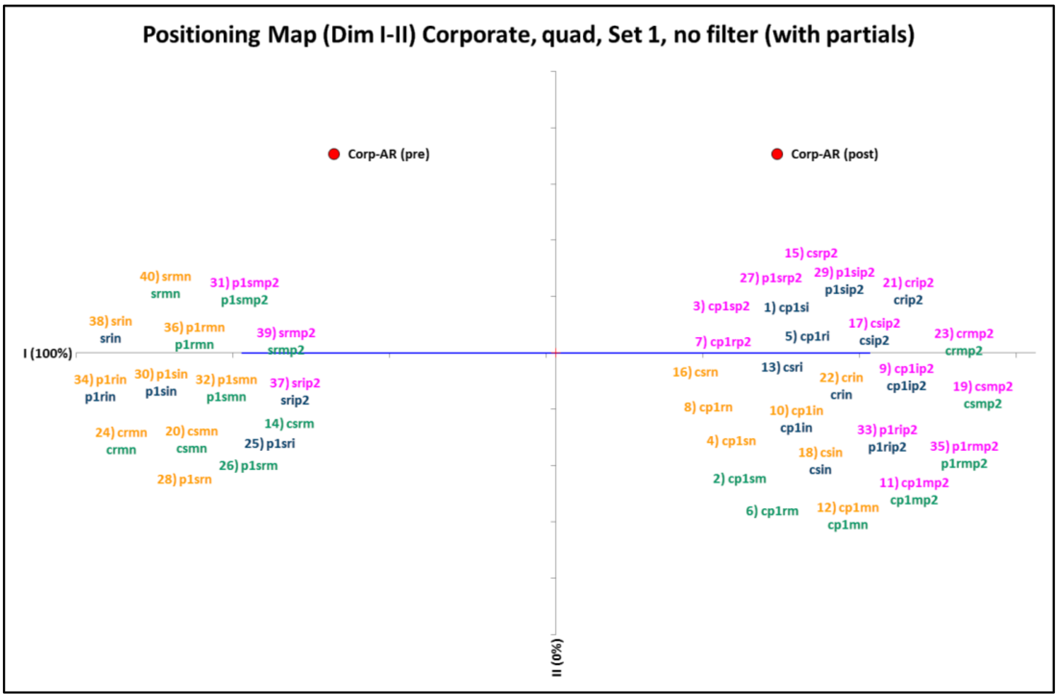

Fig 5.10

only one DimSyn for m (manager) present. Purely from an objective analytical standpoint, and without attempting to explain the finding, Figs 5.9 and 5.10 show respectively the results without and with partials where it is similarly observable that the movement towards post-Crash, long-term shareholder perceptual bias is maintained.

There is a generation of comparable results with the application of a 20% filter to the quad analysis, both without partials (Fig 5.11) and with partials (Fig 5.12).

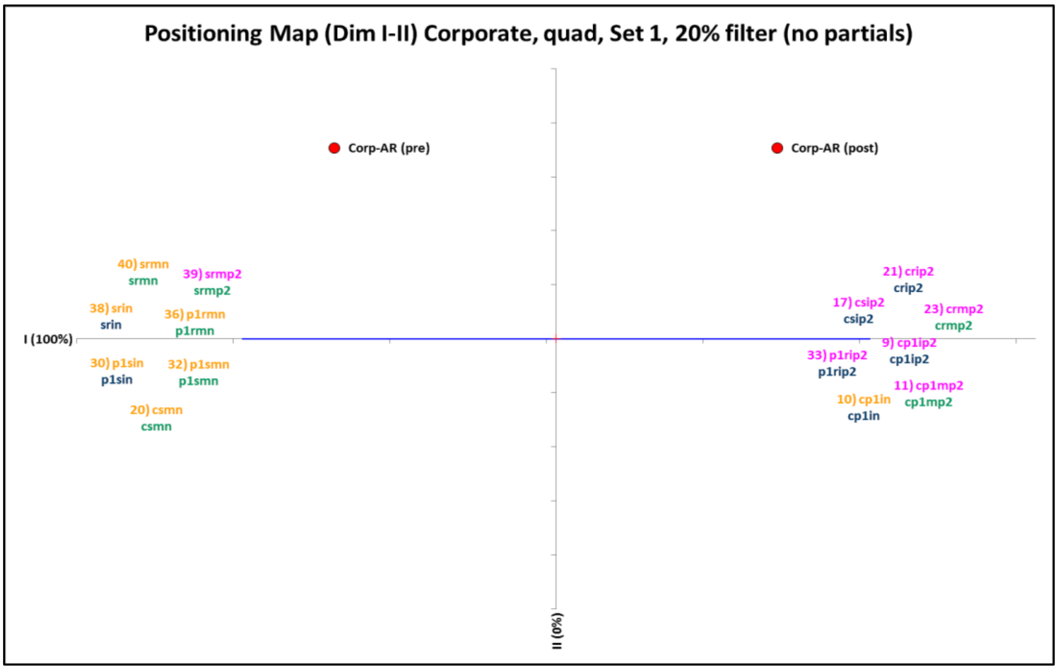

Fig 5.11

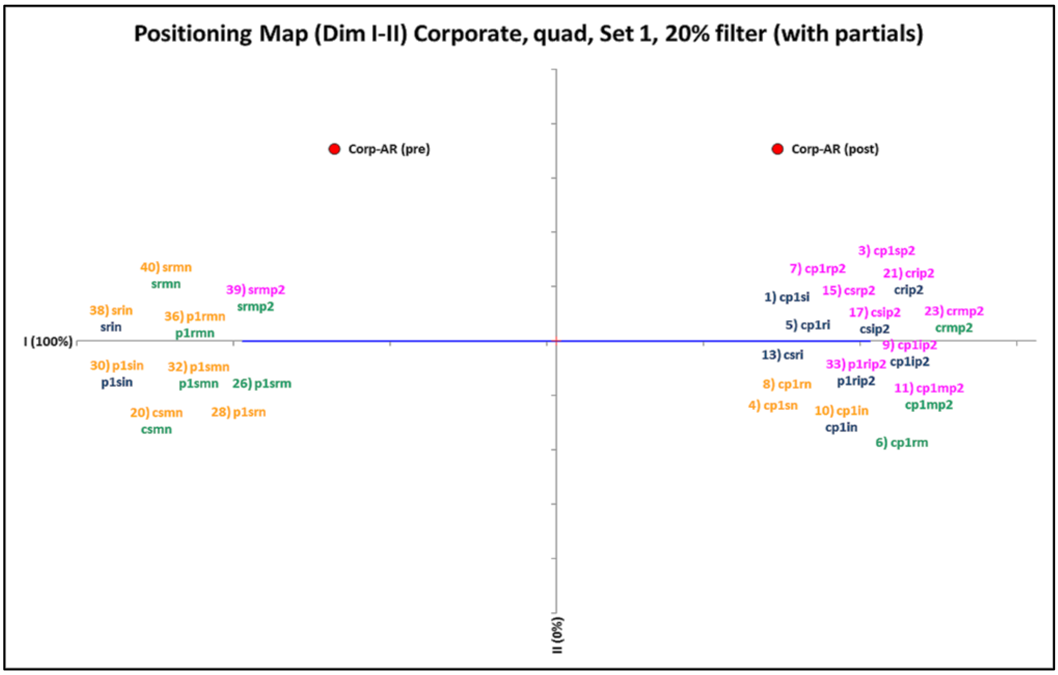

Fig 5.12

What has been demonstrated is that though variables are manipulated, Q1, predicting change over time of the perceptions of value creation in relation to the relative merits of shareholder primacy and stakeholder primacy - and Q2.i, predicting this change in relation to termism - are addressed. But hypotheses H1a and H1b, relating to movement pre to post-Crash, short-term shareholder primacy to long-term stakeholder primacy, are not supported. This is contrary to expectations. However, these findings only utilize Set 1 variables.

Study 2: The basis for the next investigation was the generating of corpus positioning maps using *Set 2* variables. Hence, the VRT-2's: *equity (e), pay (p3), performance (p4)* and *strategy (s2)*, in relation to the primacy dimensions of shareholder (*investor: i*) and stakeholder (*manager: m*), as well as termism: long-term (*permanent: p2*) and short-term (*now: n*). Figs 5.13 - 5.16 show the corporate corpus results.

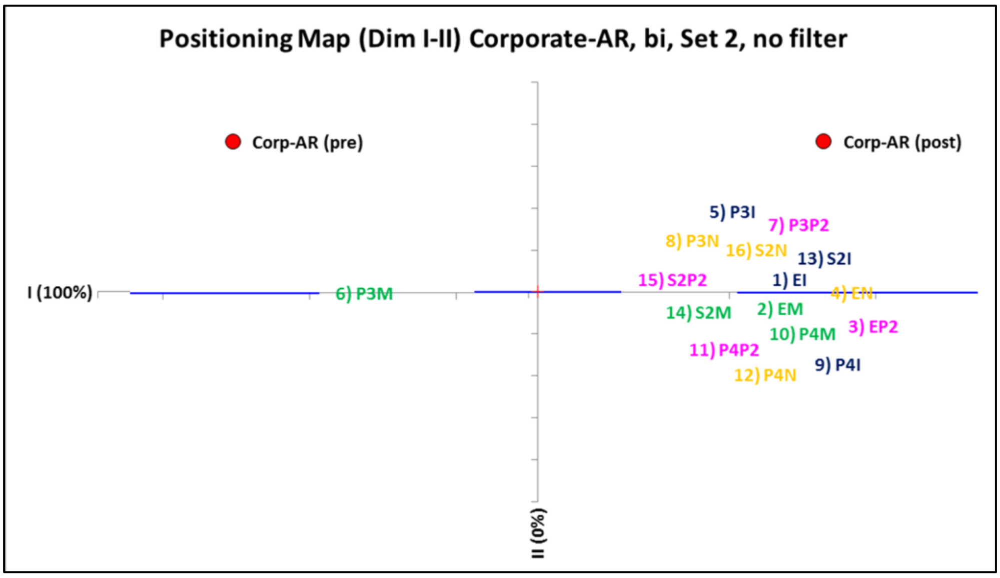

Fig 5.13

What is noticeable in Fig 5.13 is the general lack of combos pre-Crash for this corporate corpus. However, p3m (*performance, manager*) is present; although its minimax difference value is 2.33, pre to post-Crash (ie below a 20% cut-off). Nevertheless, it still means there is a bias post-Crash towards shareholder primacy (shareholder:stakekeholder is in the ratio of four blue:three green). Q1 and Q2.i are therefore addressed, though hypotheses H1a and H1b are not supported.

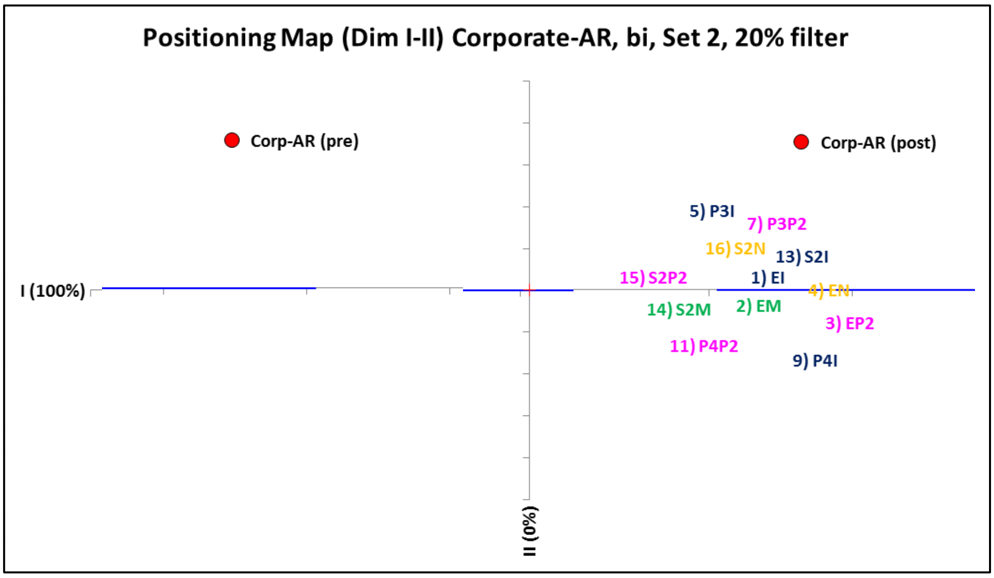

Fig 5.14

Indeed, at a 20% filter the effect is only enhanced as shown in Fig 5.14 (b4:g2); and if an effect is evident it seems there is often little usefulness in additional processing.

Study 3: The generation of positioning maps in this study are with a different temporal dimension pair and with *Set 1*, VRT-1 variables. Two of the dimensions assessed in this third study for a *Set 3* data analysis, rather than termism, therefore, come within the category of '*sense of urgency*'. Hence, examined are *urgency to reorientate* v *non-urgency to reorientate* with the synonyms respectively of *action (a)*, coloured red, and *efficient (e2)* coloured lilac, in relation to: *customer*, *price*, *return* and *share*. Chapter 4 considers the rationale for the choice of these terms. The dimensions for shareholder and stakeholder (*investor* and *manager* respectively) remain unchanged. As previously, the focus is on a *bi* analysis.

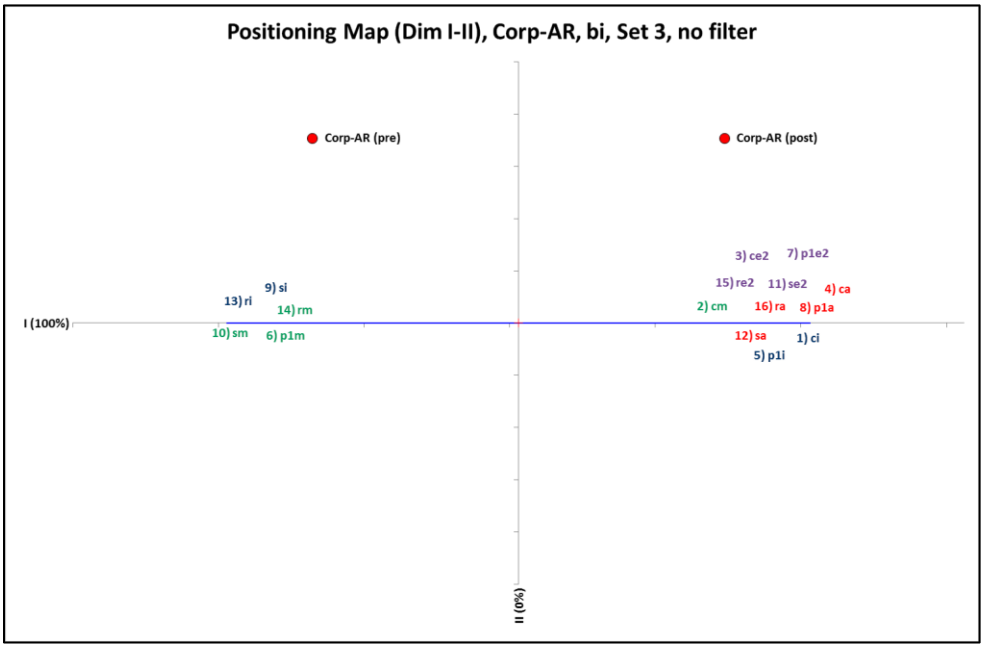

Fig 5.15

Pre-Crash it is observable in Fig 5.15 that only green and blue colours are in evidence, and with the green stakeholder combos in the greater amount (3:2). Post-Crash there is a reversal in this bias to favour shareholders. In fact, there is no expectation for there to be any difference here in perceived change from the *Set 1* analysis, as there is no alteration to either the shareholder or stakeholder dimensions or the VRT-1 data. But what is observable, however, is that a *sense of urgency* – whether a need to reorientate or not, and hence with no particular bias either way – is a discussion of relevance only post-Crash. Q1 and Q2.ii are addressed, though hypotheses H2a and H2b are not supported.

Applying a 20% filter, as expected, while producing some differences serves to enhance the effect (Fig 5.16).

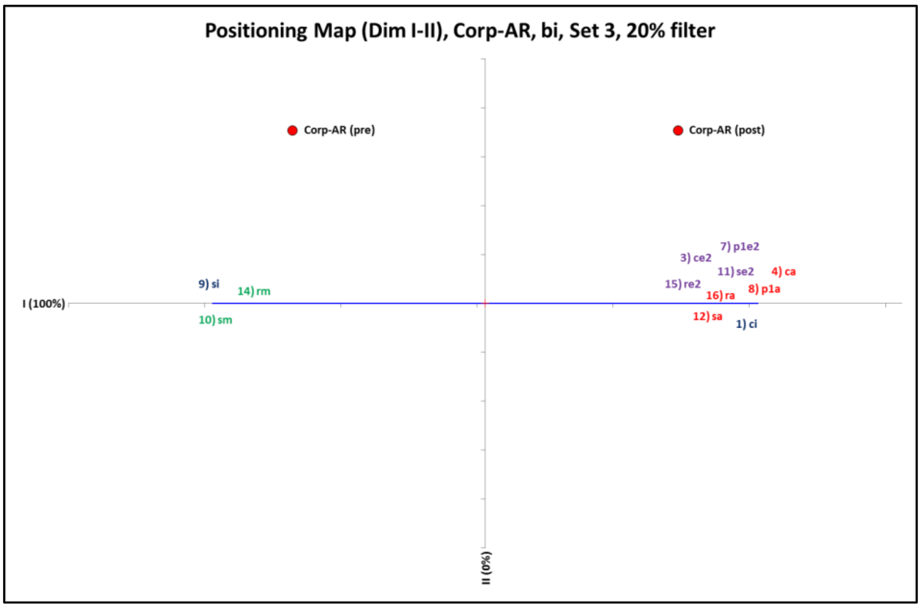

Fig 5.16

Study 4: This study analysed *Set 4* data using the combination of *Set 2*, VRT-2, data as the main corporate value variable and the dimensions for *sense of urgency* and the *primacy* dimensions for shareholder and stakeholder. Hence, examined are *urgency to reorientate* v *non-urgency to reorientate* with the synonyms respectively of *action (a)*, coloured red, and *efficient (e2)*, coloured lilac, in relation to: *equity*, *pay*, *performance* and *strategy*. As before, the dimensions for shareholder and stakeholder (*investor* and *manager* respectively) remain unchanged (Fig 5.17).

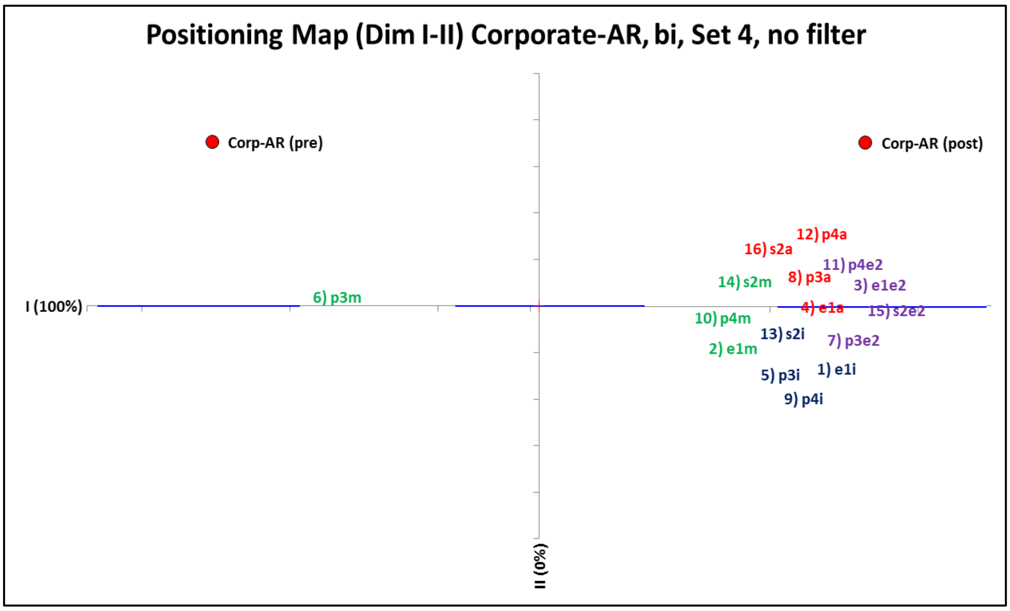

Fig 5.17

A similar distribution of clustering is evident to that in Study 2. While it might be expected to find some similarity where the dimensions and VRTs coincide, as with p3m, and hence for the relative amounts of shareholder v stakeholder primacy pre to post-Crash, and with a bias towards shareholders post-Crash as before, the presence of different associated dimensions is also a result much like in *Study 3*. In other words, it is found that a *sense of urgency*, whether to act to reorientate or not, is a discussion only had post–Crash for the corporate corpus. Nevertheless, Q1 and Q2.ii are addressed, though hypotheses H2a and H2b are not supported.

A 20% filter applied would remove combos 6 (pre-Crash) and 10 (post-Crash), and as before, enhancing the outcome. However, in this case, Q1 is addressed, but Q2.ii is not addressed; and once again, hypotheses H2a and H2b are not supported.

5.3.2 Regulatory corpus: As considered with the corporate corpus, Study 1 to Study 4 again highlights results for different combos, and different levels of analysis.

It may be noted that as a general issue it is not always possible to apply filtering whatever the corpus domain examined due to a lack of a full result (ie pre and post-Crash material did not contain an element for the combo required so rendering a zero result). Or because – as found with the regulatory corpus – results have low values and filtering would remove too many combos, making an analysis difficult. But as with partials, while this kind of additional processing is helpful when feasible, it is often the case anyway that is supports the initial unfiltered findings. Hence, shown the following maps are their unfiltered state.

Study 1: An analysis of the regulatory corpus – which included both hard and soft law – shows a somewhat different mapping to that seen with the corporate corpus.

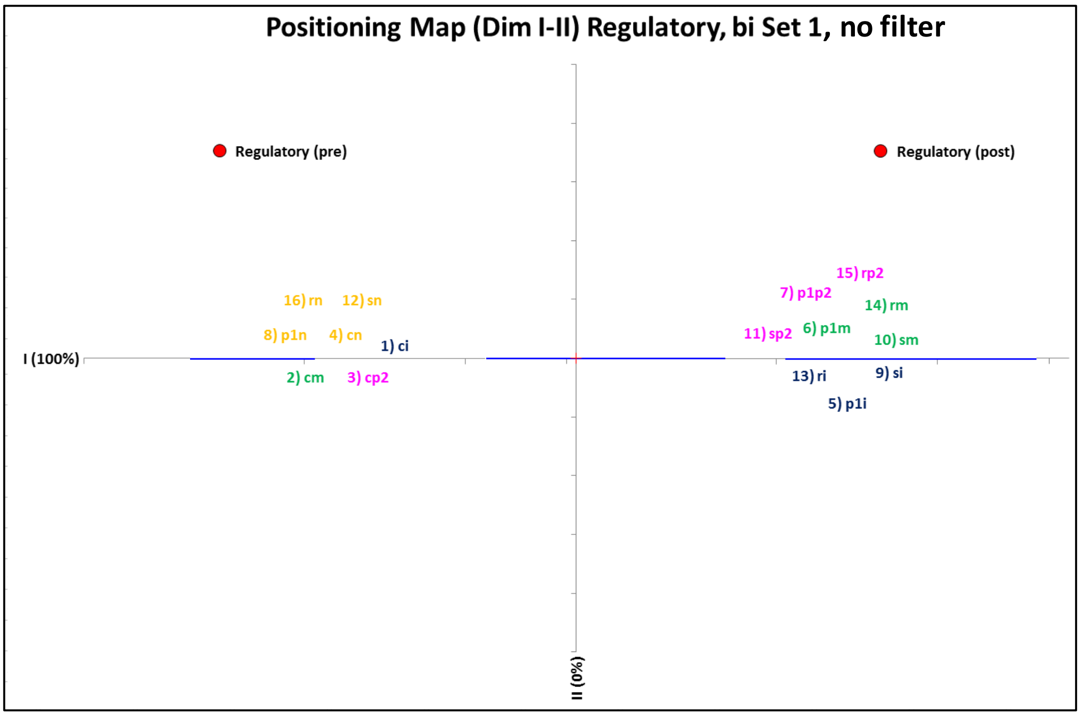

Fig 5.18

In the bi analysis, Fig 5.18, the relative amounts of shareholder to stakeholder combos is the same in both the pre and post-Crash conditions. Hence, Q1 is not addressed. However, the main obvious difference is the orange (denoting short-termism) pre-Crash and its absence post-Crash, such that post-Crash there is a bias towards the combos in purple only, and denoting long-termism and so addressing Q2.i. In this temporal sense, there is a similar perception to the corporate one. However, hypotheses H1a and H1b are not supported.

The maps for the tri analysis (Fig 5.19) and the quad analysis (Fig 5.20) for the regulatory corpus show similar biasing as in the bi analysis – even though there are an increased number of combos in the pre-Crash states; and a respectively decreasing number of combos in the post-Crash states.

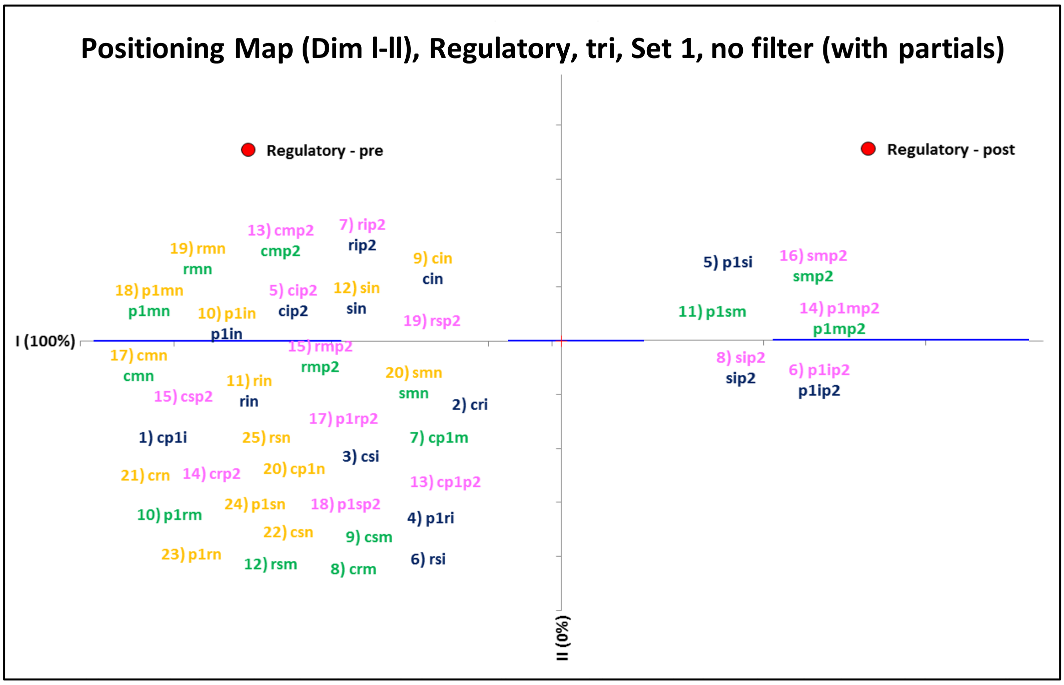

Fig 5.19

In part, too, an uneven clustering effect for biases across the period - as seen particularly as well for the corporate bi analyses above - is also apparent. While the shareholder-stakeholder relative bias is in about equal proportions for the same time periods and is, hence, different to the corporate corpus, the main perceptual bias is from short-term (orange), pre-Crash, to long-term (purple), post-Crash. As far as the temporal aspect is concerned, therefore, over the period examined both the bias of FT250 companies and the regulatory domain is similar.

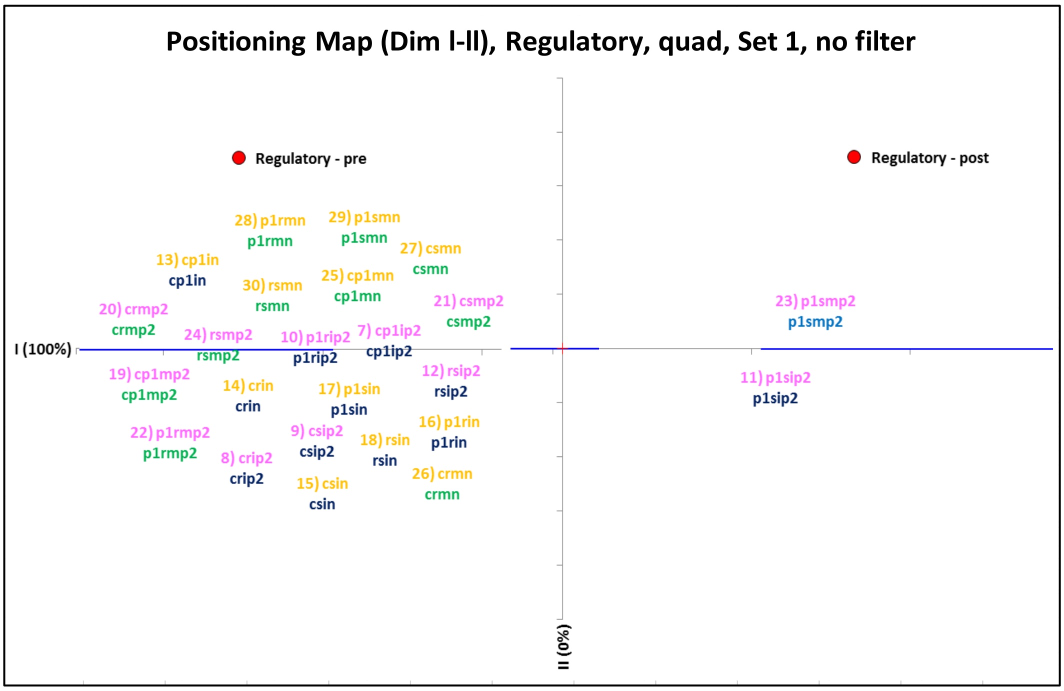

Fig 5.20

Study 2: The result for the regulatory *bi* scenario, Fig 5.21, shows very obviously only orange in the pre-Crash condition, denoting only a short-term perspective. By comparison, there is heavy biasing in the post-Crash condition towards long-termism (purple), while there is an equal perception for both shareholder and stakeholder primacy. Q1 is therefore not addressed, but Q2.i is; though hypotheses H1a and H1b are not supported. With this set of VRTs for the regulatory perspective, it is clearly very much about termism.

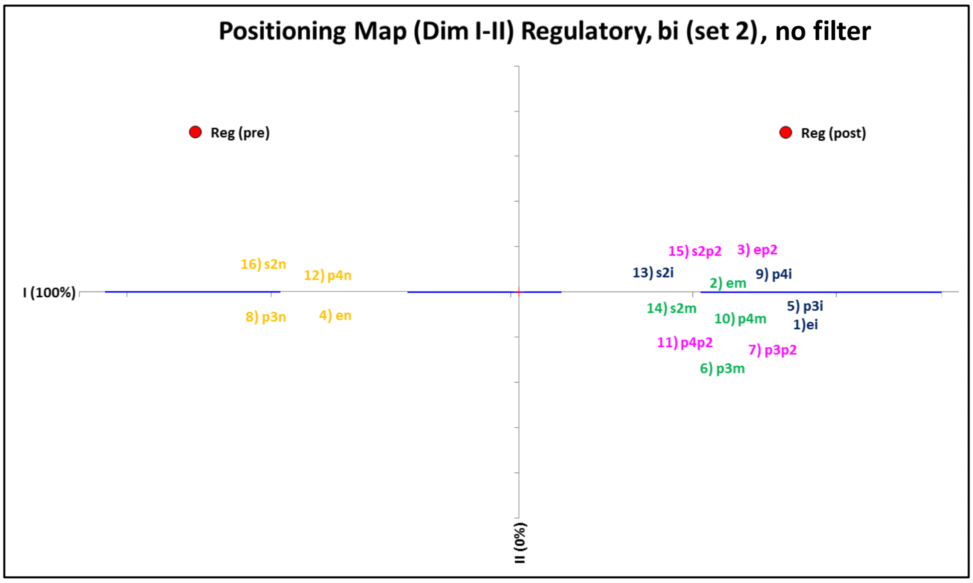

Fig 5.21

Study 3: In the regulatory corpus map, Fig 5.22, as indicated in the comments above, the main focus is on the *sense of urgency* dimensions.

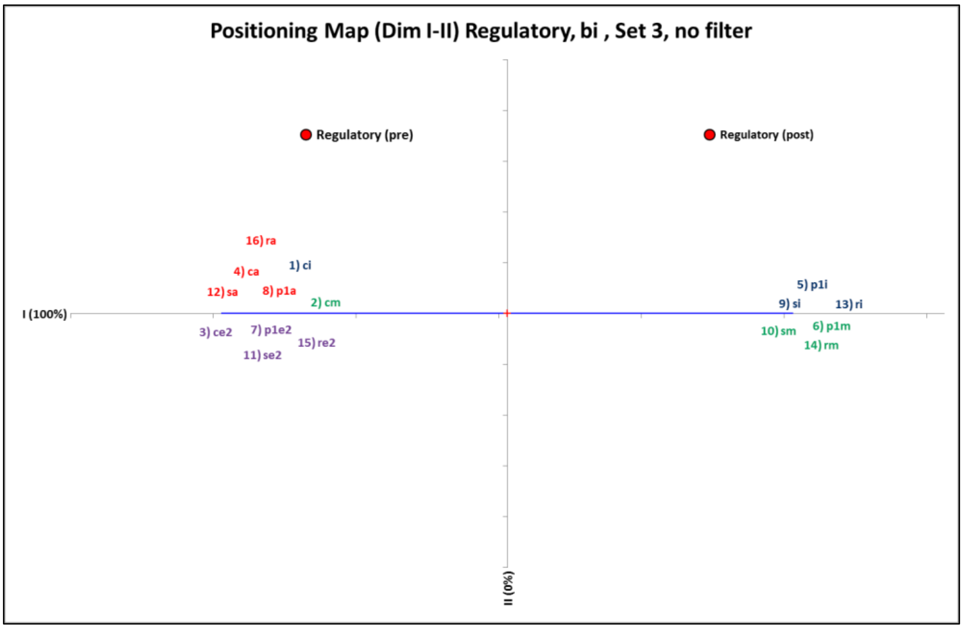

Fig 5.22

In comparison to the corporate maps (Figs 5.15, 5.16), the interesting finding is that while, once again, any perception associated with an *urgency to reorientate* versus a *non-*

urgency to reorientate is in equal proportions (4 red: 4 lilac), rather than post-Crash, this discussion is instead only occurring in the pre-Crash condition[1]. In view of that, Q1 is not addressed, while Q2.ii is; though hypotheses H2a and H2b are not supported.

Study 4: The result for the regulatory *Set 4* analysis (Fig 5.23), by comparison to Study 3, shows that the discussion in relation to corporate governance is centered only post-Crash, without any particular bias favouring shareholders or stakeholder, and is therefore the same as in *Set 2*.

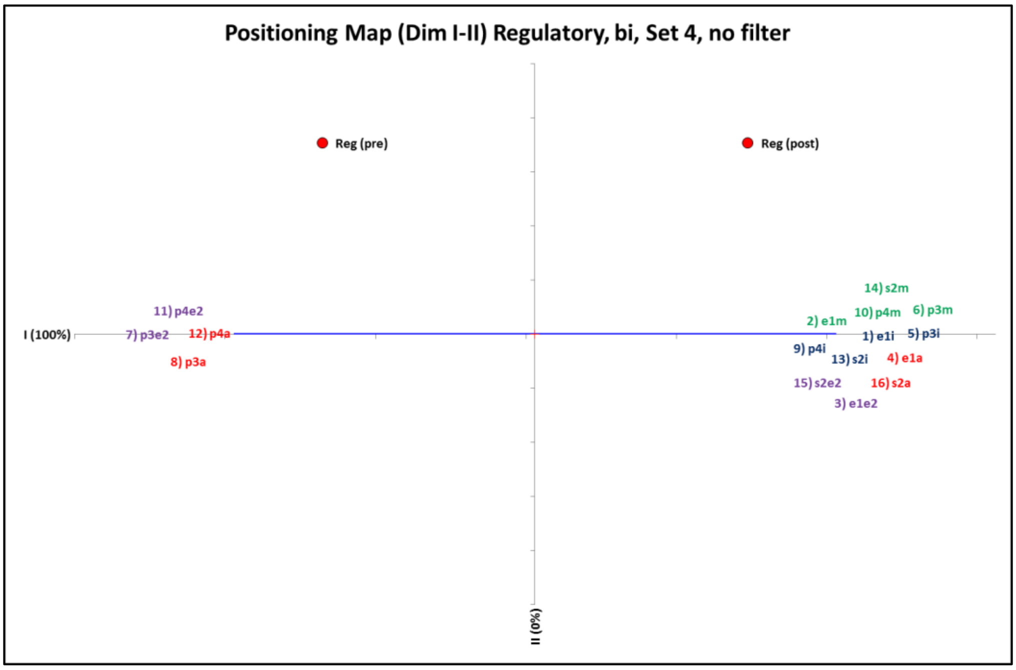

Fig 5.23

However, whereas in *Set 2* the temporal dimensions focussing on termism showed a pre-Crash bias towards short-termism and a post-Crash bias for long-termism, with regards to a *sense of urgency* there is no apparent difference in perception pre or post-Crash, as *urgency to*

[1]All combos, though applying no filter, also happen to be above a 20% pre/post-Crash difference.

reorientate and *non-urgency to reorientate* are in equal proportions, relatively, in both conditions. Q1 is addressed, Q2.ii is not; and hypotheses H2a and H2b are not supported.

If a 20% filter is applied to this analysis, combos 12 (pre-Crash) and 15 (post-Crash) would be removed. This would have the effect of producing a bias, pre-Crash, favouring *non-urgency to reorientate* (red) and a bias post-Crash of an *urgency to reorientate* (lilac). In this case both Q1 and Q2.ii would be addressed; though hypotheses H2a and H2b would still not be supported.

5.3.3 Comparing bi, tri and quad levels of analysis: In conducting a variety of mapping assessments, what became increasingly clear was the degree of similarity of the colour clustering distributions for a particular corpus whatever level was under consideration. The basis of this observation was not only the corporate and regulatory corpus datasets but also the other ten peripheral stakeholder corpuses examined. Indeed, it appeared that simply having the biasing results of the bi level is predictive of tri and quad level biasing. An additional investigation was conducted to verify this (see Appendix 14), as it underscored an easier method of analysis.

5.3.4 Extending the analysis to peripheral stakeholder organizations: The same analyses were conducted for all the other ten stakeholder organizations (FSA, FT, Newspapers-general, CPS, CBI, CIMA, ICSA, IOD, IPPR, TUC). Appendix 9 shows the resulting maps. The combo distributions in the maps differ, reflecting value-related perceptions of these organizations. Consequently, some maps support the findings for the perceptions of the primary corpuses – corporate and regulatory – while others do not at all. Practically, this means that there is a degree of alignment seen between particular stakeholder organizations, such that groupings are observable.

Because of the amount of data results generated from all the stakeholder corpuses a method had to be found to both assess the biases and consider the possible reasons for any findings, such as alignment, in an easier manner than the maps alone. It necessitated in some way a secondary analysis of the positioning maps. But in addressing this, what was developed was a method of presentation that consolidates all the results: the *narrative strip* (Table 5.2). Also afforded from the table is a read-off for answering in a simple manner the research questions and hypotheses.[1] In the forthcoming section, 'Universal perceptions', the extensive map data findings, as biases, for the stakeholder organizations are highlighted below in relation to this table. And as will become apparent, one of the most striking features of the *narrative strips* is that, rather than what the media or hearsay might lead one to believe is the state-of-play regarding the favouring of shareholders or stakeholders at any one time, they allow a window into observing widespread economic perceptions held in a simple but objective fashion.

5.4 Output of secondary analyses

Having obtained maps for all twelve stakeholder corpuses[2] – and knowing that the *bi* level is highly indicative of any biasing effect – the basis of the next step in the analysis were frequency counts of the combos and how they are constituted. This further qualitative part of the analysis opens up a great many possibilities depending on how to look at the data. Highlighted here are two aspects. The first focusses on how to make a comparison amongst a variety of corpuses to tell us something about more universal perceptions that organizations hold in common. The second focuses on examining the VRTs within the combo results (up till now we have only considered the VRTs in the context of the dimension to which they are attached).

[1]Summaries are also given below in Table 5.3
[2]Secondary organizations' perceptual maps are given in Appendix 15.

5.4.1 Universal perceptions: A construction was made of all the positioning maps into a 'consolidated view'. Having similarities to a type of heat map, this construction uses colour. But here it is to denote the bias in each organization's value-related narrative, as recorded from their positioning map. In this way, it forms a *narrative strip*. As demonstrated in Table 5.2, the recorded information from each corpus's positioning map is a count of the relative amounts of the combos present by colour and expressed according to the greater number which a dimension has, and hence has a bias.[1] This approach allows a very large amount of information to be easily viewable as a whole, and assessed further. Specifically, as Table 5.2 highlights, it allows a consolidation of data across multiple stakeholder organizations.

5.4.2 The narrative strip results: With the Set 1 variables of the first Study - using VRT-1 (customer, price, return and share) and DimSyns for termism (long-term and short-term) - it is shown that the pre-Crash condition of the corporate corpus has a corporate governance bias towards a stakeholder perception (st), coloured green. While in the post-Crash condition there is no stakeholder bias, rather the bias is towards a shareholder perception (sh), and therefore depicted in blue. The same logic is applicable to the next column displaying the map results for the temporal aspect of termism. Here, it is shown that a Short-Term (*ST*, coloured orange) perception predominates pre-Crash and a Long-Term (*LT*, coloured purple) perception predominated post-Crash. As explained in Chapter 4, to make the analysis easier to follow, red borders surround the first four squares relating to these results. Hence, pre to post-Crash the *narrative strip* conveys in a summarized form that the corporate corpus, embodying the perceptions of executives, moves from a short-term stakeholder perspective to a long-term shareholder perspective. As previously indicated in Fig 5.5, the research questions Q1 and Q2.i are addressed. However, hypotheses H1a and H1b are not supported.

[1]An example of how this works is provided in Chapter 4, Section 4.7.1

The Narrative Strip

Predominating perception analysed *(Consolidated Stakeholder Narrative View)*

Biasing by colour (no filter - small values near '0' included)

Blank = no narrative bias

		Corporate (Annual Reports: AR)		Regulatory		FSA (AR's & BR's)		FT		Newspapers (general)		CPS		CBI		CIMA		ICSA		IOD		IPPR (a+b)		TUC	
		Primacy	Temporal	Primacy	Temporal	Primacy	Temporal	Primacy	Temporal	Primacy	Temporal	Primacy	Temporal	Primacy	Temporal	Primacy	Temporal	Primacy	Temporal	Primacy	Temporal	Primacy	Temporal	Primacy	Temporal
Set[1]	Timepoint re Crash	bi		bi		bi		bi		bi		bi		bi		bi		bi		bi		bi		bi	
Set 1	Pre	st: b=2;g=3	ST: y=3;p=1	b=1;g=1	y=4;p=1	b=0;g=2	y=2;p=1	b=1;g=2	y=2;p=0	b=2;g=4	y=4;p=3	b=1;g=4	y=3;p=1	b=2;g=1	y=0;p=0	b=3;g=0	y=1;p=0	b=3;g=3	y=3;p=3	b=1;g=1	y=1;p=4	b=0;g=0	y=0;p=0	b=0;g=0	y=0;p=0
VRT-1 *LT v ST*	Post	sh: b=2;g=1	LT: y=1;p=3	b=3;g=3	y=0;p=3	b=3;g=2	y=1;p=2	b=3;g=2	y=2;p=4	b=2,g=0	y=0;p=1	b=3;g=0	y=1;p=3	b=0;g=3	y=4;p=4	b=0;g=3	y=2;p=0	b=0;g=0	y=0;p=0	b=3;g=3	y=3;p=0	b=4;g=4	y=4;p=4	b=0;g=4	y=4;p=4
Set 2	Pre	b0;g1	y0;p0	b0;g0	y4;p0	b0;g1	y4;p1	b3;g3	y3;p0	b0;g2	y2;p2	b1;g4	y1;p0	b4;g2	y0;p0	b2;g0	y0;p0	b1;g4	y2;p4	b3;g0	y4;p4	b0;g4	y1;p4	b0;g2	y2;p2
VRT-2 *LT v ST*	Post	b4;g3	y4;p4	b4;g4	y0;p4	b4;g3	y0;p3	b1;g1	y1;p4	b4;g2	y2;p2	b3;g0	y3;p4	b0;g2	y4;p4	b2;g4	y4;p0	b3;g0	y2;p0	b1;g4	y0;p0	b4;g0	y3;p0	b0;g2	y2;p2
Set 3	Pre	b2;g3	v0;r0	b1;g1	v4;r4	st: b0;g2	v4;r2	b1;g2	v4;r2	b2;g4	v4;r0	b1;g4	v4;r1	b2;g1	v2;r2	b3;g0	v3;r3	b3;g3	v3;r3	b1;g1	v0;r1	b0;g0	v0;r3	b0;g0	v1;r0
VRT-1 *UR v NUR*	Post	b2;g1	v4;r4	b3;g3	v0;r0	sh: b4;g2	v0;r2	b3;g2	v0;r2	b2;g0	v0;r4	b3;g0	v0;r3	b0;g3	v0;r2	b0;g3	v0;r0	b0;g0	v0;r0	b3;g3	v4;r3	b4;g4	v4;r1	b0;g4	v3;r4
Set 4	Pre	b0;g1	v0;r0	b0;g0	v2;r2	b0;g1	v4;r1	b3;g3	v4;r3	b0;g2	v4;r0	b1;g4	v4;r1	b4;g2	v4;r3	b1;g0	v2;r1	b1;g4	v4;r4	b3;g0	v0;r1	b0;g4	v1;r4	b0;g2	v4;r2
VRT-2 *UR v NUR*	Post	b4;g3	v4;r4	b4;g4	v2;r2	b4;g3	v0;r3	b1;g1	v0;r1	b4;g2	v0;r4	b3;g0	v0;r3	b0;g2	v0;r1	b2;g4	v2;r3	b3;g0	v0;r0	b1;g4	v4;r3	b4;g0	v3;r0	b0;g2	v0;r2

Table 5.2

[1]*Set constituents:*

Set 1. *VRT-1*: 'customer', 'price', 'return', 'share'; *DimSyns*-termism (long-term / 'permanent', short-term / 'now'); *DimSyns*-primacy (shareholder / 'investor', stakeholder / 'manager')

Set 2. *VRT-2*: 'equity', 'pay', 'performance', 'strategy'; *DimSyns*-termism (long-term / 'permanent', short-term / 'now'); *DimSyns*-primacy (shareholder / 'investor', stakeholder / 'manager')

Set 3. *VRT-1*: 'customer', 'price', 'return', 'share'; *DimSyns*-sense of urgency (urgency-to-reorientate / 'action', non-urgency-to-reorientate / 'efficient'); *DimSyns*-primacy (shareholder / 'investor', stakeholder / 'manager')

Set 4. *VRT-2*: 'equity', 'pay', 'performance', 'strategy'; *DimSyns*-sense of urgency (urgency-to-reorientate / 'action', non-urgency-to-reorientate / 'efficient'); *DimSyns*-primacy (shareholder / 'investor', stakeholder / 'manager')

Colour key and code:

VRT-shareholder primacy (sh)
VRT-stakeholder primacy (st)
VRT-long-term (LT)
VRT-short-term (ST)
VRT-urgent (UR)
VRT-non-urgent (NUR)

The *Set 1* study also shows that the biasing is much the same for the next five corpuses. And it is observable that this also means there are similar biases in operation for the primary corpuses looked at: corporate and regulatory. From the CBI to the IOD, however, the picture is somewhat different, suggesting perceptions have moved either more post-Crash towards a short-term stakeholder perspective or that there is greater indecision about the value-related concepts involved. Similarly, a more complex picture emerges for the IPPR and the TUC. In both cases, it is visible that all the discussion whether for corporate governance or termism was taking place only post-Crash. And the only difference between them post-Crash is in relation to corporate governance where the IPPR has no bias either way towards shareholders or stakeholders, while the TUC is biased firmly only towards stakeholders. This was not surprizing necessarily, although what was (and it was double-checked) was that the TUC did not have any instances of stakeholder primacy pre-Crash. Chapter 6 discusses this further. But one possible reason worth noting here is that, simply put, for the TUC at that time managers were not stakeholders!

Study 2 presents an analysis of what happens when a different set of value-related terms (VRT-2) are applied (equity, pay, performance and strategy). This provides an independent check on *Study 1* inasmuch as it is intended to address the same underlying construct relating to value, and at the same time provide an additional take on corporate value (and wider stakeholder) perception. By virtue of these points, it also helps to smooth out any variations in perception – and where by having multiple stakeholder corpuses similarly meets this purpose. Moreover, the objective in this research is to map changes in perception rather than seek statistical significance between the pre and post-Crash conditions – and which is not necessarily evident even when testing is possible due, for example, to very small numbers worked with. However, the more there are similar results generated for different VRTs, it can be suggested, the greater the ‘qualitative significance’ of the findings.

It is observable that the corporate corpus once again moves from a pre-Crash stakeholder bias to a post-Crash shareholder one, albeit the pre-Crash stakeholder bias is weak. Pre-Crash termism is not discussed – in the context of VRT-2 language – while post-Crash termism is discussed but there is no preference either way; the short-term and long-term usage being equal. In comparison, for the regulatory corpus there is no discussion pre-Crash of corporate governance, though post-Crash there is but it is in equal proportions regarding shareholder and stakeholder primacy. There is, however, a very stark movement from a pre-Crash short-term bias to a post-Crash long-term bias.

Overall, and with the other stakeholder corpuses examined, the picture is much the same as for Study 1, including, by contrast, a change in perspective for the four stakeholder organizations from the CBI to the IOD. Some differences that do appear are visible for the IPPR, which is quite clearly moving from a pre-Crash bias of long-term stakeholder perception to a post-Crash short-term shareholder perception. The TUC has an identical post-Crash bias to that seen in *Study1* but unlike *Study 1* it has the same bias pre-Crash as well.

Nevertheless, what can be said is that there appears to be a degree of support for the biasing effects whether using VRT-1 or VRT-2. Chapter 6 examines the implications of this further.

In *Study 3,* using *Set 3* variables, and *Study 4,* using *Set 4* variables, an assessment was made of the temporal dimensions associated with a *sense of urgency*. To recap the synonyms used, *action (a)*, represented an *urgency to reorientate* and *efficient (e2)*, represented a *non-urgency to reorientate*.

The narrative strips for *Set 3* and *Set 4* show a degree of similarity with *Set 1* and *Set 2* results respectively. This is due to the fact there are common variables (ie for *Study 1* and *3,* VRT-1 and shareholder and stakeholder primacy; for *Study 2* and *4,* VRT-2 and shareholder and stakeholder primacy). Yet also seen is that there is a degree of similarity between *Set 3* and *Set 4* such that, particularly for the first six corpuses, the bias in the *sense of urgency* dimensions is similar. Moving across to the CBI, CIMA, ICSA and the IOD, this similarity appears to break down somewhat, with perhaps a bit more clarity for the IPPR and the TUC.

Furthermore, while it is difficult to make direct comparisons between dimensions relating to termism and to a sense of urgency, it is noticeable that pre-Crash to post-Crash there is a high number of combos observable representing a movement in perceptual bias from non-urgency-to reorientate towards an urgency-to-reorientate. On its own, this effect might be expected - or at least from the perspective of H2a and H2b it formed part of the prediction. Although as hypotheses of greater complexity involving primacy, they were not supported. Yet the four studies taken together suggest that in many instances there is, pre-Crash, a bias to be both short-term and non-urgent in perception and similarly, post-Crash, a bias to be both long-term and urgent in perception. Although there appears to be reversal in bias for the IOD and the IPPR with urgency having precedence pre-Crash and non-urgency post-Crash.

The method of interpretation once understood means that overall the results depicted in the narrative strips become very telling about perceptual biases operating with respect to primacy and temporality. There is clearly, as well, similarity observable on a bigger scale amongst various stakeholder organizations than might be otherwise thought. In attempting to highlight these similarities, the analysis leads on to the idea of alignment.

5.4.3 Stakeholder alignments*:* The different stakeholder corpuses in this research appeared to align according to three main groupings, which are termed A, B and C. Besides the biasing effects previously discussed, Table 5.2 in fact also demonstrates how the analysis appears after similarly resulting component corpuses are moved into proximity (shown with bold vertical separators between the groups).

In Group A, for *Set 1* map results, it is found the particular corpuses grouping together are the: corporate, regulatory, FSA, FT, Newspapers-general, and CPS. These seemingly portray similar perceptual biasing, where for the value-related terms chosen, the effect shows that these corpuses appear to be generally biased pre-Crash to a short-term stakeholder perception, while post-Crash this has moved to a long-term shareholder perception.

Group B, is also for *Set 1* data but for the map results for the: CBI, CIMA, ICSA and the IOD corpuses. Although not quite as strong and more difficult to interpret, the *narrative strip* suggests something of a reversal in perception where for these organizations a bias is predominating more pre-Crash towards long-term shareholders and post–Crash towards a greater short-term stakeholder perspective. It can however be observed - especially where there is an equal bias for, say, shareholder and stakeholder primacy as with ICSA pre-Crash or no combos have been recorded as with ICSA post-Crash – it is not an absolute, simply a bias overall for the group.

In Group C, using *Set 1* data, are the map results for the IPPR and the TUC. To some extent, these can be considered as not truly forming a pair (although there is some basis for doing so on account of their political orientation). However, it is instructive to consider them together, and not least because they do not conform to the biasing patterns of the other groups.

Alignments for the groups can be shown graphically. To do this all the data generated by the corpus perceptual maps are used. These data constitute an overlay on the *narrative strip* (Table 5.2).

What this means is that where, for example, it is found for a dataset there were two value-related combos for shareholder primacy and three for stakeholder primacy, both numbers are taken into account. For each dimension the combo counts are summed and their means taken. Across groups of corpuses designated for assessment, the same process is applied. This provides a more accurate picture than can be observed simply from the basic form of the *narrative strip* where overall the recording of biasing is by colour alone.

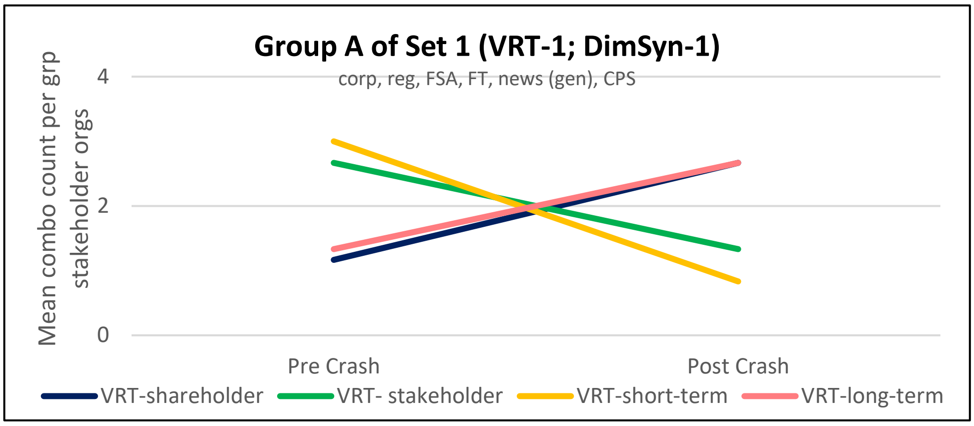

Fig 5.24a

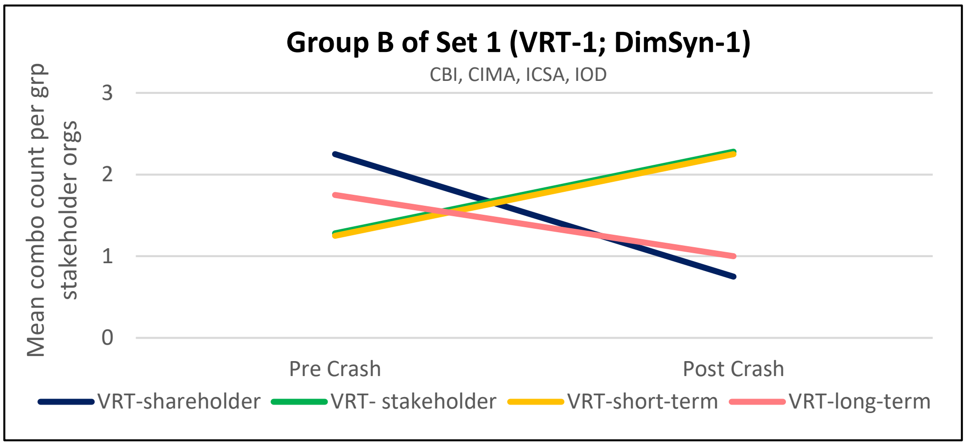

Fig 5.24b

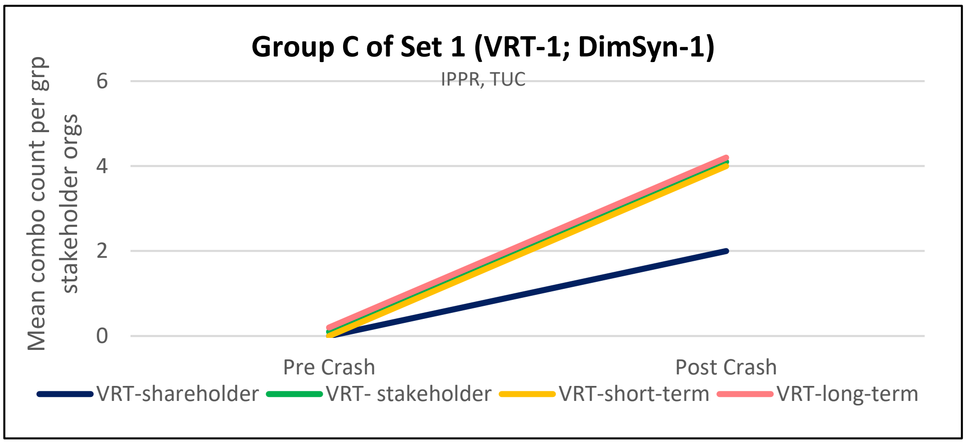

Fig 5.24c

What is clear is that for the Group A result (Fig 5.24a) the alignment in perception is very strong on the different dimensions assessed and a clear difference over the time period is observed. Long-term (purple) shareholder primacy (blue) rises from pre to post-Crash, while short-term (orange) stakeholder primacy (green) falls. There also appears to be close to a parity for the pre-Crash, short-term and stakeholder biases verses the post-Crash, long-term and shareholder primacy biasing, which shows an almost identical parity in its alignment. This Group A result is about as close to perfect as could be hope to achieve in examining the association of perceptions for a given group of stakeholder organizations.

Similarly, in Fig 5.24b, there is a further highlighting of the Group B effect, as with more comprehensive map data the reversal in perception has greater definition than in the narrative strip. Very apparently, these corpuses (CBI, CIMA, ICSA and the IOD), orientate in perception completely differently to the corpuses in Group A. Long-term (purple) shareholder primacy (blue) falls from pre to post-Crash, while short-term (orange) stakeholder primacy (green) rises. Although it is observable that in the pre-Crash condition, long-term bias and shareholder bias in comparison to each other display a slightly reduced alignment or parity as observed in Group A.

Fig 5.24c displays the results for Group C, which included the IPPR and the TUC. As noted previously the results of this group are ambiguous on the narrative strip. Hence, the results here cannot be taken to be a true reflection of perceptual bias. Certainly, as to what the graph in Fig 5.24c depicts, it suggests that there is only conversation post-Crash on all the dimensions, with a full alignment on termism (hence undifferentiated); and somewhat less alignment on corporate governance perception in relation to any other dimension. Overall, it shows that if considered as a group, these two corpuses would suggest only a movement in the conversation alone. However, going back to the narrative strip it is apparent that the TUC does in fact have a stakeholder bias post-Crash. But what is happening is that it is being overshadowed by the other results, not least the presence of an equal post-Crash biasing for a shareholder as well as a stakeholder primacy for the IPPR, giving the appearance in the graph of a perception that is not actually held by the TUC. In essence, putting the IPPR and the

TUC together does not really tell us anything about them as a group with similar perceptions. Yet if nothing else, a result of this sort highlights the importance in referring to the narrative strip where there are ambiguities in the results when attempting to form groupings. It is, therefore, quite likely that another grouping, one possibly larger if the data is present, to include the TUC, might have made more sense – there is a certain amount of trial and error.[1] These Group C graphs are included here for completeness though, as well as to demonstrate the approach and what to look out for.

In the next set of graphs (Set 2), examining the groupings with VRT-2 variables, much the same effect is evident for Group A as for the Set 1 Group A graphs. Fig 5.25a shows the same corpuses, therefore, demonstrating alignment for the same pre-Crash short-term stakeholder biasing moving towards post-Crash long-term shareholder biasing (ie it is above the other combo results).

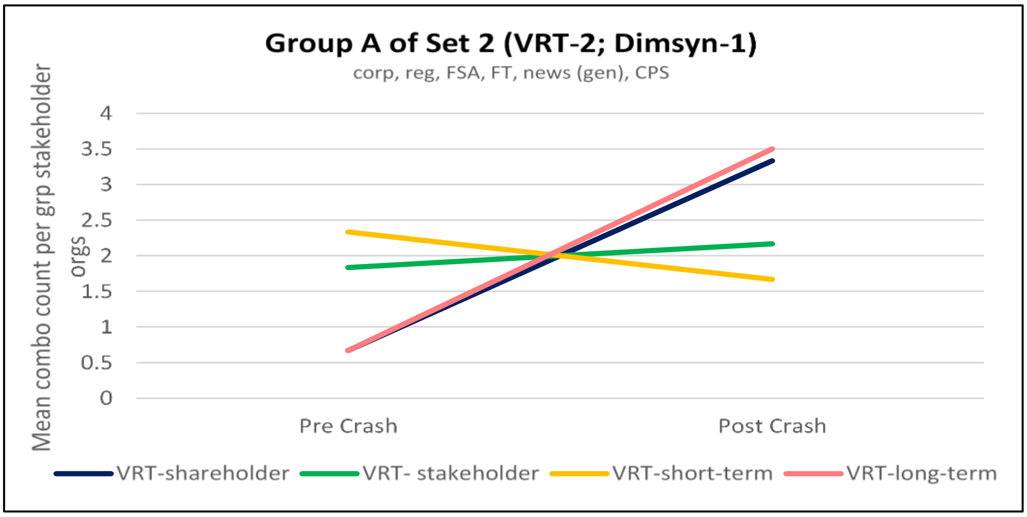

Fig 5.25a

[1]in a similar manner – and though not a perfect matching of data – the application of this thinking is used to check for alignments in a Group D analysis, shown further on, where the TUC is looked at along with the CBI and CIMA.

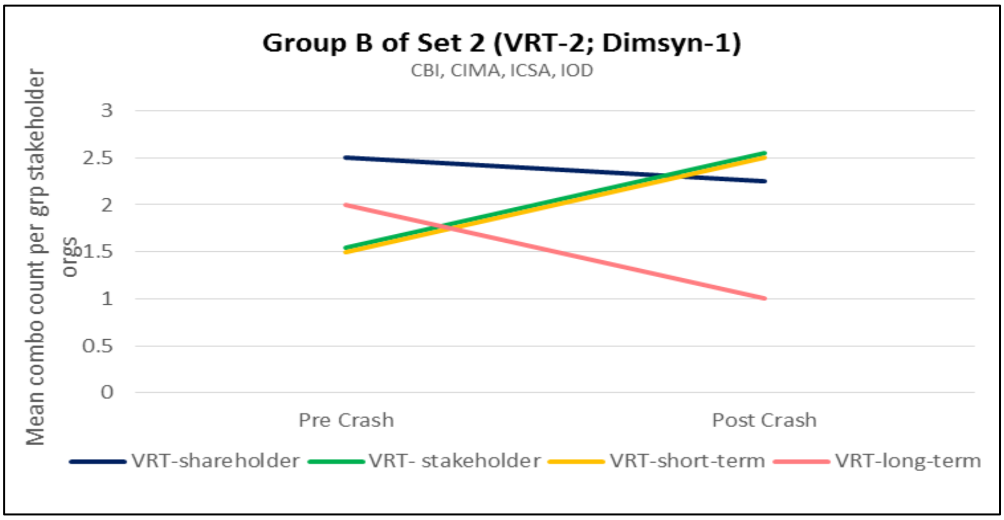

Fig 5.25b

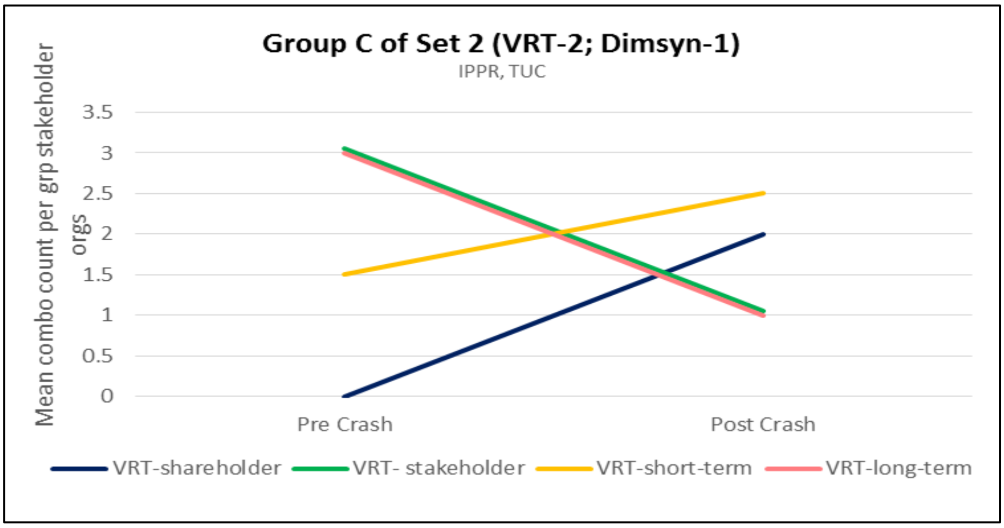

Fig 5.25c

For the next group of corpuses in Fig 5.25b, Group B is generally moving in a similar fashion to Group B of Set 1, which is to say in a reversal to Group A corpuses pre to post-Crash. Although the differentiation on the corporate governance dimensions is more marked and here seen is only a slight difference between the stakeholder and shareholder dimensions post-Crash, albeit a small bias for shareholder primacy is in evidence. The stronger result is for the movement from a pre-Crash long-term perception to a post-Crash short-term perception.

Group C, depicted in Fig 5.25c, apparently shows a pre-Crash movement of long-term stakeholder bias to a post-Crash short-term shareholder bias. However, in the light of previous comments caution is required when assessing these results.

On the whole, these Set 2 graphical results, which have used a different set of VRTs, support the findings of the Set 1 graphical analysis and show that alignment can be observed for the same groups of corpuses.

Next considered is the way different corpuses may align when an examination is made of the temporal dimensions concerning a sense of urgency, ie to reorientate or not to reorientate.

The narrative strip suggests there to be fairly good alignment that can be considered for the same (or similar) corpus groupings. So to get a comparison the map results are graphed using the same A, B, C, groupings.

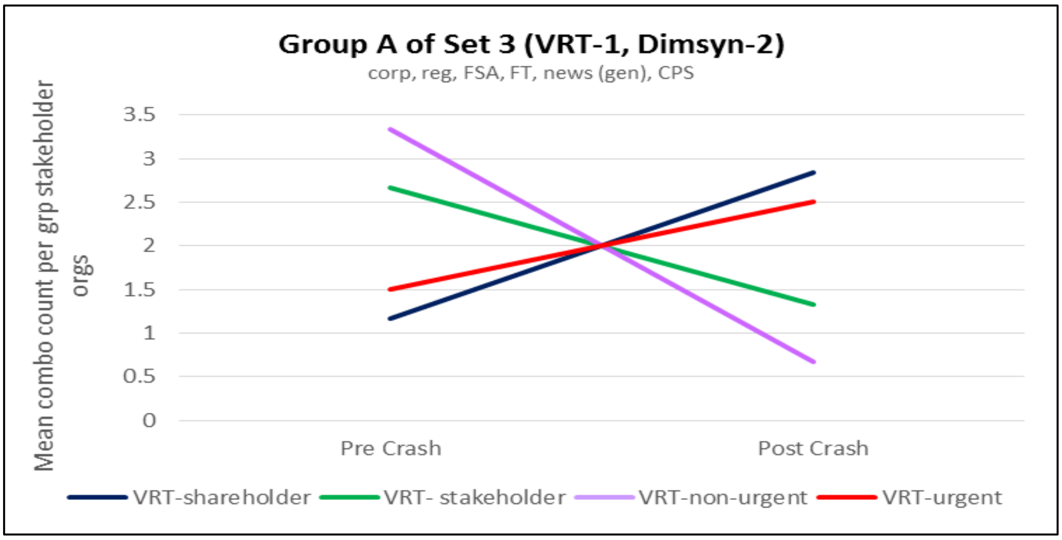

Fig 5.26a

Indeed, in Fig 5.26a it can be observed that there is quite a good alignment on the dimensions, and that this alignment is similar to previous Group A analyses. But here, rather than a bias for short-termism pre-Crash and long-termism post-Crash, there is a sense of *non-urgency to reorientate* (lilac) aligning to a greater extent with *stakeholder primacy* (green) pre–Crash and this moving towards a bias in favour of an *urgency to reorientate* (red) along with *shareholder primacy* (blue) post-Crash. Once again, it is not complete parity but a definite bias that may be observed, suggesting how these six corpuses (corporate, regulatory, FSA, FT, News-gen, and the CPS) again display a similar perception.

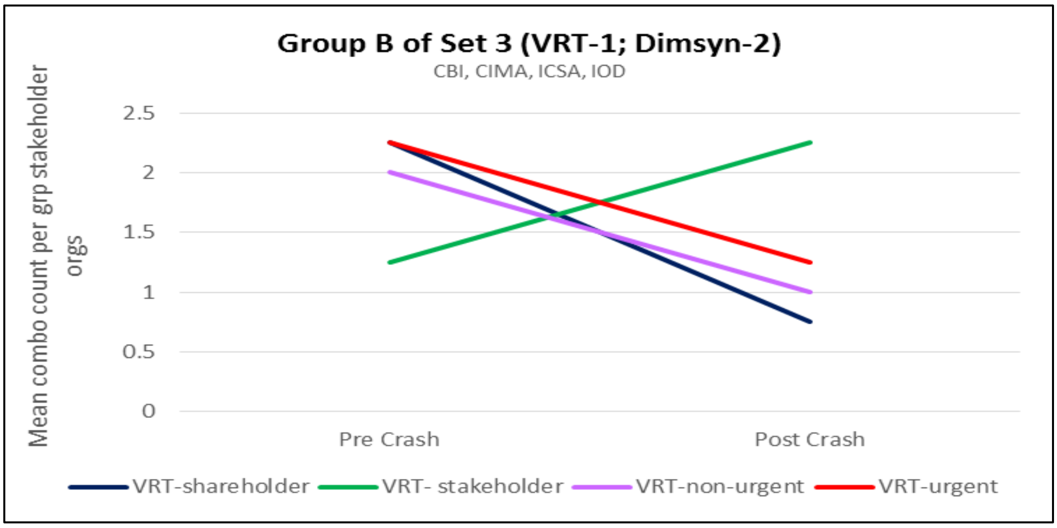

Fig 5.26b

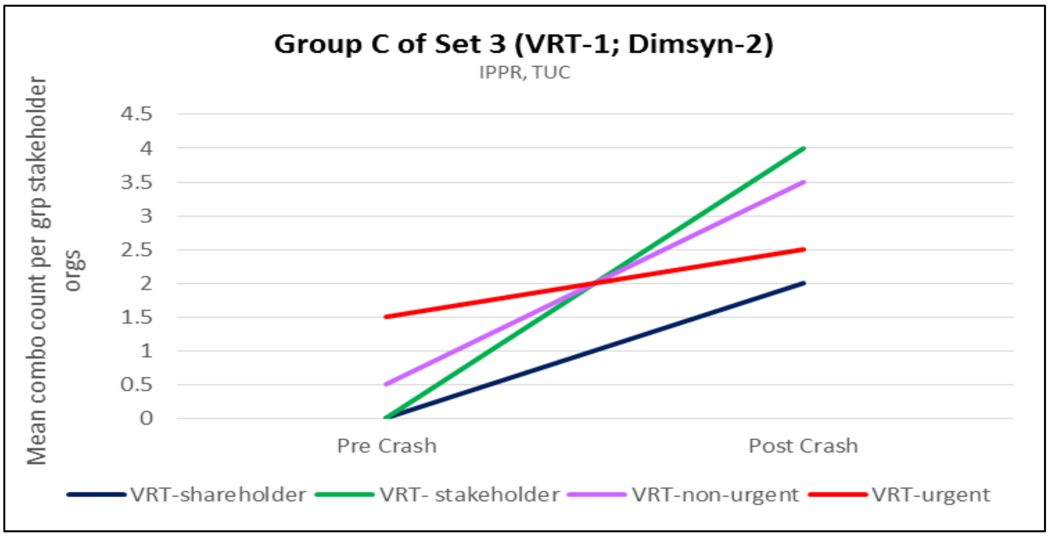

Fig 5.26c

For Group B in Fig 5.26b, and reflecting the results of the narrative strip, any alignment appears to break down, largely, although a pre to post-Crash movement is observable with respect to stakeholder primacy, while there is a considerable reduction of any other conversation over the period.

Similarly, the Group C set of corpuses shown in Fig 5.26c (the IPPR and the TUC), does not work together and there is no observable differentiation in alignment over the period.

In the fourth set of graphs, again looked at are the groups, though here examining whether any alignment is observable with *Set 4* variables for the same corpus groups. Group A, in Fig 5.27a, shows that some alignment is achievable with these corpuses placed together. Though somewhat on the weak side, indicated by how far the plots are apart, there is nevertheless a movement pre-Crash for a bias of non-urgency to reorientate and a stakeholder perception to a post-Crash bias of an urgency to reorientate and a shareholder perception.

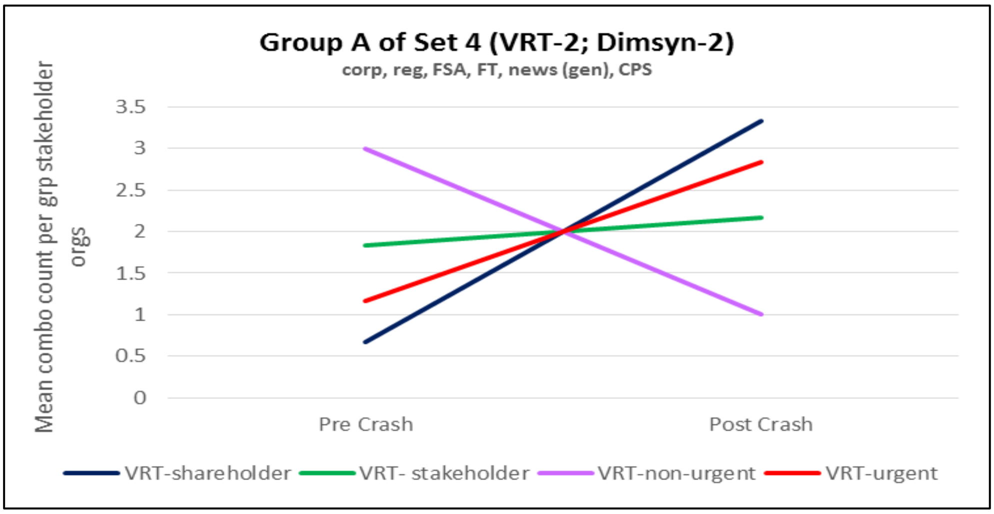

Fig 5.27a

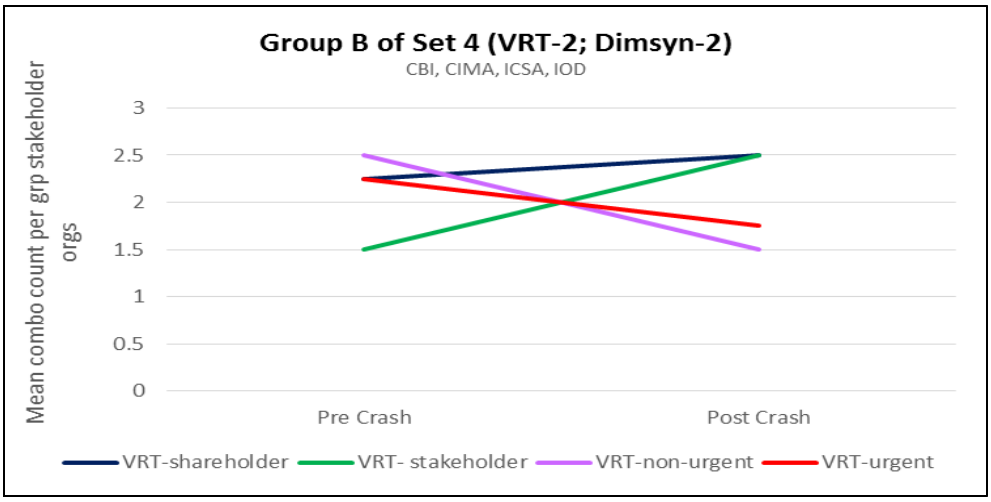

Fig 5.27b

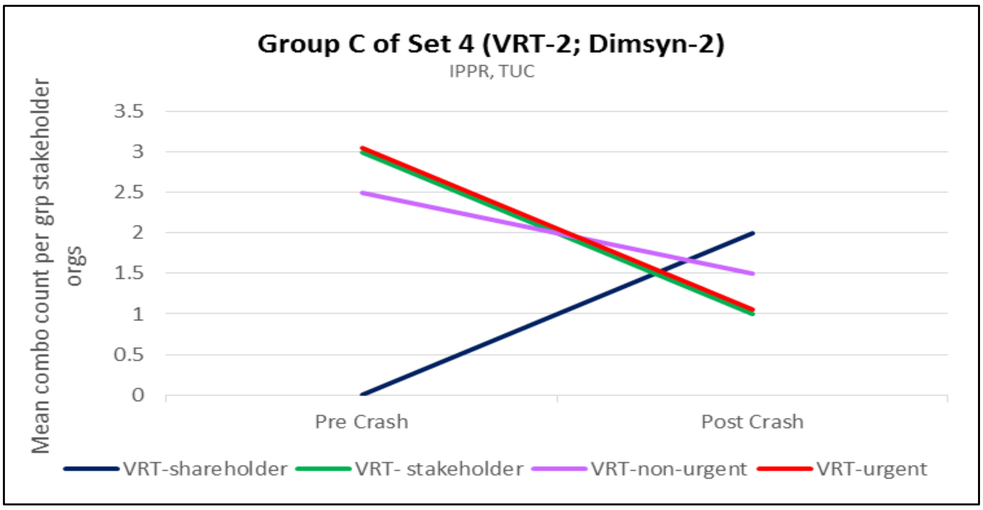

Fig 5.27c

For Group B, looking at *Set 4* variables (Fig 5.27b), again much like observed in the narrative strip and in Fig 5.26c above, there is no evidence of alignment that could be easily produce. These corpuses do not really go together – all that is observable is some alignment for the corporate governance dimensions and similarly for the sense of urgency dimensions, themselves. This only indicates some weak movement in the conversations pre to post-Crash.

And, though there is some evidence of a pre to post-Crash movement of stakeholder primacy, with a sense of urgency to reorientate, towards a post-Crash shareholder primacy, with a non-urgency to reorientate, Fig 5.27c for Group C is a skewed graph. Also again seen is largely the same kind of lack of differentiation when observing the Group B graph. It highlights once more that these corpuses together are not a good reflection of the narrative strip results.

These results, of course, beg the question of why not just put another group of corpuses together to throw light on how different stakeholder organizations (ie their corpuses) potentially change their perception in line with one another? Unfortunately, the three main groupings chosen appear to be the best achievable with the data that has been generated. With the two different time period involved, there are a lot of differences in Group B and Group C, even allowing for playing around with groupings based on the different temporal dimensions, making this a difficult endeavour.

Nevertheless, there was the possibility of examining one further configuration. This was a configuration constituted with the TUC in relation to the CBI and CIMA. Fig 5.27d shows this as Group D, a blend of corpuses utilizing *Set 4* variables, ie VRT-2 and DimSyns for primacy and a sense of urgency.

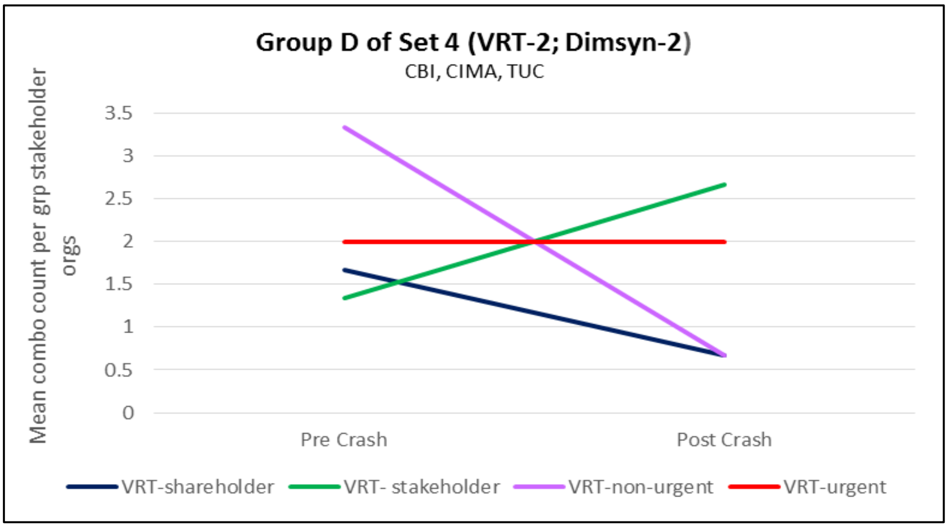

Fig 5.27d

Some alignment is apparent for this group, despite the distance apart between dimensions, inasmuch as it is observable that there is some differentiation. Pre-Crash – assume the lines are extended back a bit to make this clearer – there can be considered a slight bias for shareholder primacy (where its position is slightly above in comparison to stakeholder primacy) and a non-urgency to reorientate, while post-Crash there is more obviously a bias for stakeholder primacy with an urgency to reorientate. This Group D set of corpuses is of note as well as it is in an opposite configuration to Group A (with Set 4 variables). Chapter 6 looks at the meaning of this, but there is clearly a different business perception for this group in evidence.

One of the intriguing findings from these analyses overall was the preponderance of a pre to post-Crash movement of not only short-term to long-term perception (particularly for Groups A) but also for a movement from a sense of *non-urgency* to a *sense of urgency*. Seen in the narrative strip, this result was in fact stronger and more widespread than that for the termism results. Intuitively, the expectation might be the opposite when it comes to a *sense of urgency* over time but these results suggest otherwise. In Chapter 6, there is further consideration given to these observations along with the delicate nature of different groupings based on VRTs and DimSyns.

5.4.4 Results from assessing VRTs within combos: In addition to examining movement across stakeholder corpus datasets to gain an understanding – in line with the first research question – of any changing corporate value narrative, also to be addressed is how *financial* versus *non-financial value-related terms* might move. It is important to stress that this aspect is different from what has so far been undertaken. Up to now when looking at combos in the perceptual maps they have been considered from the perspective of the dimension to which the VRTs are attached - ie VRTs are depicted as a single class, while the analytical focus is on the corporate governance and temporal dimensions linking to them, and the combos then colour-coded according to the relevant dimension. Yet this means the combos do not apparently show the more subtle value-related changes if they are there. Addressed in the following analysis, however, is the other end of the combo to understand more about the value-related terms themselves.

i) Primary corpuses in relation to hypotheses: As noted in the Chapter 4, the types of hypothesis conceptualized to examine value-related terms included *H1c: Pre Crash, there will be a dominance of financial value-related terms compared to non-financial value-related terms clustering towards the space representing short-term ShP*. And *H1d: Post-Crash, there will be a dominance of non-financial value-related terms compared to financial value-related terms clustering towards the space representing long-term StP* (see also Table 5.3 for a summary of results).

A matrix for the map data under consideration was constructed[1] and the results graphed. First, *Set 1* results for the corporate corpus (Fig 5.28) is looked at, consisting, as before, of the annual reports for twenty FT250 companies. As previously indicated in the methodology the graph is in two halves, ie pre-Crash and post-Crash, which has been appended with 1 or 2 to the dimension plotted to depict this. *Return* and *customer*[2] are conceptualized here as non-financial value-related terms - and coloured light blue - and *price* and *share* as financial value-related terms - and coloured dark blue (all the following graphs use the same colour scheme). Admittedly, there is a degree of self-selection – where ‘price’ and ‘share’ are taken

[1]Chapter 4, Section 4.7.3, provides an example of how this secondary analysis is carried out.
[2]See Chapter 4, on how terms were chosen, and how such choice is subject to experimental limitations; ‘return’ was thus one of the best choices as a VRT. Indeed, the fact that ‘return’ in a business context has a financial meaning - and it was business-related material (eg ARs) that formed the corpuses - meant there was support for the use of the term in that financial sense. It may be noted, though, that how the term would be used for this later secondary analysis was not known in advance - and using another term would have required major redoing of the whole investigation – but alternatives would be a useful exploration for future research.

as more likely to be financial and ‘customer’ non-financial. Indeed, ‘return’ is somewhat ambiguous. But for the purpose of experimentation, it will be taken as a non-financial type of term. On that basis, it is instructive to see what happens.

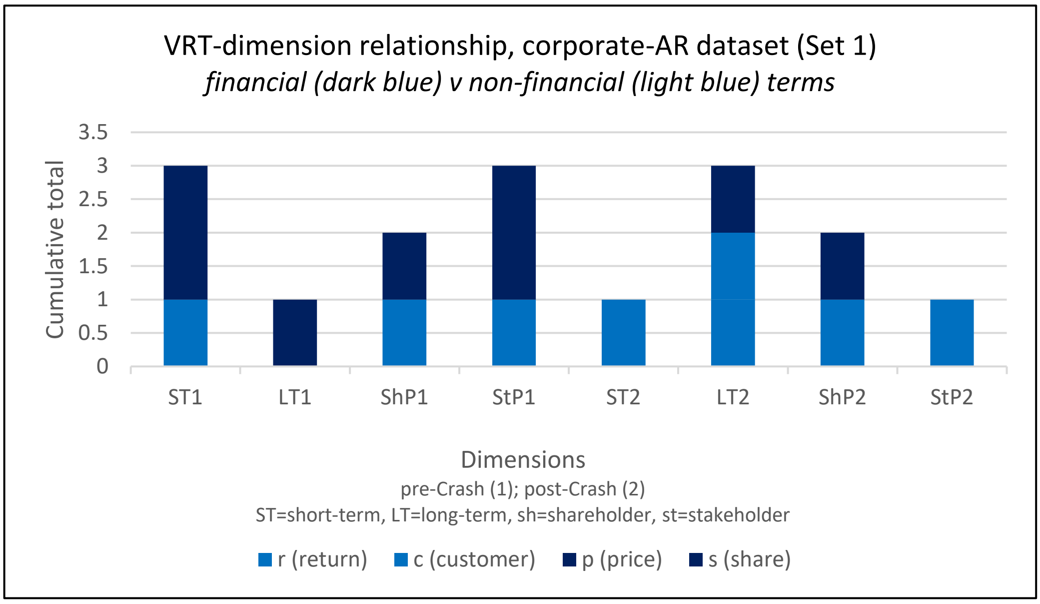

Fig 5.28

In the light of H1c then it would be expected to see more instances pre-Crash of financial value-related terms (*price, share*) loading on ShP1 (shareholder primacy) and ST1 (short-term). What is actually apparent, however, are equal amounts of financial and non-financial value terms loading on to ShP1. Meanwhile, on ST1 it is seen there are slightly more financial terms (*price, share*) present. Hence, because of the dominance on ST1 of financial terms, H1c is not supported. In fact, though, there is a greater dominance for financial terms, pre-Crash, loading on to long-term stakeholder primacy, as there is a pre-Crash preponderance of financial terms. The relevance of this is highlighted further moving through this section. Note, overall, that in comparison to previous biasing observed on the maps and the narrative strips, this is the same, as evidenced by the highest columns for ST1 and StP1; it is just broken down more into the financial and non-financial categories.

Similarly, for H1d it would be expected to see post-Crash more instances of non-financial terms (*return, customer*) on LT2 (long-term) and StP2 (stakeholder primacy). This is what is actually see, and hence H1d is supported. However, it is also observable that only non-financial terms are loading on to ST2, so that there is a stronger biasing for the effect on this dimension for short-termism. In '*b) Group effects*' below, this kind of effect is expanded on.

Next, an assessment was made of the regulatory corpus datasets (Fig 5.29). As far as H1c is concerned, there was no expectation, as before, to see financial VRTs (*price, share*) more prominent on dimensions of ST1 and ShP1. What is actually apparent is that they are in an equal ratio on ST1 and not in evidence on ShP1. Hence, H1c is not supported. Similarly, for H1d, the plot indicates a complete reversal of what the expectation might have been, as there are no non-financial terms loading on to LT2 and StP2. The hypothesis is, therefore, not supported for the regulatory corpus dataset.[1]

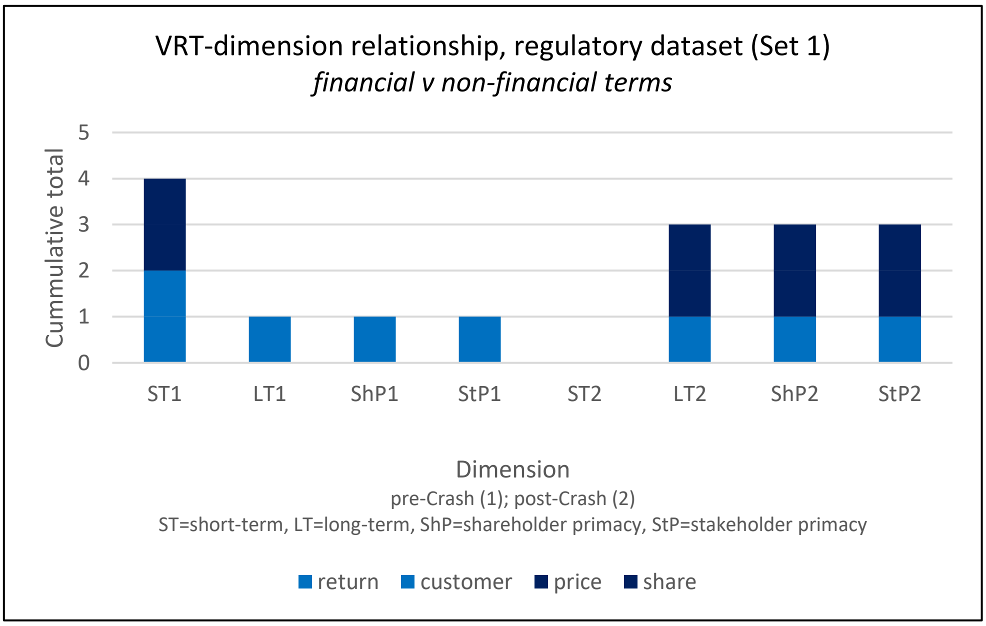

Fig 5.29

There is one important thing that is observable, however. It is that while it has previously been determined that on the face of it there is no preference for shareholder or stakeholder

[1]Additional matrices for all the Sets for the primary corpuses is given in Appendices 16 and 17.

primacy, as they are in equal proportions for both time periods (Fig 5.28), it can now be seen that this is propelled by different types of value perception – non-financial, pre-Crash, and financial, post-Crash.

ii.a) Group effects: Even after all the deconstruction done, examining single stakeholder datasets does not at this juncture provide a lot of data from which to work from. Combining matrices is helpful in this regard. Moreover, when combined into twos or threes – or rather based on some common corporate interest – the results are additionally revealing.

Here are the findings for a *cluster* of the corporate dataset together with that of the CBI and the IOD.

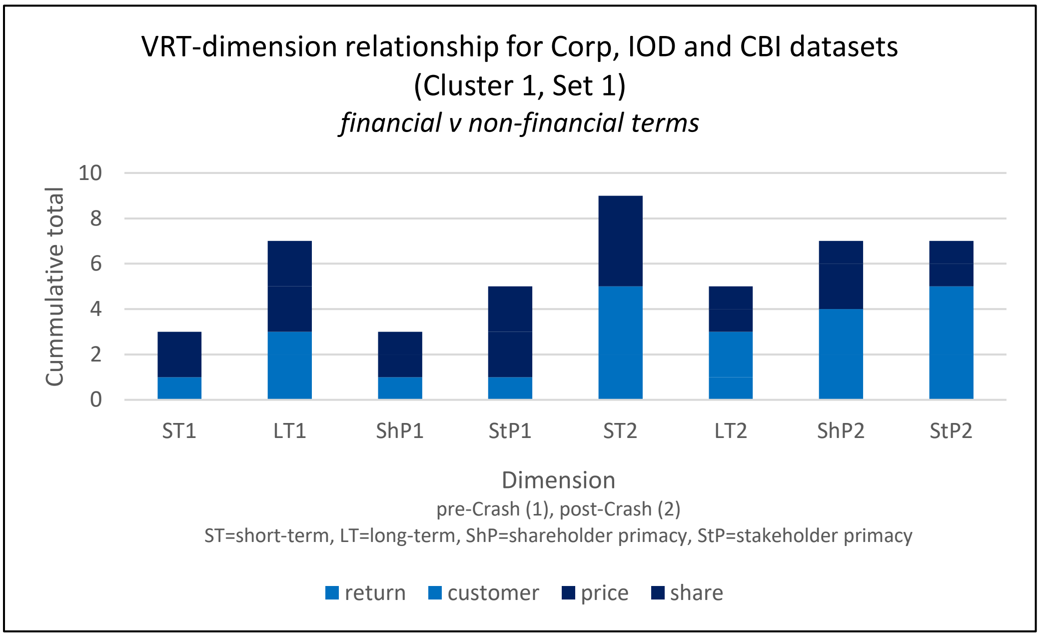

Fig 5.30

As with the corporate dataset on its own, the results (Fig 5.30) are similar, inasmuch as a relative change occurs over time from managers' use of financial terminology to non-financial terminology. Hence, a pre to post-Crash analysis shows a movement from a bias of financial value-related terms clustering in the space representing short-term ShP to that later, post-Crash, of non-financial value-related terms clustering in the space representing long-term StP. Hypotheses H1c and H1d are therefore supported. The rider, though, is that some dimensions can bias more than others can. In this case, StP1 has a stronger financial to non-financial term bias than ShP1 (as indicated by the greater ratio of dark to light blue). Hence, while the specified hypotheses are supported the plot tells us about perceived corporate value beyond that, inasmuch as it shows for that pre-Crash time, and for that cluster of organizations, there was a stakeholder discourse occurring. But that multi-actor discourse was occurring with greater reference to financial terminology.

Switching the temporal category to a *sense of urgency*, it may be noted, similarly supports H1c and H1d and Table 5.3 records this.

Other clusters examined were the regulatory and the FSA corpuses together, and the FT and General newspaper corpuses together.

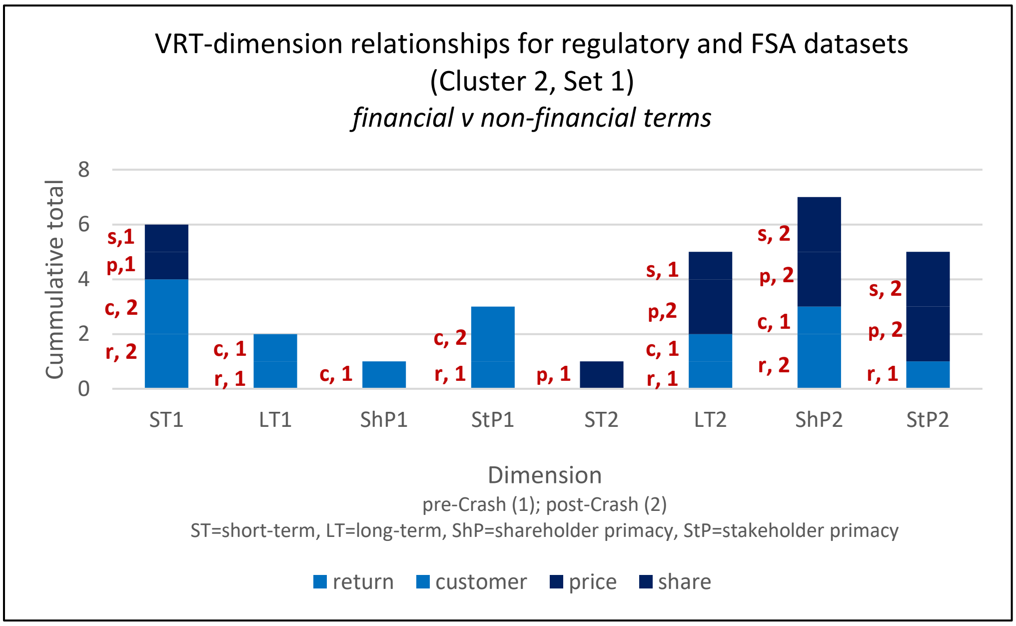

Fig 5.31[1]

[1]Letter by bars indicate relative amounts of different VRTs.

Both these graphs (Figs 5.31 and 5.32) are again relatable to hypotheses H1c and H1d, and which are not supported (Table 5.3). But what is of more interest here is that both datasets are, in the main, biasing in similar ways pre and post-Crash, ie a focus pre-Crash on non-financial value-related terms and post-Crash on financial value-related terms.

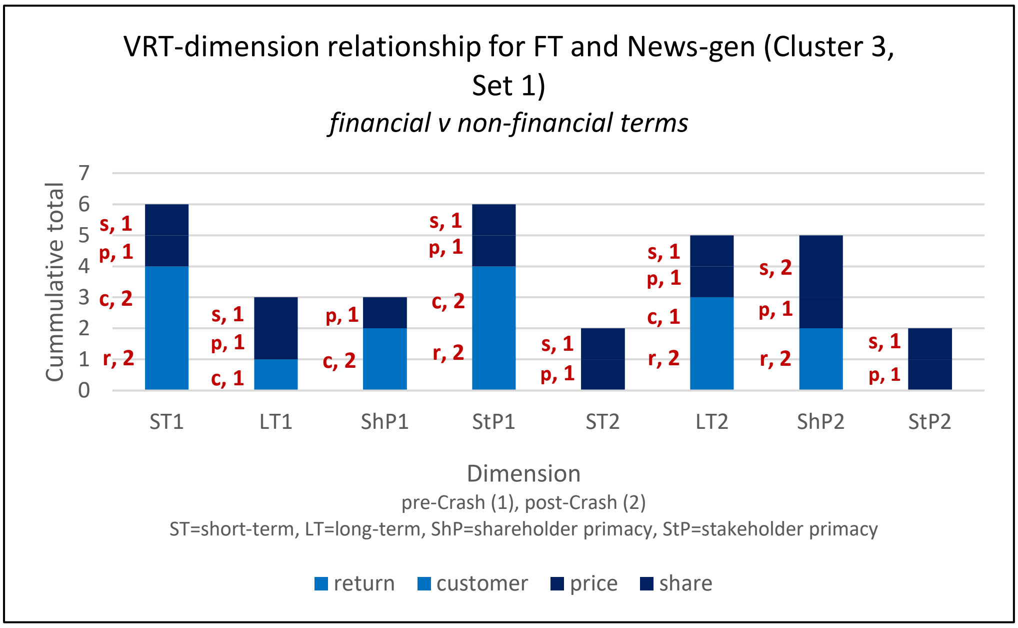

Fig 5.32

With comparable pre to post-Crash biasing, what is observed from Cluster 2 and Cluster 3 overall is that the narrative of corporate value is to an extent aligned for the stakeholders involved when considered as groups with multiple actors. Moreover, it might be thought that, based on the many articles they write on business activities, newspapers would be more aligned with the corporate world (see Fig 5.28), rather than the regulatory one (see Fig 5.29). But these results, tentatively, suggest otherwise.

ii.b) Overview of group effects in relation to hypotheses: Highlighted in Table 5.3 are the grouped alignments that have been given consideration, and in comparison to the primary corpuses.

And though somewhat redundant - as indicated above in Section 5.4.3 for Group C - also highlighted is whether the alignments serve to better support the research questions and hypotheses or otherwise. Chapter 6, considers the meaning of the results.

Research Questions Addressed and Hypotheses Supported Summary Table for Primary Corpuses and Stakeholder Corpus Groups

Corpus	Set type	Q1 (primacy)	Q2.i (termism)	Q2.ii (SofU)	H1a (primacy /term.)	H1b (primacy /term.)	H2a (primacy /SofU)	H2b (primacy /SofU)	H1c (primacy /term.)	H1d (primacy /term.)	H2c (primacy /SofU)	H2d (primacy /SofU)
		Diff	*Diff*	*Diff*	*Pre*	*Post*	*Pre*	*Post*	*Pre*	*Post*	*Pre*	*Post*
Corp.	Set 1	✓	✓		x	x			x	✓		
	Set 2	✓	✓		x	x			x	x		
	Set 3	✓		✓			x	x			x	x
	Set 4	✓		✓			x	x			x	x
Reg.	Set 1	x	✓		x	x			x	x		
	Set 2	✓	✓		x	x			x	x		
	Set 3	x		✓			x	x			x	x
	Set 4	✓		x			x	x			x	x
Group A	Set 1	✓	✓		x	x						
	Set 2	✓	✓		x	x						
	Set 3	✓		✓			x	x				
	Set 4	✓		✓			x	x				
Group B	Set 1	✓	✓		x	x						
	Set 2	✓	✓		x	x						
	Set 3	✓		x			x	x				
	Set 4	✓		✓			x	x				
Group C	Set 1	✓	x		x	x						
	Set 2	✓	✓		x	x						
	Set 3	✓		✓			x	x				
	Set 4	✓		✓			x	x				
Group D	Set 4	✓	✓				✓	✓				
Cluster 1	Set 1								✓	✓		
Cluster 2	Set 1								x	x		
Cluster 3	Set 1								x	x		
Cluster 4	Set 1								x	x		
	Set 2								x	x		
	Set 3										x	x
	Set 4										x	x

Table 5.3[a]

[a]Notes to Table 5.3:
1. Research question addressed or hypothesis supported denoted '✓'; not addressed or not supported denoted 'x'.
2. Groups: A=corp, reg, FSA, FT, News-gen, CPS; B=CBI, CIMA, ICSA, IOD; C=IPPR-T, TUC
3. Cluster: 1=corp, IOD, CBI, 2=reg, FSA; 3=FT, News-gen (all as above in Section 5.4.4.iia);
4. 'Cluster 4' refers to analysis below in iv) Multiple corpuses in the broader corporate context.
5. Diff = pre to post-Crash difference ie where there is unspecified change over time
6. Q3 not included – as not a group-based analysis (see Section 4.4.7.ii; Appendix 13).
7. Primacy and termism together represent (part of) a managerial corporate governance outlook.
8. For research questions and hypotheses, see Introduction: *Specifying the research questions and hypotheses.*

ii.c) Are dimensions related to a term's financial or non-financial orientation?: One other group comparison that can be made is through looking at a summary of the above primary stakeholder and corpus cluster graphs in relation to the DimSyns examined in the *Set 1* positioning maps and narrative strip.

Financial (F) v non-financial (NF) bias (VRT-1)			**VRT-dimension bias (VRT-1)**	
	Pre-Crash	**Post-Crash**	**Pre-Crash**	**Post-Crash**
Corporate	F	NF	**ST,StP**	**LT,ShP**
Corporate, IOD, CBI	F	NF	**LT,StP**	**ST,-**
Regulatory	NF	F	**ST,-**	**LT,-**
Regulatory, FSA	NF	F	**ST,StP**	**LT,-**
FT, News-gen	NF	F	**ST,StP**	**LT,ShP**

Table 5.4

Colour key: **VRT-shareholder primacy, VRT-Stakeholder primacy, VRT-long-term, VRT-short-term**

Whether a stakeholder organization or group is financially or non-financially oriented in regards to their value-related perception, there is not necessarily a linkage to their dimension orientation, as Table 5.4 demonstrates. For example, whether managers are pre-Crash short-term stakeholder biased (as with the corporate corpus and the combined regulatory and FSA corpuses) different pre-Crash financial v non-financial dispositions are observable.

iii) Further analysis of sets:, A somewhat different picture, however, emerges when the second set of value-related terms are examined; as conducted above with Set 2 (VRT-2) alignments and as also depicted in the narrative strip (Table 5.2).

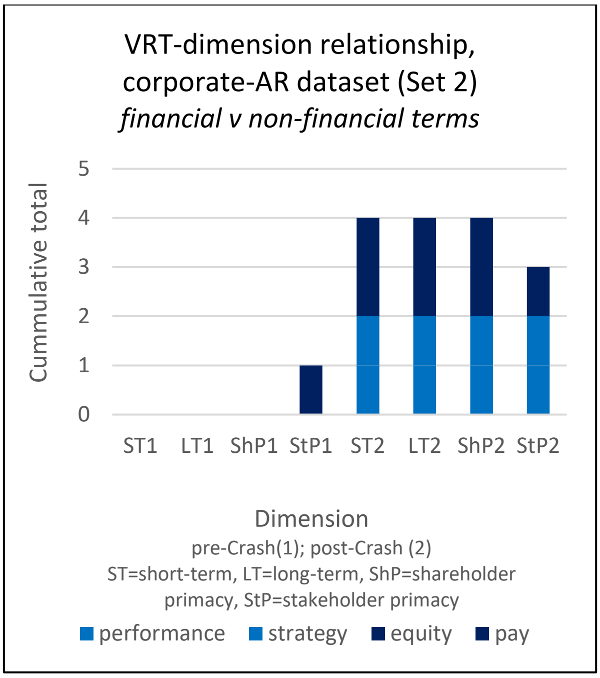

Fig 5.33a

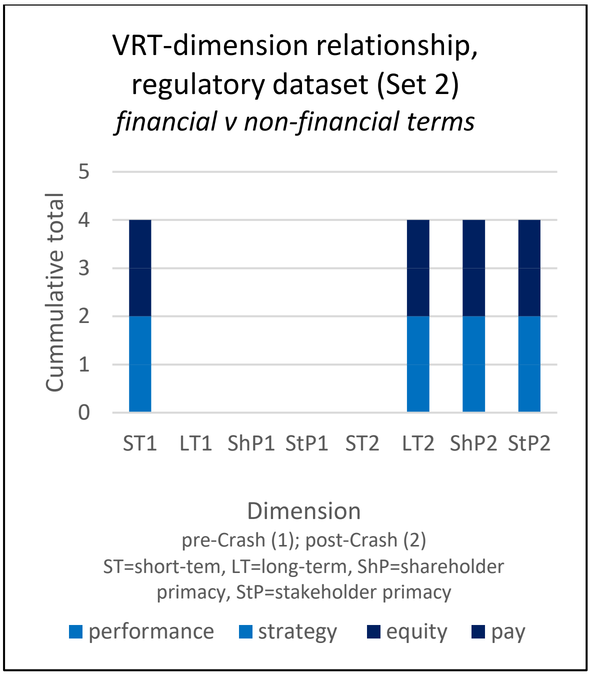

Fig 5.33b

In this analysis *performance* and *strategy* are viewed as non-financial value-related terms and *equity* and *pay* as financial value-related terms. Leaving aside any overarching pre to post-Crash difference, which has already highlighted above, here for example, there is more of a roughly equal split in financial and non-financial biasing specifically, post-Crash, in both the corporate and regulatory corpuses. Although, for the corporate corpus there is a financial VRT bias on the stakeholder primacy dimension (StP1) and a greater non-financial bias post-Crash loading on to the same dimension (StP2). Nevertheless, hypotheses H1c and H1d are not supported.

By contrast, when examining what occurs when the *sense of urgency* dimensions are used, the picture is different once again. Although this is so only for those specific dimensions, as represented by the relevant bars on the graphs; for the corporate and regulatory corpuses – for example as shown in Figs 5.34a, 5.34b - the shareholder and stakeholder primacy dimensions are the same as depicted in Figs 5.19 and 5.21 respectively[1]

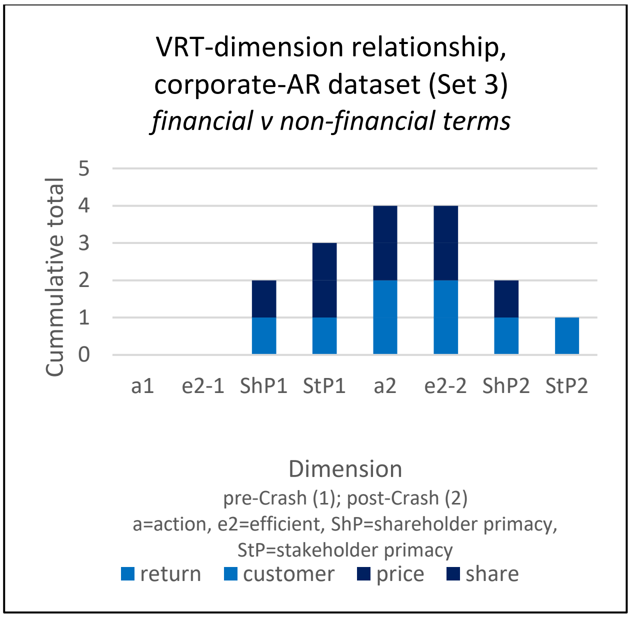

Fig 5.34a

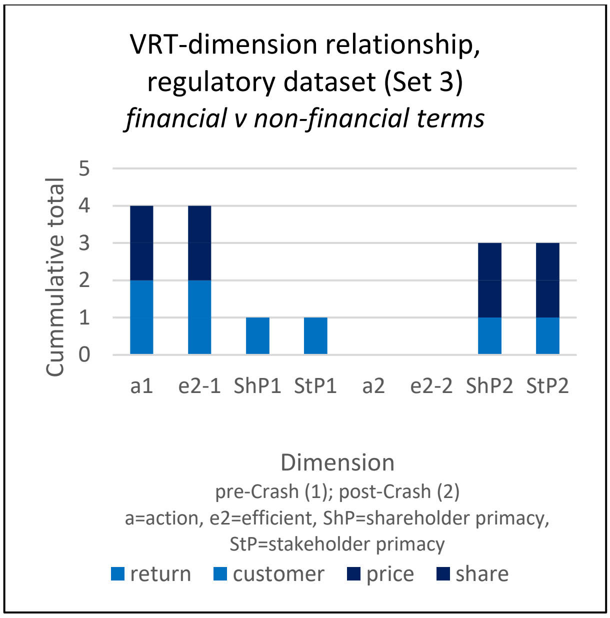

Fig 5.34b

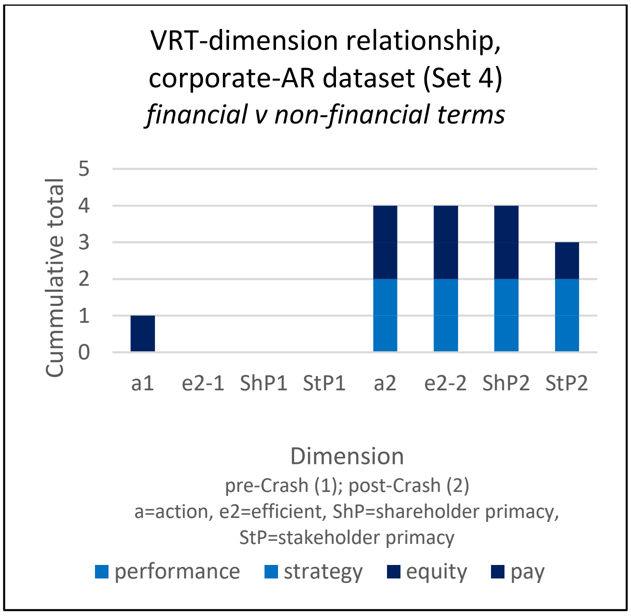

Fig 5.35a

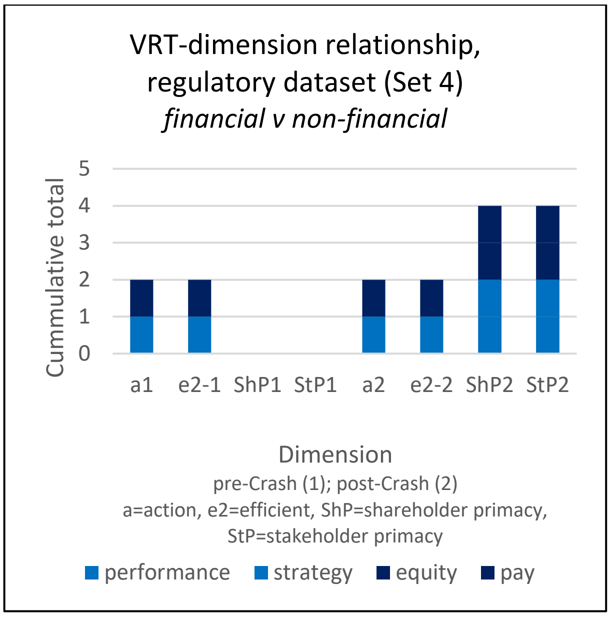

Fig 5.35b

[1]See also Chapter 4 on comparing these bar charts to perceptual maps.

Overall for these analyses, the pre to post-Crash shift is very loosely maintained it appears in these other sets, in a similar manner to that seen, for example, with *Set 1* (ie corporate – *financial to non-financial*; regulatory – *non-financial to financial*). Though hypotheses H2c and H2d are not upheld (see Table 5.3). Hence, being seemingly so dependent on the variable sets examined, therefore, these kinds of analyses are also not clear cut – particularly as observed when the financial and non-financial VRTs are in equal proportions, as with *Set 4* for the regulatory corpus.

Yet, for these primary corpuses, there are, at the very least, slight differences in evidence. This is apparent by referring back to looking at *termism* in Table 5.2 as an example. Whereas alignment can be observed for both these primary corpuses for *Set 1* variables (though some ambiguity on the corporate governance dimensions; and with somewhat comparable results for *Set 2* variables, and so forth for the other sets), it is still possible that one source of biasing might stem from an underlying financial versus non-financial perception by the organizations involved.

iv) Multiple corpuses in the broader corporate context: The primary corpuses alone address the hypotheses as specified, showing that hypotheses H1a – H2b are not upheld (as indicated in Table 5.3). Though for the corporate corpus there is a *financial to non-financial* movement in term use; and for the regulatory corpus, there is a *non-financial to financial* movement in term use – just not on the dimensions proposed. Beyond that, these corpuses provide only a partial picture and are not definitive of the wider business perceptions as a whole for the stakeholder organizations we have researched. Groups of aligned corpuses, meanwhile, show how, to a better extent, financial v non-financial value-related perceptions may be operating to reflect bias amongst certain business community segments. But there is also the possibility the formation of these corpus groups is too artificial. And the results are somewhat limited, therefore, if it to be truly understood what is occurring for the economy as a whole.

Yet, even though the bias of some groups of corpuses are operating in opposition to one another - as seen above (Figs: 5.35a, 5.35b) and which itself could be reflective of the broader economy - it is still possible to take all the twelve stakeholder corpuses as a proxy for wider financial perspectives amongst UK organizations. Indeed, as a cross section of the national economic landscape they provide a credible sampling. In this case, might there be any overall bias – even slight - observable?

In fact, the finding for all twelve stakeholder corpuses, however assessed (that is for *Set 1* to *Set 4*; Figs 5.36a – 5.36d), is that while hypotheses H1c – H2d are not supported there is a nominal post-Crash biasing towards the use of financial value-related terminology.[1,2] The effect is most marked for Set 2 and Set 4, which both use VRT-2 variables (performance, strategy, equity, pay).

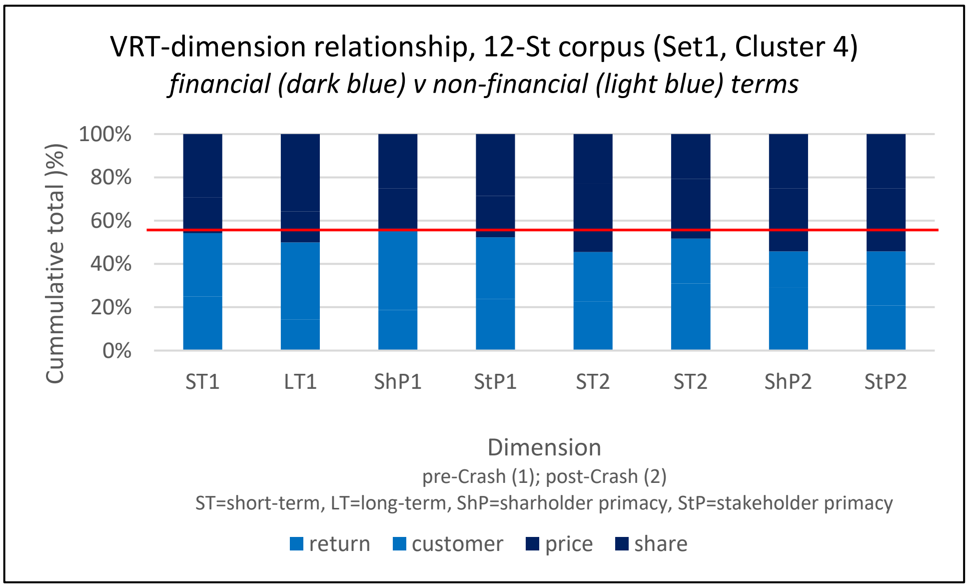

Fig 5.36a

[1]Depicted by the dark blue part of the bars being longer than the light blue part, and in greater evidence below the red line post-Crash.
[2]Appendix 18 provides an alternate depiction as radar graphs. The bar charts, however, are superior.

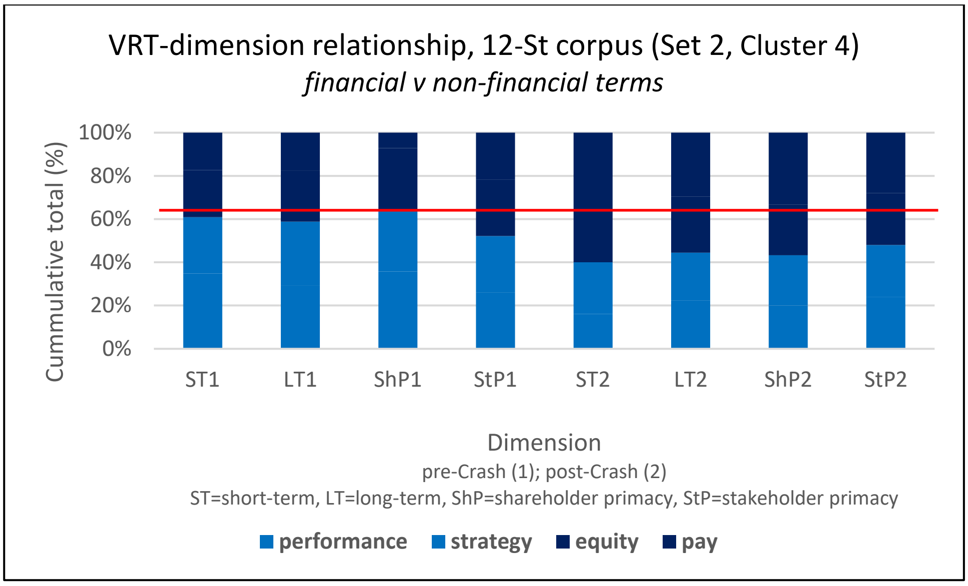

Fig 5.36b

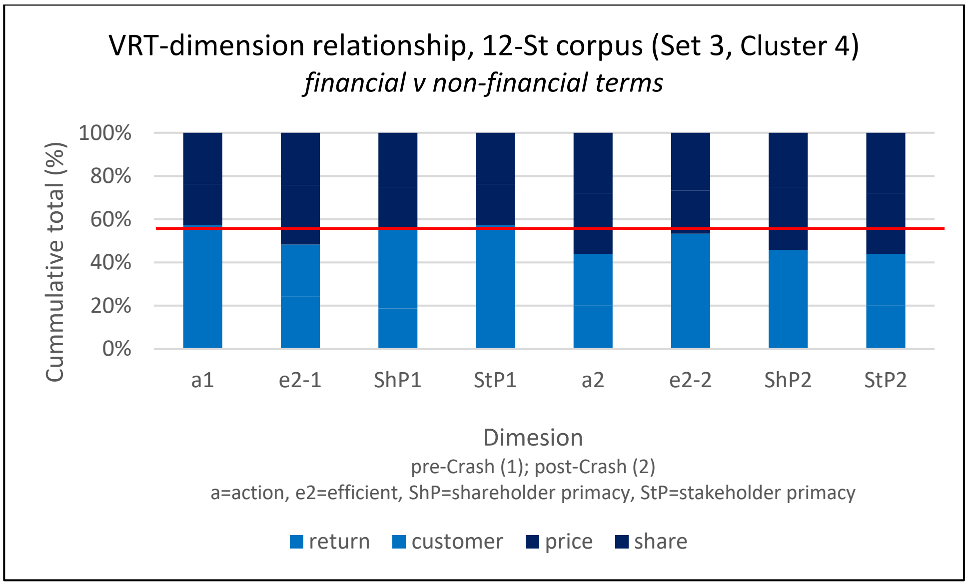

Fig 5.36c

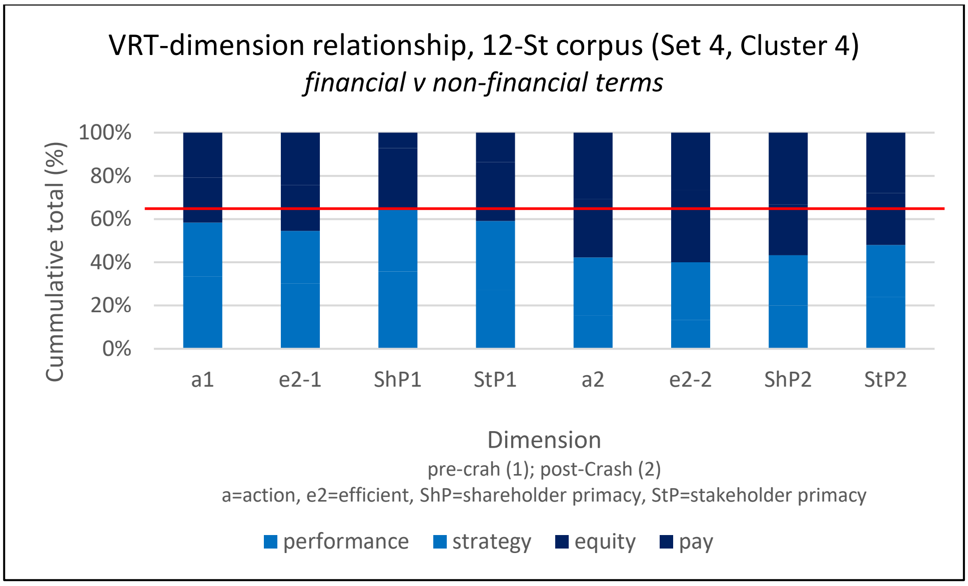

Fig 5.36d

To place these findings[1] in context, with respect to the VRTs used in this research there appears to be a systematic effect occurring, such that across sets, where despite manipulating the variables, financial versus non-financial value-related perceptions have similar movement pre to post-Crash. How strong this effect is, is another matter. But certainly the relevance of this effect in relation to the debate on financialization is apposite.

Ultimately, though, from the perspective of this study, the extent there might be greater movement towards financial VRTs post-Crash (hence, potential financialization) is seen as dependent on the particular part of the economic discourse being focused on. Indeed, it is feasible the Crash may not have curbed any prevailing financialization ethos at all. An open mind needs to be kept, therefore, on this part of the analysis as to what is driving value perception, particularly with respect to the corporate world.

[1]Table 5.3 above provides a summary of results for the primary corpuses and groupings; Appendix 19 provides a summary of results for the primary corpuses and secondary corpuses of peripheral stakeholder organizations.

6. An Exploration of the Findings

This research started out with the expectation that companies were overly shareholder-oriented leading up to the Crash of 2008. It was an expectation in line with a widely-held academic and popular view, propounding the existence of a financialized commercial environment at that time (eg Lazonick and O'Sullivan, 2002; Krippner, 2005; Froud, 2006). And as Jack Welch's famous comments exemplified (Guerrera, 2009), it engendered a variety of short-termist business practices. Ultimately, the thinking went, this behaviour was to destroy the ability to generate value and fuelled the financial crisis that followed (see eg Foroohar, 2017). After the Crash, by contrast, there was the expectation companies would have likely become more aware of the need to focus on broader stakeholder interests over the longer term as a necessity for improving value generation.[1]

The results of this study challenge these ideas, finding the managerial discourse concerned with value generation was not as expected either before the crisis or after. This, however, is only apparent when the discourse is examined from the perspective of a complex set of questions and associated hypotheses; an approach more in keeping perhaps with the

[1]See eg: Donaldson and Preston, 1995; DesJardins and McCall, 2004, Sprague, 2010; Vasudev, 2012.

way individuals actually think. Specifically, when primacy and temporality orientations are considered together, they can be observed to have progressed differently from hypothesised; and H1a – H2b are thus not supported. Indeed, for the Study 1 analyses, as time advanced the corporate domain demonstrated a short-term stakeholder to long-term shareholder movement; for the regulatory domain, a movement of short to long-termism accompanied by an unchanged primacy orientation.

Managers, apparently, were thinking about the concepts involved in a manner against the accepted wisdom. Indeed, with shareholder primacy not in the ascendency for the corporate domain prior to the Crash of 2008, despite the popular portrayal of an ignoring of stakeholder primacy, apparently had the upper hand at that point in time.[1]

And it is not only the results for the corporate and regulatory domains that challenge expectations about managerial behavior in relation to where their corporate governance focus lay at points over the crisis period. Extending the investigation to other stakeholder organizations showed they similarly did not conform to the hypotheses but instead manifested varied new primacy and temporality biasing configurations. One unanticipated consequence of this was that the configurations gave rise to behavioural alignments amongst particular organizations. And with the application of narrative staining to these domains, groupings became apparent. Such a broad analysis culminating in this sort of breakdown of constituents produced an unprecedented view of the UK business arena – as seen in the narrative strip. It meant that as the effects of the 2008 Crash took hold new biases became manifest. Indeed, it was these biases that were at work within managers' thinking, supporting an alteration in their perceptions across the economy about the how the creation of corporate value occurs.

[1]The extent this is so is due, it might be thought, to the term 'manager' being used as a stakeholder term, and therefore not truly reflective of stakeholders as a group. However, as discussed in Chapter 4, the use of the term 'manager' as a proxy of stakeholder primacy is justified.

This discussion looks at some possible reasons for these findings. In that context a number of factors are stressed: the sensitive and often ambiguous thinking executives bring to bear on value creation; that primacy and temporality are highly stratified variables; that value creation may mean something different depending on what variables or combinations (VRTs, DimSyns) are looked at; and when relevant variables are looked at, something particularly pertinent when faced with major crises. All explanations offered are therefore tentative. And though the basis for this investigation is the *shareholder versus stakeholder debate* - a complex field as the literature review in Chapter 2 highlighted - this research is not about proving or disproving any particular theoretical position on primacy or temporality. Similarly, it is important to emphasise the research aim was not to provide solutions for how UK companies should function to best effect in creating value. Rather, for the first time is the belief, the purpose was to map potentially changing *perceptions* when it came to value creation. Hence, objectively determining – and depicting in visual form – what a variety of UK organizations thought about these aspects of their work, aspects that underpinned how value generation was conceived as they went into the financial crisis and then as they came out of it.

6.1 Primary corpuses

The analysis began with three general research questions. These concerned a non-specific directional change in perception over time with respect to how managers perceived corporate governance change with respect to value creation. Thus, Q1 is addressed, with the results demonstrating an alteration in thinking for the primary corpuses - the corporate and regulatory domains - across the pre to post-Crash period.[1] Similarly, as general questions

[1]Table 5.3 in Chapter 5, under the Q1 column, shows that with the exception of two sets in the regulatory analyses both the corporate and regulatory corpuses display a change of primacy orientation of some description – ie without considering any specific bias in operation.

regarding the appearance of a perceived temporal change Q2i and Q2ii were addressed. The results for these questions indicate, respectively, that executives changed their perceptual orientations with regard to, first termism, and second, a sense of urgency. As far as that goes, findings were much as expected from the thrust of the research.

Yet what was an unexpected outcome was that corporate governance perceptions did not occur in line with expectations once a consideration was made of primacy and temporality in combination and their potential direction of change specified.[1]

6.1.1 The Behaviour of the corporate domain: The expectation was – and on the basis of which there had been a formulation of the hypotheses – that companies would change their perception from one of *short-term shareholder primacy* before the Crash to that of *long-term stakeholder primacy* after the Crash, as they – the thinking might be – learnt from their mistakes. However, this was not borne out. An apparent shift from short to long-term perception (orange to purple), pre to post-Crash was clearly evident. But the hypotheses in this regard (H1a, H1b, H2a and H2b), that used a combined variable encapsulating value as it is associated with both primacy and temporality, demonstrated something different was occurring within the corporate and regulatory corpuses. In looking at the results from Study 1 (using Set 1 terms[2]) for the corporate domain, it is observable that corporate executives shift their perception from short-term stakeholder primacy prior to the Crash to long-term shareholder primacy following the Crash. It is an effect that is partially supported in Study 2 (using Set 2 terms) where again there is a clear movement towards shareholder primacy post–Crash. Although unlike in Study 1 which showed a short to long-term shift in bias in this instance executives seem to have no preference regarding time horizon – pre-Crash it is non-

[1]The pre to post-Crash primacy orientation on its own also varied across multiple stakeholder organizations, additionally only apparent with the use of the narrative strip, and suggesting a more intricate dynamic was involved.
[2]The 'Set' refers to the combo investigated, ie VRT plus DimSyn.

existent, and post-Crash it is in equal measure. This does not negate any apparent effect regarding time horizon observed with Set 1; all it means is that this is the effect found for the terms employed in the sets used.

But certainly, as far as these sets are concerned, the studies conducted provide surprising results. Indeed, it represents an effect against much of the literature as well as popular preconceptions: that managers or senior executives were stakeholder oriented to any extent pre-Crash, and then move in their view of corporate governance towards a shareholder orientation post-Crash. A financialization model would suggest the opposite: that the corporate world must have been overly shareholder biased pre-Crash as a feed to that event and the general economic downturn of the period (see eg Froud et al, 2006; Krippner, 2013; Fine, 2013).[1]

Indeed, many corporate practices do appear to have been shareholder-centric as a prelude to the global financial crisis. A 'retain and reinvest' approach, as mentioned in Chapter 2, gave way to that of 'downsizing (job losses), and distribute (increased payout ratios)' as the basis of shareholder value primacy (Lazonick and O'Sullivan, 2002). While Englander and Kaufman (2004) see the period as one of moving away from any notions of corporate social responsibility (CSR) to executives instead focusing on earnings and short-term growth for corporate success.

It has been similarly argued an increasing trend had been in place for the stripping down of companies to their barest competencies, splitting off seemingly less able units, or indeed selling them off entirely (see eg Berger, 2014; Panchak, 2014; Collins, 2015). And particularly as regards to the ills of corporate America the suggestion is, if not board pressures alone, it is traceable to the pressures from activist investors (see eg Foroohar, 2017). *R&D, design, manufacturing, testing, and logistics through sales and after-market*

[1]See also Lazonick and O'Sullivan, 2002; Froud et al, 2006: Andersson et al, 2008; Gleadle and Haslam, 2010.

services, all suffer in favour of the financial bottom line and short-term stock market performance. At the same time, there was a marginalization of stakeholder interests while managerial interests increasingly aligned with external financial ones such as pension funds (Englander and Kaufman, 2004). And goes the argument, it is all part of a trend that started during the 1980s, its effects then mounting due to pressure from the financial markets into the years leading up to the 2008 Crash, and beyond (see Berger, 2014; Foroohar, 2017).

But to think only in terms of shareholders and stakeholders represents a limited view and can only produce spurious outcomes for UK businesses by offering simple solutions; and that may culminate in favouring one constituency over another. The many strident opinions of politicians and the media predominating in the debate, as the literature review discussed, do not necessarily help either. Positions taken on termism, for example, present a similar problem to that with the primacy debate where noise may cloud a coherent picture of reality. In that context, drawing simple connections between believed causes and effects is misleading. And it would serve to miss the point that what managers face in attempting to create value is far more complex with a variety of mediators impacting their decisions, not least the choice of time horizon to employ. Further, assuming a one-dimensional focus can lead to a position where how primacy and temporality might actually interact in companies gets pushed aside in a populist wave (see eg Edmans, 2017). But, by contrast, the results of this original research to attempt to map changing biases over time have visually shown the way different organizations within the economy can have different primacy and temporality biases simultaneously.

Indeed, besides termism, Study 3 and Study 4 considered what happens when switching the temporal dimension to a *sense-of-urgency (urgency to reorientate v non-urgency to reorientate)*. As Chapter 3 showed while this temporal concept has attracted limited research interest what there has been has proven to be highly suggestive concerning its importance in any discussion about managerial behaviour[1]. Nevertheless, the current research goes some way to addressing this lack of investigation. And in the narrative strip, the way perceptions about a sense of urgency manifest become observable.

The findings of relevance to this discussion relate to the use of urgency variables for Set 3[2] and Set 4 under the temporal columns of the narrative strip. And looking at the corporate corpus the finding is that a sense of urgency varies across time, although there is an equality of perceptions. A sense of urgency may be important post-Crash compared to pre-Crash where there was no interest but following the Crash, though there is interest, there is no apparent bias either.

What may be concluded from this discussion is that if financialization - and with a focus on shareholders - is informed at all by termism (and urgency) then pre-Crash it is commonly understood to increase with respect to short-termism (and urgency[3]); and reverse post-Crash. That is, though, if one considers these variables separately. A different picture emerges with an examination of the variables together. Indeed, the results highlight the complexity involved: combinations of perceptions appear to underlie bias; primacy and temporality do not necessarily operate in unison as expected; and findings are also organization-dependent[4].

That is not to say, though, that there is a *direct* moderating effect (a different primacy orientation resulting from a different temporal orientation systematically). The link is more subtle. Rather, there is a relationship of primacy and temporality to how perceptions of value change over time. Yet while apparently separate conceptually somehow together they become central to how corporate views alter in relation to managerial perceptions as the effects of the

[1]As also discussed in Chapter 3, why the field of managerial perceptions of temporality as a whole, not just this concept of a sense of urgency, has not received far more interest previously is unclear.
[2]Sets 1 and 3, and 2 and 4, show the same primacy result as the same primacy terms were used – to keep constant while temporal terms were altered.
[3]In accordance with H2b and H2c, the suggestion is that pre-Crash the corporate world acted with great urgency to maximize profits.
[4]This refers to alignments discussed below in 'Secondary corpuses'.

Crash took hold. It suggests that while primacy regarding the favouring of shareholders or stakeholders can be considered as distinct, perhaps even independent in some cases, from termism or a sense of urgency, they appear to be connected because of interrelated perceptions about corporate value. Though it is also fair to say that somewhere in the cognitive processing of these variables by executives these concepts come together in their minds.

The research findings thus represent a start to a conversation, the suggestion of which is that in looking at any believed financialization investigators in that area have previously tended to conflate behavioural and market-based concepts, narrative *with* numbers, and imposing ideas that there is a simple relationship.[1] Indeed, it is far too easy to say things like *short-termism causes increased shareholder primacy*[2], one impacting the other in some linear fashion, and it is therefore unsurprising that solutions offered can tend to take the form, as the regulatory environment has promoted, that the way forward for companies is to simply move to long-termism. But as the literature review in Chapter 3 highlighted, though there is definitely a connection it is not necessarily about primacy per se, or any other factor alone. Corporate governance orientation towards a particular constituency has to be considered, instead, from the perspective of the moderating effects of different conceptions of value along with temporality (termism, urgency) in impacting executive thinking.[3]

6.1.2 The regulatory domain and its impact on the corporate domain: There was no primacy preference demonstrated for the regulatory domain pre or post the financial crisis for both Set 1 and Set 2. Consequently, H1a and H1b were not supported. In that sense, this corpus's orientation is for a corporate governance perception where shareholders and

[1]See, for example, Andersson et al, 2008, on share buy-backs.
[2]See, for example, comments made by FDIC's Sheila Blair, 2011
[3]It may be noted the conversation is beginning to change eg the *enlightened* view (see Jensen, 2002), as well as recent ideas about termism (see eg Mauboussin and Callahan, 2015).

stakeholders are equally important[1]. But by the same token, there may be no bias but there is an interest in the concepts by managers[2]. Hence, for example, the Set 1 cells have two colours indicating perceptions exist but that neither has preference.[3]

It perhaps reinforces a notion that the UK legislative and regulatory environment is fairly non-partisan when it comes to primacy orientation – they leave it up to companies themselves to decide, hence to director discretion. To that extent the Companies Act could be said to be doing its job as far as s172 is concerned with 'members as a whole' being considered appropriately. Indeed, shareholders remain a central focus, although perhaps nowadays there is a greater stress on them being one of a variety of stakeholders.

Termism for the Set 2 analysis for regulatory domain, however, showed an apparent movement from short-termism to long-termism in the perceived temporal horizon of managers. Moreover, in further examining the narrative strip, primacy it can be said appears to be important to companies, but less so for the regulatory bodies. But termism though – a short to long-term orientation over the crisis period – seems to be equally important to both domains with Set 1 terms. Set 2, on the other hand, with a different set of terms, on the whole seems to support the effect only for the regulatory corpus. Simply put, a stakeholder to shareholder primacy orientation is most consistent for the corporate corpus. And a short to long-term time horizon is most consistent for the regulatory corpus.

The period considered in this investigation might also be reflective of the general changes in the regulatory environment. For example, soft law regulation had been growing apace[4]

[1]If indeed, they are at all important as the Set 2 pre-Crash results indicate. Though in that case it is an equal *non-perception*. Though from the experimental perspective now, there may be an appreciation that perceptual bias is dependent on the choice of terms examined.
[2]It is important to recognize by comparison that where there is a white cell in the *narrative strip* (Chapter 5, Table 5.2) it means there is no observable bias or interest *at all* for either aspect of the factors, in this case shareholder and stakeholder primacy. This is in addition to the point that any effect is limited by the terms in the sets used. Hence, an effect is not negated by the appearance of a white cell but rather might be occurring though cannot be observed.
[3]The cells for the Set 2 corporate corpus for termism show a similar perceptual effect.
[4]See Part 2, Fig 2.2: Milestones in Corporate Governance Regulatory Development.

with the legislative requirements of CA2006[1]. Such soft law development recognized that companies and financial institutions necessitated differences in corporate governance oversight. Prior to 2008, the Combined Code[2] was a consolidated document. However, from 2010 there was a split in this soft law requirement between the Corporate Governance Code and the Stewardship Code, the latter focusing on financial institutions and their behaviour. In making a fair comparison over time, this research used both post-Crash documents to compare with the pre-Crash Combined Code. Yet findings were still that there was a maintenance of the short to long-term regulatory perspective over time. Indeed, with the Stewardship Code used it may well have reinforced the perception, with their stated objective being:

> 'Stewardship aims to promote the long term success of companies in such a way that the ultimate providers of capital also prosper. Effective stewardship benefits companies, investors and the economy as a whole.'[3]
>
> *FRC, 2012, p1*

And what is very clear from the analysis is that when it comes to the regulatory domain's view of value creation, post-Crash, of importance to them is long-termism. Indeed conversely, a sense of urgency for the regulatory domain shows that while there is some movement concerning where the interest is there is no bias[4]. Similarly, for shareholder or stakeholder primacy there is interest but again no bias. Hence, primacy is of less concern than temporality – despite the shareholder emphasis in the Stewardship Code; and a recognition of stakeholder interests in the legislative CA2006, s172.

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[1]Specifically s172 that stresses a need to move from a short-term to a long-term perspective where directors should be taking into account the way they organize and implement their corporate governance procedures.
[2]Often simply referred to as the 'Code'.
[3]The current FRC web page for the Code appears to have evolved this statement to that of: 'The Stewardship Code aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities.'
[4]While a sense of urgency appears to have limited applicability in the primary corpus results, considerably more of an effect was observable in the secondary corpuses. The importance of this is considered below.

The regulatory environment evidently influences the corporate one. But the findings are that the extent companies take their lead from that environment is unclear. For example - and in addition to applying the narrative strip - to address Q3, Q3a, and Q3b, which compared the corporate and regulatory domains, there was an assessment of their correlations. The findings were of substantial variations.[1] A possible cause stems from the use of websites. With annual reports alone, no association is evident comparing hard law, soft law or both together. This likely reflects audience focus – perhaps even lip-service with websites being for non-business consumption. But rather than a problematic result, it underscores how terms matter, differentially, to different domains and how sensitive narrative is to value creation.

Nevertheless, regulatory pressures play an important role, even if not from a purely legislative standpoint but a voluntary one where businesses try to improve governance practices and create value. The tentative suggestion is, in that case, that this voluntary – regulatory-inspired – change is essentially only a starting point. Hence, somewhere along the way the corporate domain, looking largely to itself, will continue to make its own decisions, switching away from the lead of the regulatory domain when it determines that to be the correct strategic course.

Similarly, while a short to long-term view is evident in both sets of terms used in the two studies on termism for the regulatory domain, this tracks through to the corporate domain less strongly as far as Set 2 is concerned. It suggests value creation does not emanate from a company's activities in concert with all time horizon perceptions – as reflected in particular terms (*equity, pay, performance, strategy*). These terms, apparently, have more meaning for the regulatory domain. The result likely reflects some sort of

[1]For Q1, and sets of terms examined, VRT-1: r=0.03, VRT-2: r=0.78. And separating soft and hard law (Q3a, Q3b), the effect is maintained in some cases with the driver Set 2-based, and with a boost if a website (*ibid* p167:2; Appendix 13).

mismatch between regulatory and corporate thinking on what constitutes value generation practices with respect to time horizon. Set 1 terms (*customer, price, return, share*) on the other hand look to have more value-creating resonance between the two domains.

Such decisions the corporate domain takes are reflected in the terms they employ and how their use changes. It is also business behaviour reflected, for example, in the partial aligning of the corporate domain with the regulatory environment, and that may be observed with respect to termism – both moving from a pre-Crash short-termism to a post-Crash long-termism[1]. Companies, meanwhile, move from an expedient stakeholder bias pre-Crash to a *perceived-to-be-more-needed* shareholder bias post-Crash in an attempt to strengthen their value-creation position.

The forces on managerial behaviour impacting both primacy orientation and termism might, as a result, be said to come from within companies to a greater degree than from outside. This is largely unsurprising though it demonstrates a concern. It means that despite attempts to broaden the view of directors to consider the interests of 'members as a whole' (s172 CA2006) as distinct constituencies, such laudable aims are represented in very little of the corpus terminology. At best, all that can be said is that what comes from the regulatory environment to impact corporate thinking is the stressing of shareholders and stakeholders together, somewhat equally, in promoting effective corporate governance for the purpose of value creation.

6.1.3 Further reasons for primary corpus findings: The results obtained for the primary corpuses (the largest of the corpuses)[2] are revealing, and offered in this section are some additional possibilities for the findings. In presenting these, it should be borne in mind that

[1] It is difficult to draw any absolute conclusions, it is recognized, as this research is currently only able to look at a limited number of sets with different terms.

[2] Primary corpus word sizes: annual reports totals = 562,015 pre-Crash, 1,047,662 post-Crash; regulatory totals = 330,275 pre-Crash, 583,831 post-Crash. See also Chapter 4.

what is observable is largely a managerial self-perception and not necessarily one that is reflective of reality; it could be but it does not always follow. What is echoed in managerial narrative is what they think about concepts of value creation – corporate governance primacy, value, temporal horizon etc – is. And their narrative is a measure of this. But this narrative that managers may well earnestly believe in may nonetheless in a variety of instances be at odds with wider economic perceptions by commentators and scholars of their actual behavior, not to mention the circumstances on the ground that constitute the reality of their own corporate condition. Furthermore, the ways in which such perceptions come about, as highlighted in the review of the literature, are not only through market forces but often through board pressures as well in a self-reinforcing cycle, or just plain denial. Yet however the perceptions come about it all serves to make belief in a particular type of primacy and termism narrative very strong.

i) Changing corporate perceptions: For the hypotheses investigated (H1a – H2b),[1] there was no support for the view that companies were stakeholder oriented prior to the financial crisis. However, the effect could be due to the increased pressures on them to be mindful of broader stakeholder and societal interests that had been gaining momentum. As we saw in Chapter 2, the development of such thinking owes much to the work of Edward Freeman (1984). Also gaining credence, though, was the idea that attention to CSR would produce strategic advantage when it came to being able to generate corporate value (Porter and Kramer, 2006). It is the idea of *doing well by doing good*[2], and not only an attractive proposition for many companies but also something that then gets reflected in the narrative they attempt to convey – however superficial the sentiments actually are. Indeed, many researchers understood social

[1]That is a stakeholder orientation with a temporal orientation.
[2]The origin of the term is unclear though has been attributed to Benjamin Franklin https://en.wiktionary.org/wiki/do_well_by_doing_good. For a history of the concept, see Nancy Koehn https://hbr.org/2012/06/a-brief-history-of-doing-well.

responsibility as slipping from the purview of managers in favour of shareholder interests in the run-up to the Crash of 2008 (see eg Lazonick and O'Sullivan, 2002; Froud et al, 2006). Yet there is considerable evidence that companies at the time increasingly wanted to be seen to be saying and doing the right things to gain social acceptance. It was an environment where some businesses were no doubt societally well-intentioned where there were good people at the helm, but executives of other companies might not have had purely altruistic reasons (see Deakin, 2010). Nevertheless, the focus here is on the early 2000s, a period when it seems the use of CSR initiatives were gaining ground[1,2]. Yet while *doing well by doing good* seemed to check many boxes for big business, arguably it was often cosmetic corporate behavioural change (see The Economist Survey, 2005). The order of the day was, consequently, a PR exercise in the form of *reputation management* (see also Henderson, 2005) to stave of accusations of wrongdoing in the light of scandals such as Enron, WorldCom and Arthur Anderson. Or it was one of the worst kinds of reputation management known as 'greenwashing'.

> 'BP… had rebranded itself as a progressive, renewable-energy company – out with British Petroleum and in with Beyond Petroleum – long before safety shortfalls led to a 2005 explosion at its refinery in Texas. The disaster, which killed 15 people and injured 180, exposed BP as CSR's Potemkin village…. This did not stop Fortune magazine from ranking BP as the world's most "accountable" company, praising it for investing in renewables - even though they represent a sliver of the company's overall expenditure on traditional oil and gas exploration – and for "replacing several executives" involved in the accidents. Is that all it takes to be number one?'
>
> *Yakabuski, 2008*

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[1]For how the run up to this change in perception developed see Preston and Post, 1975; Frederick, 1978; Preston, 1978; Carroll, 1979; Freeman, 1984; Freeman et al, 1988; Donaldson and Preston, 1995; Waddock and Graves, 1997.

[2]A period soon after the worldwide dot com bubble featuring bankruptcies and re-ratings (eg Amazon, Yahoo, eBay).

Mal-aligned narrative[1] (covert)	Misaligned narrative (overt)	Aligned narrative (overt)
We can always get more customers	*We care about our customers*	*No customer will have to wait in line at a checkout for longer than three minutes before being attended to.*
If there's something you don't like about our product it must be down to you – our products are fine	*If there's something you don't like about the product you bought, let us know and we'll do better next time*	*If there's something you don't like about the product you bought, don't pay for it - deduct that amount from the invoice and send us a check for the balance (source: Granit Rock Company).*
We are shareholder-focused and we innovate only in line with what our competitors bring to market. We do what works and is tried and tested	*We let innovation flourish in our company – wherever it may be found.*	*Our target is 30% of revenues to be generated by new or unique products brought to market. To achieve that goal we see all our customers and employees stakeholders as vital sources of input.*
If CSR initiatives will positively affect the bottom line, we're all for it. Conversely, If we have to do it we will to raise our market profile,, assuming we can keep our input costs low	*We believe unequivocally in the benefits of CSR.*	*Our programs have been developed with an allocated budget of 5% of revenues to engage with the community we operate in to improve its wellbeing. This isn't philanthropy but partnership*
Loyalty and commitment is a nice concept but business reality means that if employees don't conform – or they become too expensive due to seniority - we will fire them and get someone else; and cheaper	*Employee loyalty and commitment is something we value enormously in our company – and, too, we say so every year with a personal greetings card at Xmas time to each and every employee*	*In order to keep are best people, we maintain pay levels at 10 percent higher than the industry standard for those with us longer than two years*
We expect our people to be self-starters, and adaptable to new situations as they arise, and who do not need training. If they can't cut it, too bad	*We believe training is very important to a successful company*	*Within their first 48 hours on the job all new employees will go through an eight-hour orientation process to learn what this organization is about. They'll study its history and philosophy. They'll meet with a senior executive. They will be mentored and they will have structured regular sessions to learn needed skills*
		Additional material: http://www.jimcollins.com/article_topics/articles/aligning-action.html

Fig 6.1. Covert and overt corporate narrative

[1]CSR based or otherwise, where narrative is mal- or misaligned with stated core values, lip-service may prevail. An underlying, *covert* narrative is what companies tell themselves and often really believe in but do not necessarily broadcast in their material. Narrative that is *overt* gets broadcast as a rule. The aim should be for

Likewise, it was *lip-service*, something that dramatically impacts a company's narrative as well as the business at its core, as Fig 6.1 shows, by disenfranchising many vital stakeholders. And by the time another three years had elapsed, for around 48 percent of corporate respondents to a further survey, the viewpoint on CSR was as a necessary cost of doing business (The Economist, 2008). In other words, with the economy moving towards the height of the financial crisis, attending to broader constituencies was simply an essential part of the corporate brief for many managers but distinct from business itself. Moreover, a level of ideological self-belief may have predominated too where managers bought-in to the idea they were acting in the interests of stakeholders and wider society through CSR activities, when in truth they might not actually have been.

Even so, the fact these same types of companies became more shareholder focused after the Crash in the results is revealing. For one thing, accompanied by a long-term bias, as the narrative strip picks up on, the results likely reflect an increasingly *enlightened* view (see eg Jensen, 2002; Keay, 2013) taken by managers. It suggests they are thinking about the need to refocus business attention on their actual corporate objective further into the future, albeit this corporate objective favoured their primary stakeholders, namely shareholders. But at least they were beginning to consider temporal horizon, perhaps following on from the influence of CA2006, s172. Yet the findings may also reflect the tenuous nature of managers' pre-Crash motivations – including the narrowness of a view that assumes broader constituency interests have little part to play in real value generation. There is a kind of battening down the hatches, with companies reverting to what they believe works best for them. And that is what gets trumpeted to the world and we see in the narrative strip.

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managers to have their narrative at all levels fully in alignment with their core values as they portray them, though it does not follow they will and they could just spout empty rhetoric.

One interesting corollary to this idea of a greater stressing of CSR prior to the Crash is that as some researchers and commentators viewed it companies that sought to maximize profits had in fact to be addressing CSR concerns amongst wider constituencies, even if those militants promoting such endeavours did not quite understand that. It was central to being a well-run business.

> 'Under the label of Corporate Social Responsibility, firms are to take on a non-wealth producing agenda of goals: profits will be lowered to safeguard labour rights, human health, civil liberties, environmental quality, sexual equality, and social justice. The fact that the corporation already plays its most effective role in these areas by profit maximization is little understood by CSR advocates.'
>
> *Forbes, 2005, fp.11*

CSR and the favouring of broader stakeholder concerns may well have been the focus of managers prior to the Crash, and this possibly is what gets identified on the narrative strip. This represents a positive viewpoint where many companies might have really been concerned with involving different stakeholders to promote deep-rooted value creation within their activities. A commercial context developed by that account, as the quote by Steve Forbes suggests, wherein when businesses are truly effective and maximize shareholder profits this may also be the best way for them to act socially responsible as well (The Economist Survey, 2008).

Some companies, though, could have been forced to make diversionary changes away from their corporate (overly shareholder-focussed) objective due to societal pressure, whether they wanted to or not. Businesses therefore, may have been superficially addressing CSR concerns to look good not only in the eyes of the general public, but in the eyes of social activists, their competitors, as well as their own employees. Again, reputation management.

But whatever the interpretation of these activities, in the end it all amounts to the same thing: the focus of managers before the financial crisis was not necessarily only on shareholder primacy but could have increasingly taken a broader stakeholder orientation as well. Whether such a stakeholder orientation was sustainable, of course, is moot. And superficial or not, this changing behaviour is what is revealed in the narrative strip.

ii) Primacy and termism operating together: The literature highlights how termism carries significant weight in how corporate managers think (see Chapter 3). Adding to that body of work, this investigation finds that in the understanding of value short-termism pre-crisis associates in Study 1 with stakeholder primacy[1]. Then, post-crisis this switches to long-term shareholder primacy in managerial perceptions. In Study 2, the reason for a lack of total emulation of this termism effect is debatable. It suggests, however, that for whatever reason the particular VRTs (which combine with the termism dimensions) were not in evidence. Of itself that is intriguing as the terms (*equity, pay, performance, strategy*) are hardly rare and the expectation is they would be in evidence. But bearing in mind that Study 1 clearly showed the effect and Study 2 did not it could be reflective of the fact that short-termism is not always an issue. This is much in line with how some investigators have cast the matter, as Chapter 3 showed, or indeed that short and long-termism are of equal importance – *as the Set 2, post-Crash condition indicates* – and this may be the truer reflection of the managerial perception. Certainly, however, the finding is that a short to long-term change in time horizon is of importance for the regulatory domain for both Study 1 and Study 2. And considering that is the outlook the regulatory environment is promoting, it is an unsurprising finding, though it is nonetheless corroborative.

[1]Also referred to in Chapter 3 - and further highlighting the association of primacy and termism - was how if short-termism is misapplied the same problems attributed to shareholders can manifest with stakeholders (Danielson, et al, 2008).

Termism, however, appears a more fluid concept for the corporate domain. Yet the ambiguous findings indicated by studies 1 and 2 as a whole do not negate the powerful effects of termism – and it is known how powerful and encompassing termism is not only from the regulatory corpus findings but from the results obtained from the twelve corpuses examined overall. That being the case, experimental reasons for this finding, rather than simply internal or external ones - such as social or market factors - are considered further below.

6.2 Secondary corpuses

Because of observed similarities in the narrative strip, it has been instructive to look at particular secondary corpus results together.

Group	General Organizational Profiles Observed in Secondary Corpuses
A	Politically motivated, often partisan towards Conservatives, right-wing, economically neo-liberal (*for this reason primary corpuses are included in this group*). In that context, organizations in this group may promote social change as well as free market principles for wealth creation, regulation rather than legislation, the reduction of regulatory barriers to trade.
B	No apparent political agenda and non-partisan. In that context, this group is for free enterprise, entrepreneurialism, the support of effective business leadership, wealth creation, and the development of good corporate governance.
C	Politically motivated, partisan towards Labour and Socialism, left of centre.

Table 6.1[1]

This is not to say that the identification of interesting effects from individual corpuses and the changes they displayed over time was not possible, but that a conjoint approach appears

[1]The table shows some of the underlying corpus characteristics that may have led to the ability to group organizations for alignment. Due to their agendas – political or otherwise – organizations are thinking in a certain way about value creation and what supports that. It is not absolute and for different research corpuses might align better in another way.

to provide the more revealing effect. Hence, Groups A, B and C[1] were formed due to their respective corpus alignments. From this perspective, the questions arise as to what might be causing the observed alignments. And if a cause is apparent, how might it affect a group's behaviour?

One possible reason for comparable results amongst certain corpuses, as Table 6.1 indicates, could be their organizational profiles, where different business-related agendas – often ideologically-driven – might be responsible for the observed effects (see also Appendix 20). It is worth, therefore, considering what group constituents have in common - including as peripheral stakeholder organizations in relation to the primary corpuses. The findings, therefore, offer the possibility this might have brought about the alignments seen.

6.2.1 Group A agenda and behaviour: In general, corpuses placed into Group A – as the narrative staining procedure has identified them as being associated[2] – are found to portray[3] themselves, to a greater or lesser extent, as emphasising business, free enterprise and political conservatism.

Looking at the FSA, a 'light touch', principle-based rather than rule-based, means of regulation is known to have been the way they operated; a form of regulation much in keeping with a free enterprise culture.[4]

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[1]Group A: Corp, Reg (primary), FSA, FT, Newspapers-gen, and CPS (secondary); Group B: CBI, CIMA, ICSA, and the IOD (secondary); Group C: IPPR, TUC (secondary).

[2]This includes the narrative strip results, and the stronger effect shown from the Group A graphical analysis of the overlay (Chapter 5, *Section 5.4.4*), demonstrating almost parity when the biasing for the group is considered as a whole.

[3]The basis of the assessment is largely on a review of the organizations' websites.

[4]This led to them often being highly supportive of financial organizations when greater enforcement would have, arguably, been more appropriate. Overall, it is not surprizing to find that the FSA would have mirrored the outlook of companies and the UK's regulatory environment in regard to 'promoting the success of the company' (CA2006, s172). That they took the promotion of business to an extreme could however be said. Why they did this is not clear; though a peruse of the FSA's directors around the pre-Crash period in question shows many came from the banking and finance institutions concerning which they were providing oversight (https://en.wikipedia.org/wiki/Financial_Services_Authority), Notwithstanding that, a variety of criticisms were levelled at the FSA, notably on the Equitable Life Assurance Society crisis by the European Parliamentary inquiry (Final report of the European Parliament's inquiry into the crisis of the Equitable Life Assurance Society

When it comes to journalism, the FT is generally a Conservative leaning newspaper, although it has at times, such as in 2001and 2005, favoured Labour Party policies[1]. Feasibly, this dual tendency may have to an extent cropped back in to its outlook with respect to notions of value creation during the period covering the financial crisis. And the different primacy results for Set 1 and Set 2 perhaps reflect this; with Set 1 only showing a clear movement. That remains an open question, however, as given the current dataset it is difficult to demonstrate. But with some certainty, the conclusion is that termism is of particular prominence, switching from short to long-termism over the period in Set 1 and Set 2. It is, hence, reflective of the FT's editorial position.

In the same way, for the newspaper-gen corpus the Times and the Telegraph newspapers are pro Conservative. However, as with the FT the Times aligned with the Labour Party in 2001 and 2005[2], though was pro-Conservative in 2009.[3] And as with the FT this slight ambiguity in outlook may be reflected in the narrative strip results, though in this case the effect is centred on termism – Set 1 showing a pre to post-Crash change of short to long-termism; Set 2 showing equal perceptions pre to post-Crash.

However, there are inconsistencies in Group A, inasmuch as many could think of the FSA as non-partisan, while the Guardian, a constituent in the newspaper-gen corpus is, left leaning. Were these agendas to be sufficiently strong they could potentially place such an organization within other alignment groups.

As an independent body set up by the Government, there might nevertheless be an expectation of the FSA's agenda being in keeping with CA2006 and the various regulatory Codes. It is therefore not surprising that the FSA would have a similar outlook on time

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European Parliament, (25th May 2007); and the handling of the collapse of Northern Rock (Seib, C., 27th March 2008, "The FSA Northern Rock report: condemned in its own words, the regulator that missed the collapse". The Times).

[1]http://news.bbc.co.uk/1/hi/uk_politics/8282189.stm.

[2]2004-2005 also represented the pre-Crash coverage of the present study so is an important time point.

[3]http://news.bbc.co.uk/1/hi/uk_politics/8282189.stm.

horizon to the regulatory domain. It is intriguing, however, that in relation to that domain it has a more differentiated primacy bias and instead more closely resembles that of the corporate domain. One possible explanation relates to criticisms levelled against the FSA during this period that it was overly favourable to financial institutions.[1] And a consequential effect might be a similar primacy outlook. A greater role at the time in the establishment and development of broad trade relationships may also have given it more of a corporate outlook.

Despite its left-leaning views, the Guardian has occasionally promoted a Liberal Democrat view as well. Furthermore, a 2005 MORI pole showed there was a representation of no more than 48 percent of Labour supporting readers at the time. Notwithstanding that, and though the Guardian represents a minority proportion in the pre and post-Crash newspaper-gen corpuses, it might still be the case that removing it from these corpuses would serve to strengthen them; the newspaper-gen corpus is presently fairly weak on the termism dimensions. As a result, there might be a strengthening of Group A as well.

Overall, despite the potential negative effect such problematic domains may suggest, it is possible that a certain fluidity in sentiment, reflected in term use by these domains to reach a wider audience, or to curry favour, is being identified by the analysis. Or indeed, either any negative terminology has insufficient weight in the corpus or there is no reflection of it in the combos used. It should also be remembered that groups are formed objectively on the basis of the combo distributions they display.

Turning towards an example of a conservative-oriented think tank – though they claim to be non-partisan - the focus of the CPS is on the development of free markets and the removal of trade barriers in order to create a less state-dependent British society. Indeed, the CPS's emphasis is on the curbing of regulation and taxes that would hinder business creativity or act as a disincentive to work or of the raising of investment. The high profile Conservative trio

[1]Ibid p242: 4.

founded the CPS in 1974: Margaret Thatcher, Alfred Sherman and Sir Keith Joseph. And with the agenda pursued it is not surprizing the CBI would mirror the outlook of companies and the UK's regulatory environment in a similar vein to 'promoting the success of the company' (CA2006, s172).

Promoting business, as well as a longer-term view of commerce and corporate governance - as the soft law regulatory environment had encouraged – appears to be the standpoint of these organizations. And it is logical therefore that the FSA, the CBI, and the other secondary corpuses in Group A reflected this by demonstrating, to some level at least, a movement from short-term stakeholder primacy to long-term shareholder primacy over the period of the financial crisis.

It is unexpected as a result that hypotheses (H1a, H1b) were not addressed. But it can be suggested that the Group A organizations before the financial crisis took hold largely understood that value generation required broad constituency inputs if they were going to have any value-enhancing success (see eg Freeman, 1984; Jensen, 2002). Although the degree to which organizations saw these constituencies as adjuncts to value creation as opposed to core in that process is debatable – and can depend on the narrative organizations tell themselves (see Fig 6.1). Indeed, when it came to the handling of the PPI situation the FSA could be determined to have been highly insensitive to consumer complaints[1]. And if a tenuous view predominated prior to the Crash regarding stakeholder constituencies amongst the organizations, albeit stemming from a political or economic agenda, that might have led more easily post-Crash to a switching to a shareholder emphasis and could account for what the narrative strip shows.

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[1]Personal Protection Insurance ensures repayment of credit if a borrower becomes incapacitated or loses their means of livelihood. However, the FSA repeatedly stalled on the matter (see Citizens Advice Press office, 19th October 2006. "Citizens Advice urges swifter action on PPI". Citizensadvice.org.uk.

At the same time, what is observable is perhaps the continuous tension between pursuing a regulatory and legislative orientation and pursuing a market reality-based orientation – and all in a context of a conservative conception of free enterprise[1]. And pre to post-Crash, it is this switch in perception that is possibly apparent on the narrative strip results. This might be said to be illuminating, as once the crisis unfolded these corpuses, it would seem, often tended to narrow their viewpoint onto shareholders as far as primacy orientation was concerned. And from this perhaps more conservative understanding of free markets and entrepreneurship, they act when crisis bites to favour shareholders. Involving other constituencies – directly as employers or from an advisory or support perspective – was in all likelihood too risky for these more conservative organizations to pursue or even contemplate.

Temporal as well as primacy effects, seen from Study 1 and Study 2, might reflect the fact that as the financial crisis progressed many organizations perhaps learnt that a greater appreciation of long-termism was important if they were going to achieve any strategic advantage. Though they might have been too short-term oriented in the past, as the regulatory environment was telling the economy[2], it was nevertheless shareholders who were seen as the stakeholder of most relevance to value generation but, crucially, over the longer-term. The primary regulatory domain aside, in essence Group A constituents, companies included, revert post-Crash to what they know best, and the constituency to favour, when it comes to creating value in that long-term context. Hence, a long-term shareholder orientation.

By the same token, for the primary corpuses a *sense of urgency* does not seem to show any particular bias. Although in Set 3 and Set 4 for the corporate corpus, the observation is that it is of interest but post-Crash only, though there is no preference. In the regulatory corpus, Set 3 showed the same effect. While in Set 4 it is of no difference in preference both

[1]What is stressed here is the dynamic multi-factor process, and where no orientation is absolute.
[2]The regulatory environment, pre-Crash, had promoted a change in organizational thinking towards long-termism (see eg Keay, 2013). But it was only after the Crash – in relation to Group A organizations – that more long-termism became manifest.

pre or post-Crash. However, for the other four corpuses in Group A there is a clear movement in both Set 3 and Set 4; a movement over the period from a non-urgent to an urgent perception by these organizations.

It is interesting to speculate further on this temporal aspect as to why some organizations might have been *NUR* oriented prior to the Crash; and *UR* oriented after the Crash. The narrative strip is perhaps showing that it is uncertainty driving perception for the primary corpuses – uncertainty, as is also known, being a major force in financial market volatility[1]. To that extent, it is possibly the case that the corporate and regulatory domains are at least thinking about the two aspects – or not – at the same time, though cannot make up their minds. But for the other Group A organizations it may be they simply did not feel they had to move at all in their outlook, and not being part of their perception it is a much starker effect observed when they do than found with the primary corpuses.

Why this is so, the argument might be, is that the secondary corpuses in Group A having a greater political agenda, their thinking is that much harder to dislodge. Indeed, as the economic environment changed around them they had to finally respond, which they did with greater urgency. In turn, and whether they were offering advice, commentary, or practical support, this urgency perhaps made these secondary domains take more notice of the need to focus on the longer-term.

6.2.2 Group B agenda and behaviour: Corpuses placed in Group B by contrast to Group A are, apparently, non-partisan and hence without any political agenda. As with Group A, they are for free enterprise and entrepreneurialism when it comes to value generation[2]. But instead

[1]See eg http://www.morningstar.co.uk/uk/news/151453/what-is-causing-market-volatility.aspx; and on the volatility index, VIX

[2]What makes perception concerning value creation so difficult to pin down when considering the economy is that many espouse the same ideals; there is a lot of noise. Buzzwords like CSR, for example, predominate. Indeed as with group A, Group B constituent organizations may also talk about free enterprise and entrepreneurialism in the creation of wealth. They are common stated goals. It is this noise that possibly drives the believed pre-Crash shareholder emphasis – or an indecision about it – more than anything; and the

of an ideological motivation, the profiles of the organizations in Group B suggest instead the motivation to be for creating successful businesses. As organizations providing support therefore their emphasis is on the creation of wealth through fostering good business leadership, high standards of professional and commercial practice, and the development of effective corporate governance.

The agenda of the IOD, for example, is to make business leaders better at their role. The IOD acts as a business information and (confidential) advisory and guidance service on the different elements of running a successful business - including on HR, marketing, legal and financial matters). While training and mentoring is available on different aspects of board development, coaching and leadership (including a course to become a chartered director). It also provides access to a local and national network of contacts. Feeding into this is that it represents 'the views of businesses and IOD members in the media and with government.' And the IOD campaigns to the public and government for a policy of effective business and entrepreneurial activity. But more than a lobby group, the IOD is dedicated to supporting members by also encouraging entrepreneurial activity and promoting responsible business practice and corporate governance for the benefit of the business community and society as a whole. It is a context that has allowed the IOD recently to call for protection of EU workers' rights as uncertainty over Brexit mounts, and to call for investors to be provided with a larger say on executive pay. 'It has also sharply criticised the awards to executives at collapsed contractor Carillion and warned bosses to take note of public disquiet on the issue more generally'.[1]

concomitant believed stakeholder bias post-Crash when observed. However, the group alignments show this effect to be more subtle.

[1]https://www.independent.co.uk/news/business/comment/iod-misconduct-allegations-lady-barbara-judge-international-womens-day-a8245846.html

From their apolitical business-oriented position, Group B constituents are far less interested in who is in power in government but seek support wherever it is to be found. The concern is about what works for business and commercial success, at home and internationally. And in that context they are very much about developing the individuals who run businesses, the administrative professions that companies and other organizations need to call on, and promoting good corporate governance, so that boards do what they are supposed to do in reaching their corporate objective. The organizations in Group B are therefore concerned with, for example: *influencing policy, providing insight into their business specialty, education, and representation*. And this type of terminology is what they employ. With these concerns as well, Group B organizations are thus likely to be less contentious in their activities, it seems, than Group A. It is from that perspective of improving business practices that an enhancement in value creation is understood to occur for Group B constituents.

Looking at other constituents of Group B in the narrative strip, the CBI and CIMA clearly have a reverse primacy orientation to Group A, and where a shareholder primacy orientation is in evidence before the Crash and a stakeholder primacy one following the Crash. ICSA and the IOD appear to have no particular preference on examining the colours alone – and ICSA post-Crash in fact demonstrated no interest at all for any primacy. Given the pro-business orientation of Group B organizations, this is perhaps unsurprising. However, the dataset is incomplete for Group B in spots for primacy orientation and temporal horizon. Nevertheless, gaps can be filled to some extent and, supported by graphical analysis of these corpuses as a whole (Set 1: Fig 5.24b; Set 2: Fig 5.25b), a general movement is seen from long-term shareholder primacy pre-Crash to short-term stakeholder primacy post-Crash. Again though, it does not support the hypotheses (H1a, H1b).

In their supporting role it makes sense, is the argument, that the narrative strip shows a greater focus on shareholders prior to the Crash. As, unlike Group A constituents, the generation of value was purely a business proposition – and where shareholder primacy would have had precedence. Post-Crash, however, it is feasible these organizations began considering the broader context, and hence seeing the relevance of stakeholder input to value creation. Similarly, for termism, they again might have taken a business perspective yet there is apparently some ambivalence[1] in the narrative strip. However, with the alignment analysis they are more biased, pre-Crash, to long-termism and post-Crash to short-termism – though not as powerfully as Group A. Tentatively, the suggestion is, that this result may be reflecting the fact that they are not fully accepting, for example, of the regulatory promotion of long-termism in the post-Crash economy.

Indeed, without any underlying political motives, Group B is perhaps reflective of the general indecision about the best kind of termism in business, an ongoing debate as Chapter 3 demonstrated. Furthermore, their narrative might be said, where they are able, to reflect an 'ideal' perception of how they would like business to be. And with that purpose in mind, it is understandable there is a much greater focus of these organizations on education – including how to foster relationships with employers, and how to develop the necessary influence amongst peers and government – as well as how to implement effective corporate governance. As such, while this group may be non-partisan it can be activist and may have a lobbying role. But, importantly, this effect manifests in a different way, and for a different purpose, to Group A constituents.

[1]What makes perception concerning value creation particularly difficult to pin down when considering the economy is that so many espouse the same ideals, and there is a lot of noise. Buzzwords like CSR, for example, predominate. Indeed, as with group A, Group B constituent organizations may also talk about free enterprise and entrepreneurialism in the creation of wealth. They are common stated goals. It is this that possibly drives the pre-Crash shareholder emphasis – or an indecision about it – more than anything; and the concomitant stakeholder bias post-Crash when observed.

Concerning the sense of urgency dimensions results manifests as somewhat mixed in the Set 3 pre-Crash results showed there was a degree of indecision for the CBI, CIMA, and ICSA. To some extent, more of an effect is obtainable with respect to the CBI and CIMA from non-urgent to urgent on Set 4 over time. But as a four-constituent group, and with the IOD showing the opposite effect (UR to NUR), it suggests either the IOD is not suited for this group, or that as a group there were considerable mixed feelings or uncertainty about the urgency needed for value creation in response to the financial crisis. The IOD is seemingly the only organization consistent in their sense of urgency narrative as determined from their use of Set 3 and Set 4 terms, and where they move towards a post-Crash non-urgency in their reporting and associated documents.

Overall, the tentative conclusion might be that in relation to their non-partisan position Group B are more concerned with termism than with urgency. Though reading this data is subjective.

6.2.3 Group C agenda and behaviour: Group C contains two stakeholder organizations the IPPR and the TUC. The only information known prior to the research was about the TUC's socialist ideology and its promotion of worker rights. There was no foreknowledge concerning information about the agenda of the IPPR at that stage. However, it transpires that the profiles of both organizations share some characteristics. Notwithstanding the poor alignment of this group (see Fig 5.27c), they are nevertheless found to both be politically motivated organizations that are left of centre, and partisan towards socialism and the Labour Party.

In that context, the IPPR is a political think tank that seeks to address 'big' social issues such as jobs, housing and political reform. The TUC, an umbrella organization for affiliated unions such as UNISON and UNITE, is specifically focused on labour issues and what impacts workers ability to do their job. Broadly speaking these are concerns representing a focus in one form or another related to the TUCs wide stakeholder and topic coverage that includes: the workplace, the economy, industry, equality, unions, international concerns, and social issues.

With left-leaning, socialist or Labour leaning tendencies Group C constituents have a very different political ideology to Group A and Group B constituents. Yet, as distinct from them, their orientation could dictate the particular way they might favour broader constituencies when it comes to value creation.

Alignment results, though not very differentiated, provide a contrast with that of Group A and Group B. And Group C's similar organizations profiles indicate an effect possibly occurring at a deeper level of ideological behaviour than is being fully picked up in the analysis – or the finding of their profile resemblance could have been down to luck.

Any sense of urgency for the IPPR and the TUC as a group does not align well. The organizations are in opposition for this effect. Although, with the fair amount of consistency between Set 3 and Set 4, it does mean individually the IPPR moves from an urgent to non-urgent outlook over the period, and the TUC moves from non-urgent to urgent, with some uniformity for the different VRTs used. Of note as well is that the IPPR and ICSA are mirrors of each other, pre to post-Crash, suggesting similar outlooks at these different time points, though why this might have occurred is not clear. While the absence of interest before the financial crisis the TUC showed for stakeholder concerns in Study 1 compared to Study 2 points to how a particular narrative employed subtly determines organizational bias. The result also highlights how the use of VRTs identifies this.

But caution is required when reading these results. Rather, it is important to look at the temporal aspects in relation to primacy more generally for anything meaningful to be made of them. And the findings perhaps indicate something about the organizations themselves where the IPPR may be reluctant to advise any alterations in post-Crash governance, preferring to be cautious when it comes to shareholders who are more evident in their primacy outlook at that point in time. On the other hand, the TUC after the financial crisis is firmly for action in relation to stakeholders.

Whether these findings reflect the types of socialist views involved – and as a result the preferred shareholder or stakeholder constituency these organizations would want to deal with according to a particular sense of urgency – remains an open question.

Furthermore, to an extent the formation of group C was from information left after the findings that organizations aligned into Group A and Group B due to their similar results. The alignment shown in the graphical analysis (Chapter 5: Fig 5.24c) of these two small TUC and IPPR corpuses is consequently demonstrating a weak effect; and one where it is difficult to draw any firm conclusions from only two small corpuses. Though if nothing else, it suggests further research to look deeper into the findings and whether, for example, a larger left-wing based dataset of organizations would more strongly align.

6.2.4 Matrix analysis and its interpretation: This analysis provides another view of the data, demonstrating how in narrative staining a subdivision of the concept can lead to further examination (and how the subdivided concept loads on to different dimensions chosen). This study has used corporate value as the main concept (and subdivisions of this are into terms for *financial* and *non-financial* corporate value). For this secondary analysis, a narrative assessment of both individual organizational corpuses and group (cluster) effects of multiple corpuses has been key. These results also show the flexibility of the approach. And, like the other secondary analysis, the narrative strip, it adds to the toolbox of techniques within the realm of corpus linguistics.

This analysis overall is found to be highly domain and term dependent as well as dependent on cluster formation, where combining the corpuses of specific stakeholders may more readily align them for financial versus non-financial term use. Cluster 1 alone, however, supports the hypotheses (H1c-H1d), suggesting the constituent organizations when together are biased towards a non-financial discourse.[1]

Furthermore, looking at the analysis of all the corpuses as a whole – where the twelve stakeholder corpuses are cast as a proxy for wider financial perspectives amongst UK organizations – it is found there is a post-Crash bias towards a more financial discourse. The effect is nominal when considered from looking at Set 1 to Set 4 (Figs 5.36a – 5.36d) but it is there. Further work, though, running repeated analyses with different financial and non-financial terms – and with different DimSyns – is needed to verify the findings.

Yet taken on face value, could it mean organizations were more non-financially oriented before the financial crisis and more financially oriented after the financial crisis? Possibly. Though as far as companies are concerned it would seem to contradict the findings of a pre-Crash focus on financial terminology, while the regulatory corpus appears to support the effect (see Chapter 5)[2]. Although work of Danielson et al (2008) is apposite as it suggests the managerial issue causing concern is not about favouring shareholders of stakeholders per se but about how each of these groups are handled and indeed, whether they are handled strategically for the short or long-term. At the same time other corpuses show differing effects to a greater or lesser extent. Unsurprisingly, it may be this very dissimilarity perhaps causing such confusion amongst media and scholarly observers. But the research, at the least, is now depicting it objectively.

[1]On its own, this is an interesting finding. However, it also suggests predictive possibilities, revealing - with any cluster of organizations formed and examining the VRT (or another construct) - how their thoughts in unison on the topic of interest will bias. Hence, extrapolating from the combined material they produce to a real-world scenario where they come together.

[2]Section 5.4.4, Figs 5.28 and 5.29 respectively show the effect for the corporate and regulatory corpuses.

Of course, the findings depend on how a slice-up is made of all the corpuses in the analysis, as well as the organizations used. Yet overall, in this study an increasing disposition towards the employment of post-Crash financial terminology, however slight, is apparent. It should not be forgotten, either, that the finding is underlined by the portrayal companies and organizations want to transmit at any given time; the lip-service they pay to whatever constituency or fashionable idea being favoured. For example, where companies favour financial terminology pre-Crash, though their aim could be shareholders or stakeholders. In that sense, it suggests the idea has greater resonance than the constituency[1]. It is all part of the discourse, which may be in tune with actual corporate behaviour, or indeed the analysis reveals managerial behaviour at odds with that stated.

However, the salient point is that while individually it can be seen how different domains perceive primacy and temporality in relation to value creation, a multi-actor perspective can also be seen, demonstrating what happens when stakeholder organizations are considered together. In that scenario, the balance tips and organizations appear to show in totality an effect reflecting the economy with a greater financial value perspective following the financial crisis.

6.3 Further possible reasons for changes in corporate narrative orientation

The varied honest or disingenuous possibilities in how the managerial handling of CSR might have underlain a corporate narrative disposition looked at above, along with ideology driving an even more nuanced outlook, are crucial to primacy and temporality orientation; the favouring of one stakeholder group over another as well as time horizon and urgency. But there are undeniably more factors at play, and organizational narrative is multifaceted as this

[1]As, for example, Chapter 5, Fig 5.28 indicates.

investigation highlights. That being so, as we now turn to, narrative change may be observed as being heavily influenced by a variety of crises, not only major economic crashes. While also highlighted are linguistic factors relating to term use, further revealing how narrative becomes biased. Similarly, it affects lip service when it comes to what managers say versus what they do. Either way, they are all part of a mechanism that can feed what is observable in the narrative strip.

6.3.1: Crisis and narrative change: Its zenith between 2007 and 2009, the financial crisis is understandably seen to represent a major factor to which companies had to respond in some manner. Scientifically it is not possible to say, however, that the crisis produced direct change in corporate behaviour. Causal relationships in this area are difficult to isolate and substantiate due to the complexity involved. Yet as the largest event of the period covering this investigation, it is a likely part of some sort of triggering effect for companies and, more relevantly for the work, one that appears to track through to making alterations in their organizational narrative.

Support for this view comes from research concerning how management changes their behaviour to meet crisis generally, emanating from both within their organization or externally from, say, the market; and with by default an associated change in the overt (written or spoken) or covert (unwritten) narrative they produce (see Fig 6.1). For example: coping with turbulence and unpredictability crises may initiate (Drucker, 1981); the handling of the unexpected (Weick and Sutcliffe, 2007); the criticality of how managers must communicate in the right way with a variety of stakeholders as crisis hits (Ruff and Aziz, 2007); the often poor ethical or socially responsible behaviour promoted by wide-ranging organizational or business activity in the face of any crisis as well as from the financial crisis itself (eg Sharma and Narwal, 2006; Jackall, 2010; Arbogast, 2017); the clash of opposing regulatory and business narratives prompted by the 2008 Crash where *'conflict over agendas is immediately a narrativized struggle between different groups trying to put one over with their competing stories'* (Froud et al, 2012); the alterations caused to brand perception amongst employees (Bravo et al, 2017), in addition to the impact of crisis on corporate reputation (Griffin, 2014).

And bearing in mind the cognitive dispositions managers bring to bear they perhaps do not act haphazardly but with some systematization involved regarding what they do and what they communicate. Isabella (1990), for example, proposes a four-stage model managers go through as crisis mounts: anticipation, confirmation, culmination and aftermath. Narrative transmission can also be understood from an epidemiological perspective (Shiller, 2017), moving from managers outwards and modifying as the demands of a crisis change. It all underlies a corporate reality for managers who begin to interpret or construe events in a progressively altering fashion, and in turn similarly affecting the periodic discourses they communicate.

While clearly, there are many points at which there can be an effect on narrative, so becoming otherwise biased after a crisis compared to before, it is instructive to consider the association more deeply. Weick (1988) characterizes crises as events having a low probability of occurring, but should they materialize have a high consequence in terms of their potential for jeopardizing the most vital goals of an organization. Evidently, the Crash of 2008 fits those criteria. But it is how individuals make sense of a crisis and respond that on the one hand can help them understand the forces at play but on the other can have the unwanted effect of causing them to add fuel to that crisis, as Weick points out. He also proposes that individuals '*enact* the environments that constrain them' and where this enactment could potentially serve to reduce the chance of a crisis occurring. The definition of enactment is the social process by which there is a laying down of a 'material and symbolic record of action' (Smircich and Stubbart, 1985, p726). And the suggestion is that a managerial procedure that ends with an appropriate narrative produced by senior executives who have a value system that allows for the support of various eventualities can aid in addressing catastrophes like the 2008 Crash. And the converse with a value system producing a self-serving or even harmful narrative that nobody in the organization buys in to. Whether the primary and secondary stakeholder organizations in the current study had appropriate narratives is debatable; indeed, it is not the focus of the investigation to determine this. Yet whatever narrative bias they did in fact produce could have been feeding the results generated in the narrative strip.

Responding to the Crash, however, the narrative strip only reflects a present state of companies; it does not signify their limitations. Indeed, change represents a forward-looking proposition where crisis itself can act as a propulsive agent for redirecting a company towards new goals, a perspective that looks to the future rather than dwelling on past events, however destructive (see Seeger et al, 2005). This is not about burying the effects of a past crisis, on the contrary it needs to be learned from. But for a post-Crash narrative, the crisis engendered with its accompanying financial fallout can be an important part of a rebuilding process, and one again we possibly see reflected by the variation over time in the results.

Rebuilding of this type, though, necessitates creating corporate value. Though corporate value, as has been observed, is perceivable in amorphous ways. Indeed, how such value creation in its intricacies manifests with respect to crises dynamically, over time, has until the present work been largely unclear. Indeed, such denseness is highlighted where, in contrast to the types of companies examined in this research, 'corporate ethical standards' and 'social responsibility' have been shown to have more positive perceptions following the Crash, but specifically for finance professionals and in organic organizations as opposed to mechanistic ones (Jin and Drozdenko, 2013)[1]. Companies (and sectors) are, therefore, not all the same and a differentiated perspective often needs taking for understanding their behaviours.

But for most companies, alliances, critical information-sharing, and conflict resolution, may be essential value drivers at these times, and hence recognizing the wider intrinsic value of stakeholders more likely meets the needs thrown up by crises. Whereas a narrower shareholder value maximization stance could leave managers ill-prepared (Alpaslan et al, 2009). Yet, these authors conclude, socially-responsible or ethical behaviour in this regard is a necessary but insufficient condition. And in a similar vein to other researchers (eg Bistrova and Lace, 2012; Danielson et al, 2008), stress the primary importance for businesses as being the ability to refocus from any short-term losses towards retaining shareholder value over a longer-term.

With the post-Crash finding of corporate long-term shareholder value, could this be another facet of crisis management identified? Possibly. But whatever the actuality or the biases involved when crisis interacts with organizational discourse, the narrative staining approach developed for this investigation, focusing on the relative change in term use rather than any absolute change, has perhaps been better able to reflect the extent to which rebuilding was achieved.

6.3.2: Managers may form biases when putting terms together: However companies portray their organizational narrative with any intent to influence stakeholders, through for example, developing content for their annual reports or mission statements, components at the term or word level underpin the process where managers bring particular biases to bear.

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[1]Refers to Jin and Drozdenko's, 2013, conceptualization of financial firms' core values: *organic* (humanistic, enabling, relatively democratic, open, trusting); *mechanistic* (coercive, callous, closed, controlling, authoritarian).

In the work by Musek (2008), the 150 most frequently used terms, which might customarily be found in companies' mission statements, were itemized. And with words like *stakeholder, initiative, affiliation, reliability, money, customer, ethics, beauty* and *profit* in the list, it is clear that the mission statements from which the terms were extracted include words that go beyond the purely financial.

These terms are interesting in themselves as indicating the target of the narrative, as well as the general corporate focus – whether non-financial or indeed financial – and the managerial perceptions underlying the narrative use of these terms. However, other work has centered on structuring these types of component terms to tell us something about the latent quality of the texts from which they are drawn. This is a feature, which could potentially also modify the term's focus of influence due to the way different terms combine.

1 customer	11 us	21 achieve	31 performance
2 value	12 employees	22 best	32 excellence
3 people	13 mission	23 help	33 financial
4 company	14 health	24 needs	34 responsibility
5 products	15 provide	25 respect	35 strive
6 business	16 world	26 vision	36 committed
7 service	17 integrity	27 opportunities	37 diversity
8 community	18 believe	28 success	38 serve
9 work	19 care	29 associates	39 shareholders
10 quality	20 environment	30 growth	40 innovative

Source: Tian, 2005

Table 6.2

In a study that looked at the mission statements of fifty-five Fortune 500 companies (Tian, 2005) it was found that the forty most frequently used terms (Table 5.2) could be grouped according to two corporate social responsibility clusters. These were 'ethical and philanthropic responsibilities' (eg environment, care, health, diversity, respect, excellence, integrity) and 'economic/legal responsibilities' (eg needs, serve, work, product, customer, community). While arguably one could also potentially find other groups of terms in this list, such work shows that how the utilization of language to convey a message is not necessarily a matter of one single word versus another but often involves more complex linguistic structures, and ones that are not always overt. In this study's use of term combinations as fundamental to the analyses undertaken, this is a very relevant point (see Chapter 4).

Of particular interest in this study, though, is how the use of words might change over time. Very few studies have looked at anything like this. However, King et al (2012) conducted an important one in this area. Although an international study to look at how term usage varies for different countries one part also conducted a content analysis examining the percentages of US mission statements containing the same fifteen specific terms for four periods: 2001, 2008, 2010, and 2011. A split was made of these terms as follows: seven 'stakeholder' terms (*communities, competitors, customers, employees, government/law, stockholders* and *suppliers*) and eight 'goal/objective' terms (*core values, ethics, global, leadership, profits, quality/value,* and *technology*). Though not all terms for the 'stakeholders' group show that much of an alteration of use over the period, with most declining in use slightly – *stockholders*, for example, as a term itself drops from 34% in 2001 to 24% in 2011 – there is evidence of increase too. The word *communities* increases from 6% in 2001 to 28% in 2011, and *suppliers* from 6% to 8%. Similarly, with the 'goal/objectives' group, *core values* drops from 25% to 8%, *environmental* 9% to 4%, and *technology* from 14% to 0%. Yet this group also showed more increases than the stakeholders group – although they do also show some fluctuations during the course of time. Notably, these are *ethics* 3% in 2001 rising to 28% in 2011, *global* 15% to 28%, *profits* 6% to 16% and *quality/value* 25% to 44%.

For the authors of the study one of the main points of interest was the relative use of these words. As a stakeholder term *customers*, for example, is found in mission statements more than any other stakeholder term, with a mean percentage for the four periods of 63.75%, while *suppliers* comes way down at a mean of 9%. Interestingly, Bartkus et al (2004) also previously found similar findings for these terms. Yet from the perspective of this research, what is even more interesting than this focus is the way these terms demonstrate change over time. It is not inevitably a given, after all, particularly as the study by King et al (2012) sought to assess changing term use without reference to the driving effects of crises, even though 2008 was one of the periods looked at. Furthermore, in the current study, with the initial work carried out to form a master list of terms – including for stakeholders, shareholders, and value-related terms – frequency analysis identified that some terms would in fact be more favoured than others. The heavier use of words like *customers* should not come as too much of a surprise then since they have popular resonance. Nevertheless, it is evident that there is a realization by the authors that the terms cannot all be treated the same and an effort has been made to split them; in this case into 'stakeholders' and 'goal/objective'. But is it really possible to say that terms like *ethics* and *leadership* have an equality of definition as objectives?

What these authors might be said not to have done then, despite their intriguing findings, is attempt to make the groups more cohesive, in order to best reveal potential change of term usage over time – as well as any associated alteration in how they influence their target audience. This is something we have in fact addressed on a larger scale in examining a wide range of annual reports. Indeed as yet, for example, it appears no one has looked at mission statements through the lens of value-related terms (VRTs) or other specific dimensions as has been constructed for this research. Though notwithstanding what others might do in the future the rationale was that it was preferred to bypass this aspect – as a mission statement is essentially a snippet – to examine much bigger corpuses and how they compare from pre to post-crash.

6.3.3: Managerial bias leading to broader change in corporate governance orientation:

Bias in the use of terms is, it appears, a feature of managerial thinking; and these certainly relate to the VRTs we chose. But can we look deeper into the rhetoric to observe how this translates into the relative favouring of shareholders versus stakeholders?

A rare study on corporate governance narrative orientation carried out by Fairfax (2006) examined fifty *Fortune 500* companies by assessing their annual reports, mission statements, good citizenship reports, websites, and corporate codes of conduct. The emphasis was on stakeholder rhetoric with reference to language used by corporate constituents other than shareholders, including employees, creditors, customers, and the community; addressing the interests and concerns of these groups as well as any discussion of corporate social responsibility. The author points out that legal scholars, Hansmann and Kraakman (2001), had stated 'there is no longer any serious competitor to the view that corporate law should principally strive to increase long-term shareholder value'. Yet in spite of this fact, corporate law had apparently moved closer, Fairfax (2006, p690) argued, to a stakeholder primacy approach than what was generally believed to be a normative shareholder approach.

Compared to the current study the methodology is simple, a basis on which the work may be criticized. Nonetheless, the study is unusual, and there is a certain irony too that it was undertaken by a researcher in corporate law rather than by organizational scholars from other disciplines. More tellingly, it makes the case even back then prior to the 2008 crash that companies and the law demonstrated a narrative disposition towards a 'heightened embrace' of stakeholder concepts. It is a finding supportive of the current work. Though having gone through worldwide economic crisis and recession since and with reverberations still being felt, how reflective that corporate narrative was of real underlying corporate perceptions and attitudes – or in fact, how deep that embrace went – is clearly debatable. Indeed, the finding is, for the reasons highlighted earlier (eg Section 5.1.2), that companies moved post-Crash to a shareholder focus. And temporality aside, for peripheral stakeholder organizations it seems the movement equally depends on ideology amongst the more term-based preferences they have.

6.3.4: Terms can reflect changing core values: Another factor affecting narrative produced by managers, and which possibly informs the narrative strip over the two time periods, is the way core values companies and organizations hold can govern changes in their thinking. Notwithstanding the influence of the financial crisis compounding the effect, core values can vary, it seems, when in the form of *espoused narratives*, where manages may perceive and frame these values differently across different organizational types (Kabanoff et al, 1995). Narratives, reflecting core values, may also converge to become generic and rhetorical amongst companies (Anderson and Jamison, 2015). Or drawing on impoverished terminology could have no practical meaning whatsoever except sounding good: eg narrative stressing, *putting the customer first* or *getting close to the customer* (Giblin and Amuso, 2001). Similarly, any ‘truth’ within a corporate narrative can be socially defined by the organization and therefore never morally absolute (see Jackall, 2010, p117), subject to whim, let alone societal or economic influences.

Still, core values do need to support and be in synch with a company’s narrative at some level, whatever sector that company is in and whatever components the narrative is built with. This may seem an obvious necessity yet, as discussed, good intentions can easily get side-tracked. And, as Auster and Freeman (2012) stress, a need for there to be ‘authenticity’ in the company is critical. It means, too, that what is stated as the corporate message should be in line with proclaimed corporate values so that all stakeholders, including managers and employees, can be in alignment when it comes to attaining the corporate purpose.

Yet reality does not always conform to reason and like the saying *garbage in, garbage out,* if core values alter detrimentally then the company can begin telling itself a new narrative about how value creation should happen. And consequently, which constituency to favour to that end. Leaving aside temporality, this could partially account for the unexpected corporate primacy findings observed to favour stakeholders pre-Crash and shareholders post-Crash. Overall, the perspective taken on core values is a factor that could easily underpin a redirected primacy and temporality focus.

The British chemical and pharmaceutical company, ICI (Imperial Chemical Industries), is a good illustration of how changes in narrative terminology reflect changes in core values. ICI became the country’s biggest manufacturing company, had stockmarket placings on the FT100 and FT30 indexes, while also having an international reputation.

As commentators have noted (eg: Kay, 2010, pp.19-21; Lusk and Birks, 2014, pp.179-180), the business orientation of ICI altered towards an excessive shareholder focus with detrimental effects, and with the company’s outlook overtly mirrored in its mission statement.

Up till 1997, ICI’s mission was stated as:

> ‘ICI aims to be the world’s leading chemical company, serving customers internationally through the innovative and responsible application of chemistry and related science. Through achievement of our aim, we will enhance the wealth and well-being of our shareholders, our employees, our customers and the communities which we serve and in which we operate.’

From 1997, to its demise in 2008, ICI’s stated mission changed to become:

> ‘Our objective is to maximise value for our shareholders by focusing on businesses where we have market leadership, a technological edge and a world competitive cost base.’

ICI’s mission statement might not be specifically responsible for the changing fortunes of the company – though if managers and employees buy-in to the new narrative it can begin to feed off itself, reflexively. But there is certainly a changed narrative with changed core values supporting it. This is in addition to a changed corporate self-perception that leads to managers altering their vision of what the role of the company's corporate governance orientation should be in meeting the demands of a perceived new market reality. Managers begin to *think* the conduction of their business needs to be with a different approach – often a different stakeholder emphasis – as a means to creating any real value, financial or otherwise.

Another point is that even if you make seemingly positive changes to core values in an attempt to improve corporate governance, and hence to positively impact long-term financial performance, it does not necessarily follow you radically change the relative focus between shareholders and stakeholders. That is, as well, assuming everyone buys-in to the corporate goal and that it is fit for purpose. Improvements, for example, do not necessarily track through to financial performance linearly, as Appendix 21 shows. And there are psychological inputs to a sense of urgency to act, a factor highlighted in Chapter 3. In other words, managers may be doing all the right things – or simply think they are – or at least operating to the best of their ability. Yet besides affecting the bottom line somewhat arbitrarily the resulting primacy and temporality outlook companies have can become very convoluted; something again accounting for, or compounding, the type of biasing findings in this study.

To examine this further an additional examination was made of the mission statements of companies used in the investigation. Mission statements, as a constituent of annual reports, are often regarded as a signal for underlying corporate thinking, as seen with ICI. However, in contrast to ICI's extreme position it is noticeable how it is not always easy to determine primacy orientation from these declarations. Table 6.3 is an extract from the full table shown in Appendix 21, where there was an extraction of mission statements from seventeen FT250 companies from the corporate corpus dataset. Some companies like Cairn and Bodycote seem to show an obvious post-Crash orientation towards shareholders in their mission statements.

Table 6.3: Comparison of Corporate Mission Statements, Pre to Post-Crash[a]

Company	Pre-crash	Post-crash
Amec	…design, deliver and support infrastructure – from local technical services to international landmark projects *…total life of asset services and project delivery to clients in the international oil and gas industry* *Across the world responsibly for the long term*	…provide [our] people with the technical expertise to support our customers as they build, operate or decommission their assets. AMEC's vision is that by continually delivering excellence, we inspire trust and loyalty in our customers. (v)
Bodycote	• To provide world class companies with metallurgical and testing services that make a positive contribution to the success of their businesses. • To earn sustainable profits which attract shareholder interest. • To engage, develop and retain competent people, harness their enthusiasm and inspire them to excel. • To act as a good corporate citizen.	Bodycote's objective is to create superior shareholder returns through the provision of selected thermal processing services that are highly valued by our customers, giving full regard to a safe working environment for our employees and minimal environmental impact. *As a group, Bodycote is committed to acting responsibly as a good corporate citizen, to reducing the environmental impact of the Group's activities and to providing our employees with a safe working environment.*
BTG	The Company's mission is to identify opportunities for therapeutic advances in the treatment of neurologic and psychiatric disorders, and to license and develop compounds that can meet these needs.	Our mission is to bring to market medical products that meet the needs of specialist physicians and their patients.
Cairn	Maximizing the value of discovery *Our Strategy: To secure high equity interests and strategic positions in potential high worth exploration plays.* *Our goal: To create and deliver shareholder value by accelerating development, production and monetisation of exploration discoveries where appropriate.*	Discovering hidden value *Delivering growth and shareholder value within a balanced portfolio* *We aim to deliver transformational growth by discovering hidden value within a balanced oil and gas exploration, development and production portfolio. We, along with our JV partners, responsibly develop assets which produce hydrocarbons to provide the cash flow to fund future exploration activity.*
Croda	Innovation: If research is the heart of Croda, and new products are our lifeblood, then innovation is the spirit of ingenuity that drives us forward.	Innovating for a Sustainable Future At Croda, we strive to create value for our shareholders by driving profitable sales growth through successful new product development, moving ever closer to our customers and increasing our focus on fast growing markets. We are a business committed to financial growth, high returns, environmental protection and social progress. *• continue innovating to improve our products and processes by minimising their effect on the environment, whilst maximising the efficient use of all resources* *• foster open and comprehensive dialogue with all stakeholders and work cooperatively to address our Material Issues* *• provide development opportunities for all employees to reach their full potential; and* *• ensure fair and equitable employment conditions, providing a stimulating working environment based on respect and partnership.*

[a]Notes:
1. Source: Corporate annual reports
2. V = value statement
3. Mission statements shown in table are not always explicit in annual report but exist within text
4. Comments in italics are additional statements extracted from text

Language changes from a focus on the contribution Bodycote, for example, can make to its customers' businesses prior to the Crash, to the provision of a leverageable service after the Crash, as customers will then value that service more. However, despite what could be taken to be a leaning towards post-Crash shareholder primacy in this mini-corpus as a whole, overall the finding is - as with non-uniform financial performance - the mission statements of the seventeen companies are fairly mixed in shareholder terminology use over time.

The old adage *'the more things change the more they stay the same'* comes to mind as a potential explanation. There may be such an underlying reason for the primacy orientations depicted in Table 6.3 (and expanded on in Appendix 21). Yet, despite that, what might be observable in some of the post-Crash mission statements is rather an expression of managers' need to respond but due to their deeper altering perceptions about how to best support the process, and improve performance, in changed economic conditions according to their core values. Managers then reorientate from, say, a short-term perspective to a long-term perspective, and which in turn has a knock-on effect on primacy orientation concerning who they are going to favour when crisis hits.

Due to the limited data they provide, such intricate change, though, cannot be easily identified or objectively assessed from an examination of mission statements alone. Hence, how to accomplish a deeper analysis has been one of the emphases of the main study. To this end the narrative staining technique has allowed a consolidation of multiple variables – largely thought of separately when previously researched or debated – and by so doing going further in examining primacy and temporality bias than has been undertaken in the past.

7. Conclusion

This research takes its lead from the debate about how corporate value is perceived best generated with respect to favouring shareholders or stakeholders. The specific focus, though, has been about whether such perceptions altered through the experience of the 2008 Crash. And to understand this highly complicated process this work has attempted to differ from other investigations by firstly examining these primacy concepts integrated with temporality (something carried out in two forms), and then, secondly, visually map what took place over time across the economy as the financial crisis progressed. Further, this investigation makes no judgements about the merits of each of the main constituencies, shareholders or stakeholders, but rather has sought to understand a relative change in perception managers may have brought to bear in that regard. Indeed, as a *new tune* for the primacy debate, a relative assessment as opposed to an absolute one has been vital for revealing what took place and making some sense of the often-conflicting factors and viewpoints, many of which have dogged this field of inquiry in the past. Hence, the research makes no corporate governance recommendations, neither are reasons assigned for the Crash. And the researcher has attempted to be solely an objective observer.

Considered in that way, and in the light of the original research questions, the findings are that over the period of the financial crisis there was a change in perceptual bias for the primary corpuses. A peruse of Table 5.3 in Chapter 5 shows that quite clearly. Yet largely, however, the change did not manifest as expected. For example - and notwithstanding some of the results for Study 1 on the regulatory domain - in line with Q1 and Q2 change is shown occurring and the research questions thus addressed. Yet, in examining the primary corpuses, the consideration of the phenomena separately is likely responsible for that result. Once the hypotheses are more complex, and hence there is a consideration of the constructs in unison, as in H1a – H2b, the change is there but in a very different configuration from expected.

Some attempt has been made in Chapter 6 to provide tentative explanations for the findings: why, for example, there is a short-term stakeholder orientation pre-Crash, moving to a long-term shareholder orientation post-Crash, chiefly for the primary corpuses, although less so for the regulatory corpus; but then again also when the results are considered as part of a Group (*Group A*). And then counter to expectations, how biasing is carried through in a different way, in many cases reversing, for Group B and Group C. The determination overall is that Group A showed alignment of constituents partially due to the regulatory environment but also, and more relevantly to the corporate corpus, because stakeholders were given more consideration in the material these businesses put out. Whether this reflected a genuine desire by managers to attend to different constituencies, as well as CSR concerns, or whether it was lip-service cannot be known, yet there is movement over time certainly evident in that corporate narrative.

In the same way, whether calling it lip-service or indecisiveness, as far as the regulatory domain is concerned, there is a static effect noticeably apparent with respect to their outlook on primacy. Yet they have a clear movement over time from pre-Crash short termism to post-Crash long-termism. Whatever the regulatory and legislative forces portray themselves as, and however the torch is lifted up to further any agendas (ie the promotion of long-termism), objectively in their narrative, that is where they are at.

Four studies conducted, however, can only provide a suggestion of what is taking place and, ideally, there needs to be an expansion of the work. But despite such lack of clarity dealt with in this research one thing was clear: that to consider value creation to be the same for all companies and organizations with respect to primacy – in terms of favouring one stakeholder group over another – is to miss the point that there is far more complexity involved (see also Mauboussin and Callahan, 2015). For this research, in fact, the findings are that temporality (termism and urgency) is of vital importance to the shareholder versus stakeholder debate, and perhaps more so than the *enlightened* view depicts – because it is not as straightforward as saying something to the effect, *short-term bad, long-term good*.

Seen in that light the work of Danielson et al (2008) makes particular sense, which is to say the way termism functions is equally applicable to shareholder and stakeholder perspectives. If such notions become overlooked, however, by stressing a particular agenda of, for example, stakeholders, the end result is that if their interests are under-specified in some manner, there may be a production of similar results concerning which shareholder theory is accused. In other words, as the researchers emphasise, a destruction of long-term stakeholder value by less R&D or innovation or overly ambitious attempts to redistribute any economic surplus to a variety of stakeholder interests.

But in addition to that, whilst particular organizations (primary and peripheral) appear to have similar outlooks on the value creation process, the effect is not the same across the board. And that variation is important to recognize because it is meaningful. Indeed, without any a priori thoughts – or hypotheses – on how the twelve stakeholder organizations would break down across the economy with respect to the variables considered, the best groupings for the narrative strip were later found to reflect the ideological perspectives involved, be they politically oriented or stressing business, of those stakeholder organizations. And while recognizing the need to repeat the research for verification, this was quite a startling finding.

And once there was an understanding of the process of mapping complex constructs, further investigation was possible by conducting secondary analyses. In looking, therefore, at how the relative amounts of a financial versus a non-financial disposition to use certain terminology (*price, share v return, customer*) functioned (H1c – H2d), the finding was that the only hypothesis supported was H1d for the corporate corpus. In this case, post-Crash, non-financial terms were loading onto long-term stakeholder primacy.

Just looking at the corporate corpus alone on the narrative strip,[1] it may therefore be noticeable that on the one hand companies post-Crash were long-term shareholder oriented but on the other, as regards a lesser focus on stakeholders generally,[2] they were also associating these stakeholders with non-financial terminology. Such findings may not be totally untoward, given the reasons discussed. Yet these findings also highlight the complexity that needs addressing if real light is going to be shed on this field of inquiry, and how the use of multiple analyses based on narrative staining can help in this.

One thing that does appear clear, however, is the boundary condition that the financial crisis imposed. Whether companies might have been short-term stakeholder oriented prior to the Crash and long-term shareholder oriented following it, and other organizations with different biases, including with respect to their *sense of urgency* to change, the financial crisis, it appears, represented a crucial turning point. And for better or worse, organizations responded to events in the economic environment at that time, and employing the best approach at their disposal (eg Appendix 1: Timeline). But even though there is a body of work about how crisis operates, and its import is relatable to the 2008 Crash (see *Section*

[1]See also Table 5.3.
[2]That it is biases dealt with, not complete switches in organizational outlook, should be remembered.

6.3.1), whether this event truly represented a cause cannot be said objectively. Indeed, that kind of determination was not the aim of this research. Nevertheless, there was an alteration in perceived primacy and temporality over that period with respect to value creation was certainly the case. However, to contextualize this finding, a connection of these biases – and their components – to the broader economic context is supportable only insofar as the Crash was the biggest and most likely propulsive force of change in evidence.

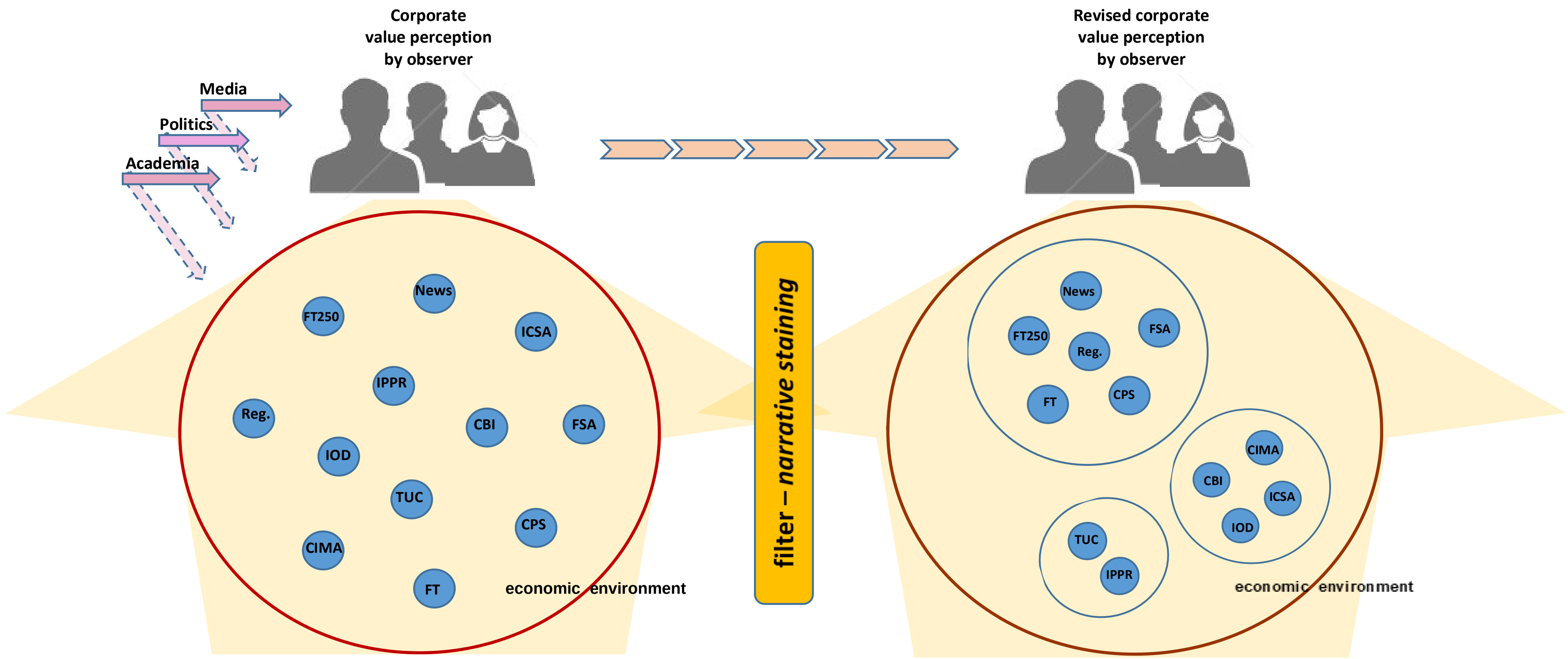
But despite such apparent limitations involved in assessment, intricacies have been revealed about the relative merits of shareholders and stakeholders to value creation, and how this changed over the crisis period,. Furthermore, unlike many other attempts the basis of this work is on an objective appreciation of how some of the many variables interact. Hence, this research has looked at organizational narrative as it reflects dynamic biasing as a result of a furtherance of stakeholder interests however hollow – or indeed substantial – the pursuance of that agenda by managers. And how that process, starting out in manager's minds, undergoes mediation by perceptions of temporality.

Moreover, with the findings not in accord with the hypotheses generated,[1] that alignments then became apparent was significant. It additionally pointed the way to a better understanding of some of the deeper, inherent intricacies of the shareholder versus stakeholder debate in a more sophisticated, broader economic perspective. Fig 1.7 depicts how a multi-actor economy impacting the corporate value narrative has its complexity revealed with narrative staining[2]. And for this research it seems that political and business agendas stemming from the profile of the organizations examined is very much at play

[1]An assumption was that the initial conception of how an exploration of the area should proceed – and hence how hypotheses were generated – was that there was a single organizational view of perceived value creation across the UK economy.

[2]The graphic in Fig 7.1 is comparable to Fig 1.2 in the Introduction, and therefore how the research process has led to this point. The second scenario is also identical to that portrayed in the narrative strip (Chapter 5, Table 5.2).

How the multi-actor perspective of the corporate value creation narrative can be seen to change once *narrative staining* is applied



The corporate value creation narrative as perceived by observers in this scenario, where it results from dynamic – and reflexive – multi-actor interactions. These interactions involve stakeholder organizations, human perspective, the economic environment, and varied external forces, such as from the media, politics, and academia.

The forces on multiple stakeholder organizations in the economy are similarly active and affecting observers' perceptions in this scenario. However, the reality of the multi-actor economy, to affect the corporate value-creation narrative, is more readily perceived, with a nuanced understanding gained after an analytical filter (narrative staining) is applied to reveal group alignments. Impacting and reflexive forces may also be more evident within groups due to common agendas.

Fig. 7.1

where, as shown, organizational groupings are the reality; rather than an economy where all organizations are fundamentally identical in their thinking about value creation. The work, therefore, moves beyond investigating a basic discourse of the relative merits of shareholders versus stakeholders and beyond basic notions of temporality. It also, unlike a financialization view (see eg Froud et al, 2006), shows that essential to understanding the issues is to go beyond a financial versus a non-financial focus; considering more than capital market outcomes or simplistic corporate governance changes (see eg Deakin, 2010). Indeed, to consider even more than specifics concerning who took advantage in a company as the emphasis for explaining the 2008 Crash. The perspective of this work, therefore, is that without an appreciation of how varied organizations differentially function to align, and hence have outlooks on the generation of corporate value that are group-driven, there is only a limited understanding of their behaviour, not only with respect to the financial crisis but at any time. On that basis, it is unsurprising that academic viewpoints or the media, having drawn their information from a particular organizational segment, could reach different conclusions – or conclusions that are not reflective of the economy as a whole. A multi-actor economy is more intricate than that.

7.1 From the Crash of 2008 to an appreciation of the complexity of narrative

The fundamental underlying contribution of the research concerns narrative. In that respect the investigation has demonstrated that in the fostering of corporate value creation the discourse can be differentiated between who should be favoured in that process (shareholders or stakeholders) and how they should be handled temporally (time horizon and sense of urgency). But that differentiation does not preclude considering the issues as a whole, as the narrative strip demonstrates. Consequently, looking for possibly the first time at the surrounding debates on the issues in an integrative fashion, and with particular relevance to the 2008 Crash, it is apparent that managers clearly utilize narrative to express their biases on the subject - whichever primacy and temporality ones are implicated or how they alter. This work, therefore, reinforces the fact that narrative is a means by which complex information, at many corporate levels, is perceived and handled by employees, executives and other stakeholders. Narrative may thus be said to intimate bias.

In that context, whatever the cause of change in corporate value perception (including both internal and external forces) the purpose of forming and applying term combinations has been to reflect any potential outcome from pre to post-Crash in managers' thinking; to pick up on their changing biases. This has not only been achieved but as the findings have indicated it is a highly individualistic process, where pre or post-Crash narrative term use is found to map differently for different organizations, or indeed for different groups of organizations. It is only through the application of narrative staining, however, that this effect, one leading organizational perceptions, became observable. Moreover, with hypotheses largely not supported, there is an underscoring of the complexity of examining the shareholder versus stakeholder debate within that multi-actor economic environment.

For value-creation, narrative development is also a process sensitive to change as new economic events arise. Broader stakeholder relationships and how they influence company performance, as we have seen, had been progressively coming to the fore, such as the growing concern shared amongst many observers about CSR and the environment and the vital role such constituencies had to play even prior to the financial crisis. Managers, more than others, are often in a position to perceive these concerns as they materialize both within their organizations and when looking towards the outside world, and it is through the narrative they cultivate that they respond. The way they respond, though, is a result of the dispositions they bring to bear; dispositions which are themselves reflective of multi-actor forces.

Indeed, demonstrated in this research is that corporate narrative is reflective of human perception and resulting behaviour in an intricate and dynamic manner. Furthermore, through the prism of managerial and executive bias alterations in managerial behaviour have become observable as a major economic crisis took place. Narrative, however, has implications beyond being a useful analytical means to look at bias. Significantly, the research points to an inextricable link between corporate narrative and perceived value. And with all the myriad variables in play, and specifically those involving temporality, how an understanding of value creation occurs amongst a variety of organizations in the economy can be discerned to be far more than just about shareholders or stakeholders.

7.2 Interdisciplinary and future real-world applications

An impetus for this investigation was the desire to examine changing perceptions of corporate value by managers as they met the challenges of the financial crisis. But once it became a multivariate investigation – not least by considering the influence of both primacy and time horizon dimensions – it opened up a new way of thinking about large corpus datasets. This also promoted a contemplation about what physical limitations existed on more elaborate investigations, and whether it was possible to remove or reduce these limitations. Indeed, added to the research were several modes of the temporality concept. But other complex variables – outside the scope of this research – were determined to be equally possible to examine.

Consequently, the approach described allows assessment of a variety of cognitive concepts within the context of other variables that may influence them. The concept of *value* in the context of primacy and temporality has been the focus for the current work. But *belief, beauty, quality, injustice,* are all potential concepts, to name a few, that could be similarly examined within the same primacy and temporality context (specified as DimSyns) if one wished; which is to say, crucially, can be looked at in relation to something else. Though more likely the DimSyns would relate more specifically to particular research questions involved. Indeed, these context variables could be changed entirely.

The research has only just opened a door on the technique. And without a doubt, for future work there is more that can be done to develop it, as well as further investigate how companies and organizations respond when different combo terms are used. Will there be support for the initial findings; will something new materialize from a much broader data analysis? What other combos, as research goes deeper into the process, might become relevant? And the process so far has used a simple multiplicative approach to forming the combo. That itself has provided fascinating and original insights about the economy. But exploring the use of other mathematical ways of combining terms could open up more possibilities and perhaps reveal ways better reflecting more sophisticated cognitive biasing.

Furthermore, the description of narrative staining also appears to provide a new technique applicable to the domain of corpus linguistic analysis. And one as well that has a visual element.

Taken together, this all suggests many interesting opportunities for new applications and future research discovery.

Yet it is important to state that more computing power and dedicated specialized systems need developing to flesh out what the potential is. However, there has been a demonstration of two secondary analyses: a narrative strip and a matrix analysis. And what became apparent is that though the feed to these may come from perceptual or positioning mapping it is feasible that the technique can also interface with more advanced methods of assessment such as correspondence analysis. Flexibility of this kind suggests further research potential to explore qualitative findings in new ways.

Certainly, the findings of this study with a corpus analytical approach have provided new insights into the reality of how managers of different organizations think about shareholders and stakeholders. And that was an initial goal. Indeed, an investigation has been made of the shareholder versus stakeholder debate, and with its mediation by temporal factors, at a highly sophisticated level not hitherto seen. But as meaningful as the results are from this study's specific focus, there is also greater potential.

Firstly, the approach is equally applicable to other academic domains, where the technique provides open-ended possibilities for future research from a qualitative perspective. Areas the technique may be applied include: social science, psychology, marketing, ecology, business and economics. Indeed, the possible applications, it seems, depend only on the investigator's imagination. The potential multi-disciplinary crossover – an approach this research employed – may also represent in time an area of fruitful exploration.

Secondly, looking at the data output in the form of a narrative strip opens up a number of possibilities beyond the research lab. And that is perhaps the overriding, exciting outcome for future exploration from techniques developed in this work. Because key is that narrative staining is a qualitative data reduction method. It means that once handling of complex – or combination – variables is undertaken, it then becomes an original question for researchers to consider of how many corpus datasets to look at; rather than the standard approach of examining, for example, two or three. This work has applied the technique to twelve corpuses – or twenty-four if both time points are taken into account – itself something that does not appear to have been done before.

As a result of these features embodied in narrative staining, the implications for real-world use are highly significant. Now turned to in some detail, therefore, are several suggestions as they bear explanation.

7.2.1 Negotiations: These interactions are often difficult because parties have different agendas that habitually do not come across or are misinterpreted, or what is actually thought remains uncommunicated. Narrative staining can help reveal what is important so that parties can better understand one another, or indeed so that they employ appropriate negotiating tactics.

i) A question can arise in the corporate – or organizational – world concerning how different companies, in contrast to how they respond individually on a particular subject, might respond on the subject if brought together or amalgamated in some form.

To find this out, a matrix analysis is conducted (based on an initial narrative staining procedure of material they produce) for the cluster of companies involved. And by then examining the XRTs[1] - how their thoughts in unison on the subject of interest are likely to bias. It is thus a predictive[2] process; extrapolating from the combined material the companies produce to a real-world scenario should these companies come together.

Views may stay the same of they may be found to differ. But knowing such information gives a party an indication in advance of the likelihood that a merger – or simply working together on a project – will run smoothly, with everyone *on the same page*, and not be fraught with cultural obstacles.

ii) Another procedure that would be useful in negotiations relates to having advance knowledge of where a party sits on different aspects of a dispute they bring to the negotiating table. To find this out, a consideration is made of where an organization might potentially fit on a narrative strip based on a potential, predictive relationship between the complex terms they use and their organizational group profile.

To conduct the investigation what happens in essence is as follows. One organization is known, for example, to fit into Group 1 based on a full set of combos. And a second

[1]'X' refers to the construct of importance.
[2]It is notable that from the perspective of qualitative analysis the idea of prediction has hitherto largely been thought unfeasible.

organization is known (tentatively) to fit in to Group 1 but has an incomplete set of combos, missing several XRTs. Since the second organization has sufficient combos to place it in Group 1 its unknown XRTs are predictable, based on results of the first organization. Hence, it leads to knowing how, in all likelihood, the second organization will respond on a given topic.

In business, it is rare to know how a party thinks about a complex concept underlying a dispute. But by forming a narrative strip, an assessment can more readily be undertaken.

7.2.2 Analysis of share performance: A feature of the way the financial markets operate is their price indexes for different company shares. These types of price indexes represent a straightforward way of assessing how well a company – and often a manager too – is performing. It encapsulates much information, and many hundreds of shares can simultaneously be scrutinized utilizing price performance and comparisons to their respective indices. The issues of such indices aside, they provide a quantitative, measurable method of assessment and in that respect are objective. And updated at regular intervals, they are time based. As such, a representation of this type is referred to as a time series.

However, conceptually the use of indexes based on data other than price to construct a time series is possible. And one of the most popularly attempted qualitative approaches in this field utilizes *sentiment* data extracted from a corpus. Research carried out often uses Twitter as the corpus, though other financial data sources are frequently a better feed. By this approach, sentiment is determined, at its simplest level, by an algorithm that assesses the relative amounts of positive versus negative words for a given number of words in a text; though far more advanced algorithms are also employed. Generated in this manner is thus a single number, updating at intervals to form an index. The idea then, whichever the chosen source, is to look at how well the two indexes, sentiment and price, correlate[1]. And indeed with whichever feed is used, or that draws on multiple sources including Twitter, whether the index of a specific share's sentiment can predict its price (see eg Pagolu et al, 2016).

The claims of scholarly works concerning having found a wondrous predictive financial algorithm that gives above average returns can be manifold, as can be the claims stated as scientific advances by companies involved with building systems for corpus linguistic data extraction for predicting stock prices. But the reality is that using corpus linguistics in the financial arena represents a difficult field to achieve success in – companies may go bust before finding that success; as happened to an early market entrant, Monitor 110, in 2008. And for sentiment analysis there is particular difficulty as 'sentiment' can be defined in multiple ways. Indeed, despite work in this area of corpus linguistics applied to the financial markets (see eg Das and Chen, 2007; Bollen et al, 2010; Mittal and Goel, 2012; Pagolu et al, 2016), sentiment based approaches have yet to find real traction in the industry. Or so it would seem, as a hedge fund with an effective algorithm would likely keep it to themselves!

While successful proprietary methods no doubt do exist, somewhere, and may even utilize other qualitative components as well (eg GPOMS *(Google Profile of Mood States)*, looking at: happiness, kindness, alertness, sureness, vitality and calmness),[2] they are still single term elements manipulated in those approaches. Narrative staining, however, offers an alternative technique, much more complex in character, for looking at time series data.

Expressed simply, once a combo is formed it can be tracked. Whereas previously this research utilized two time points, pre-Crash and post-Crash (ie t_1 and t_2), with sufficient computer power and accessing the appropriate corpus data this is achievable on a more

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[1]For a useful explanation showing a comparison of sentiment and price indexes for several companies, see Sentdex, Sentiment analysis accuracy: http://sentdex.com/how-accurate-is-sentiment-analysis-for-stocks/
[2]See also Brants, T., and Franz, A. (2006) https://catalog.ldc.upenn.edu/LDC2006T13.

consistent basis to form a dynamic time series (ie t_1, t_2, t_3… t_n). Fundamentally, the procedure makes more use of the vertical potential of the narrative strip for a particular corporate corpus (based on a feed not an annual report); although the procedure moves horizontally for other companies in the same way conducted before in the investigation to assess multiple organizations. The end product is a constantly updating result for a combo (made up of an effective XRT and of DimSyns) in an index for any share assessed in this manner.

But as with any other potential implementation of narrative staining, the key is in finding the combo that works to produce the best predictions. It would not be an easy task, and combo effectiveness may alter after a while in use too – something that is an observed outcome with many predictive factors in algorithmic trading as the market responds or changes. It would undoubtedly keep a researcher or developer very busy, though a successful arbitrage algorithm at the end would be the reward. And despite the additional research and development that would have to be done, what is conceived here is showing what is possible in the financial markets with the methodology developed through the present research

7.2.3 Counter terrorism: In this domain, there can be a vast amount of data on persons of interest coming in to security services all the time. One of the biggest problems is often not, therefore, that there has been no gathering of information, it is rather that amongst the mass of intelligence at what point does the often disparate pieces of information become of importance so that action can be taken?[1] It is frequently, too, a matter of diverting human resources to the task and to check this information, something that takes a lot of time.

[1]That also assumes there could potentially be assembly of the intelligence in to some meaningful form in the first place. Until work begins, this may be an unknown

Resources are limited, but get the focus wrong and there can be terrible consequences, and from a source of attack on the radar yet overlooked.

> 'The risk from each individual was assessed on a 'daily and weekly basis' and then prioritised 'accordingly'… One of the main challenges we've got is that we only ever have fragments of information, and we have to try to assemble a picture of what might happen, based on those fragments… when an attack happened, it would be carried out [in all likelihood] by someone 'that we know or have known.'
>
> *Andrew Parker, Chief of MI5*[1]

But in theory, with a narrative staining approach that looks at bias, in other words subtle yet multifaceted behavioural change, if there is access to a corpus of narrative for a person already under surveillance[2] – ie through their websites, blogs, forum postings, email, phone, site location recordings – then more automated analysis can be applied. The corpus of every person of interest, for example, is like each of the organizational corpuses in the narrative strip. As in this research, there is consideration of the linguistic terms in complex forms that are key to individual behaviour, this being far more reflective of how people think. All things being equal, there would be no alteration in the narrative strip at different time points. But if there is demonstration of colour and/or numerical change, it indicates an individual requiring a focus by the security services. Importantly by this approach, as well, simultaneous monitoring of hundreds of individuals can be undertaken, and the results rapidly scanned by an operator (or by computer) for change. As such, this is a technique stressing a *change in profile* as opposed to a profile itself. It is not meant as an alternative to

[1]Source: http://www.bbc.co.uk/news/uk-41655488
[2]This is specifically about cases where individuals are already under surveillance, and not about breaching the legal right to privacy.

current practices either, but rather as a check to assess what might have been missed. And as history unfortunately shows it is very easy to miss important data – even though it exists.

Besides the computer and software requirements, one of the challenges in setting up such a system would be – as with a share trading algorithm – in getting the right combo terms for assessment (including choosing whatever the X is for an XRT that is relevant to the potential terrorists concerned, as well as the most appropriate contextual DimSyns).

But all that notwithstanding, the technique of narrative staining shows that it is theoretically possible and offers an alternative tool for approaching potential terrorist threat.

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Appendix 1 - Extract of timeline showing details of important events for the year 2007.[1]

Colour key
UK Legislative
Codes-related

2007

January 1: Provisions of the Companies Act 2006 come into force. These deal largely, though not exclusively, with document delivery and disclosure (Sections 2: (1) a – h; (2) a-h)**.**

January/February: FSA imposes further fines on major PPI providers for not treating customers fairly.

February: OFT makes formal referral of PPI to the Competition Commission.

April 6: Provisions of the Companies Act 2006 come into force.[2] These deal largely, though not exclusively, with repeals of previous requirements, the registrar's function and fees payable to them (Sections 4: (1) a – f; (2) a –c; (3) a – c; (4).).

July 11: *Shareholder Rights Directive 2007/36/EC* of the European Parliament and of the Council on the exercise of certain rights of shareholders in listed companies. Particular emphasis is on voting shares – and use of proxies - in relation to minimum requirements for general meetings of companies on a regulated market situated or operating within a Member State (subsequently amended 08.07.15 to include greater shareholder oversight).

July 26: The Pensions Act 2007. This Act incorporated the main findings of the all-party Pensions Commission in 2006 as set out in the white paper *Security in retirement: towards a new pension system* published in May 2006.

- Corporate Manslaughter and Corporate Homicide Act 2007

Late July/early August: The UK stock market goes through a period of volatility. Banks begin to stop lending to each other due to market fears over - amongst other things - exposure to potential losses on high-risk US mortgages. The *credit crunch* begins in earnest.

August 9: Investment bank BNP Paribas tells investors they will not be able to take money out of two of its funds because it cannot value the assets in them, owing to a "complete evaporation of

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[1]The full timeline of economic events leading up to the UK financial crisis (not shown) is for 1986 to 2014 inclusive, and available on request.
Sources include: The Telegraph, Sunday Telegraph, FT, BBC, Guardian, Independent, Wikipedia, ICSA, BoE, HM Treasury, Government Legislation, FRC, EU directives, OECD.
[2]The content of this and later Provisions to CA2006 are particularly important to the current research inasmuch as continued amendments allowed a comparison of the 2006 and 2012 material. And Provisions that had more terms looked at in this research were hence of even more relevance. These terms were also characteristic of text reflecting an increasing focus on better corporate governance processes.

liquidity" in the market. It is the clearest sign yet that banks are refusing to do business with each other. “BNP's statement is scary, to put it mildly” says BBC Business Editor, Robert Peston

August 28: Portman and Nationwide Building Societies merge under the Nationwide brand, creating a mutual body with assets of more than £150 billion

September 4: The rate at which banks lend to each other (LIBOR) rises to its highest level since December 1998.

September 13: Northern Rock seeks bail out from BoE. News breaks that Northern Rock has sought emergency funding from the Bank of England in its capacity as "lender of last resort". It prompts the first run on a bank for more than a century. Northern Rock relied heavily on the markets, rather than savers' deposits, to fund its mortgage lending. The onset of the credit crunch has dried up its funding.

- Barclays alerts US regulators about its concerns that other banks are submitting dishonestly low interbank rates (beginning of LIBOR scandal).

September 17: Chancellor guarantees all deposits held by Northern Rock.

September 19: Bank of England announces an injection of £10 billion into the money markets in an attempt to bring down the cost of inter-bank lending.

October 9: Treasury confirms that the guarantee arrangements previously announced to protect existing depositors of Northern Rock will be extended to all new retail deposits made after 19 September.

October 1: Provisions of the Companies Act 2006 come into force**.** These deal largely, though not exclusively, with member rights, meetings, resolutions, director’s duties, political donations and expenditures, and company share capital rules (Sections 2: (1) a – l; (2); (3) a – k; (4)).

December: The Commodities Futures Trading Commission (CFTC) says that the Barclays employee responsible for submitting the bank's dollar Libor rates contacted it to complain that Barclays was not setting ‘honest’ rates (Barclays alleged to have manipulated Libor submissions to give a healthier picture of the bank's credit quality and its ability to raise funds. A lower submission would deflect concerns it had problems borrowing cash from the markets).

December 6: A Barclay’s compliance officer contacts the FSA about concerns over the levels that other banks were setting their US Libor rate. This was made after a submitter flagged to compliance his concern about mis-reporting the rate. Compliance informed the FSA that ‘we have consistently been the highest (or one of the two highest) rate provider in recent weeks, but we're justifiably reluctant to go higher given our recent media experience’. He also reported that the FSA ‘agreed that the approach we've been adopting seems sensible in the circumstances, so I suggest we maintain status quo for now’.

December 6 – 13: The Bank of England cuts interest rates by a quarter of one percentage point to 5.5%. The Bank of England calls it an attempt to "forestall any prospective sharp tightening of credit conditions". The move succeeds in temporarily lowering the rate at which banks lend to each other.

Cont/...

Appendix 2 - Table summarizing research questions and hypotheses - in relation to primary and peripheral stakeholder corpuses examined[a]

Note that as an overview, and for ease of further explanation, this is not an exact replication of the wording of the specified questions and hypotheses in the Introduction.[9]

Is there, pre to post the 2008 financial crisis, a movement concerning perceptions of corporate value?[6]					
Q1. Did the crash of 2008 change perceptions of corporate value in relation to the relative merits of shareholder primacy (ShP) and stakeholder primacy (StP)?					
Q2. Did the crash of 2008 change perceptions of corporate value in relation to the temporal horizon (ie termism - *long-term (LT) versus short-term (ST) outlook*; and a sense of urgency (SofU) - *non urgency-to-reorientate (NUR) versus urgency-to-reorientate (UR)*)?					
Hypotheses[7]					
Dataset: corporate[8] – annual reports (& websites)		*Dataset: regulatory – hard & soft law*		*Datasets: other[3] St…*	
Termism	Sense of Urgency	Termism	Sense of Urgency	Termism	Sense of Urgency
Q1and Q2 combined, and expressed as a hypothesis for corporate corpus – source of perception shown in brackets H1: Post-crash compared to pre-crash, the perception of value will move with respect to dimensions of ShP/StP and (managerial) termism	*Q1 and Q2 combined, and expressed as a hypothesis for corporate corpus – source of perception shown in brackets* H2: Post-crash compared to pre-crash, the perception of value will move with respect to dimensions of ShP/StP and *SofU* (amongst managers)	*Q1 and Q2 combined, and expressed as a hypothesis for regulatory corpus – source of perception shown in brackets* H1: Post-crash compared to pre-crash, the perception of value will move with respect to dimensions of ShP/StP and (regulatory) termism	*Q1 and Q2 combined, and expressed as a hypothesis for regulatory corpus – source of perception shown in brackets* H2: Post-crash compared to pre-crash, the perception of value will move with respect to dimensions of ShP/StP and *SofU* (from social and legal pressure)	*Q1…* H1…	*Q2…* H2…
H1a: Pre crash, value-related terms will dominate in the space representing short-term ShP	H2a: Pre crash, value-related terms will dominate in the space representing *NUR* / ShP	H1a: Pre crash, value-related terms will dominate in the space representing short-term ShP	H2a: Pre crash, value-related terms will dominate in the space representing *NUR* / ShP	H1a…	H2a…
H1b: Post-crash, value-related terms will dominate in the space representing long-term StP	H2b: Post-crash, value-related terms will dominate in the space representing *UR* / StP	H1b: Post-crash, value-related terms will dominate in the space representing long-term StP	H2b: Post-crash, value-related terms will dominate in the space representing *UR* / StP	H1b…	H2b…

Dataset: corporate – annual reports & websites		*Dataset: regulatory – hard & soft law*		*Datasets: other[3] St…*	
Termism	Sense of Urgency	Termism	Sense of Urgency	Termism	Sense of Urgency
H1c: Pre crash, there will be a dominance of ***financial*** value-related terms compared to ***non-financial*** related terms clustering towards the space representing short-term ShP	H2c: Pre crash, there will be a dominance of ***financial*** value-related terms compared to ***non-financial*** related terms clustering towards the space representing *NUR* / ShP	H1c: Pre crash, there will be a dominance of ***financial*** value-related terms compared to ***non-financial*** related terms clustering towards the space representing short-term ShP	H2c: Pre crash, there will be a dominance of ***financial*** value-related terms compared to ***non-financial*** related terms clustering towards the space representing *NUR* / ShP	H1c**…**	H2c**…**
H1d: Post-crash, there will be a dominance of ***non-financial*** value-related terms compared to ***financial*** related terms clustering towards the space representing long-term StP	H2d: Post-crash, there will be a dominance of ***non-financial*** value-related terms compared to ***financial*** related terms clustering towards the space representing *UR* / StP	H1d: Post-crash, there will be a dominance of ***non-financial*** value-related terms compared to ***financial*** related terms clustering towards the space representing long-term StP	H2d: Post-crash, there will be a dominance of ***non-financial*** value-related terms compared to ***financial*** related terms clustering towards the space representing *UR* / StP	H1d**…**	H2d**…**

Q3: Are regulatory changes (*hard and soft law together*) over the crisis period associated with any changing managerial perceptions of value? *[Databases: regulatory - hard/soft law & corporate]*	
Databases: soft law & corporate	*Databases: hard law & corporate*
Q3a: Post-crash compared to pre-crash, are *soft* law changes associated with any changing managerial or executive perceptions of corporate value?[4]	Q3b: Post-crash compared to pre-crash, are *hard* law changes associated with any changing managerial or executive perceptions of corporate value?[4]

[a]Notes (Items 3, 4, 6, and 7, refer to superscript numbers in table):
1. Value-related terms include value assessment terms, associated corporate value terms and synonyms
2. Pre-crash and post-crash are represented by separate datasets within the regulatory, corporate (managerial) and other stakeholder datasets
3. Table highlights primary corporate and regulatory corpuses, though research questions and hypotheses are the same for all corpuses and applied to all twelve corpuses, including ten ('other') peripheral stakeholder organizations.
4. These are subsidiary questions and only applicable to primary corpuses – see Appendix 13 for correlation analysis.
5. For hypotheses H1c to H2d, temporal change only - no DimSyn variation for corporate governance
6. This is a general, overarching question. However, the thrust of the research is to consider this question in the context of the shareholder v stakeholder primacy debate (and secondarily to assess the impact of temporality on the players involved). Hence, the main research questions of interest are expressed as Q1 and Q2 (Q2i and Q2ii).
7. Besides actual research questions, hypotheses are also employed as they better reflect the idea of *movement* in a virtual search space, which is the core approach to the analysis undertaken.
8. Corporate docs, besides annual reports, include managerial docs, company business reviews and topic reports; websites used only in initial pilot study.
9. Eg. Q2 is the theoretical question and includes the tested questions Q2i (termism) and Q2ii (SofU); both with reference to perceptions of value. A 'dominance in the space' also implies, as above, that perception 'moves'.

Appendix 3 - Dataset example

Set 1 corpus frequency data, bi analysis, normalized, for twelve stakeholder organizations[1].

Pre-crash

bi	corp (pre)	(reg pre)	FSA (pre)	FT (pre)	CBI (pre)	CIMA (pre	ICSA (pre)	IOD (pre)	CPS (pre)	IPPR (pre)	News-gen (	TUC (pre)
1) ci	1.605815	0.011948	0.188067	0.804844	0	0.397871	0.096886	0.095213	0.003526	0.01596	0.8219396	0
2) cm	0.529745	0.009357	0.282101	0.39493	0	0.132624	0.048443	0.006143	0.010226	0.00347	0.3128554	0.000653
3) cp2	0.153097	6.33E-05	0.0403	0.007849	0	0	0.024221	0.003071	0.000353	0.006245	0.0111073	0.000245
4) cn	0.520255	0.002987	0.926904	0.258292	0	1.193612	0.217993	0.0215	0.017983	0.053432	0.3813504	0.008921
5) p1i	2.786019	0.012412	0.016943	2.089685	0.026645	0.044208	0	0.14282	0.227431	0.082081	2.2502281	0
6) p1m	0.296998	0.012608	0.025415	1.025391	0.053289	0.014736	0	0.009214	0.65955	0.017844	0.8565058	0.018929
7) p1p2	0.050145	0.000528	0.003631	0.020378	0	0	0	0.004607	0.022743	0.032119	0.0304085	0.007098
8) p1n	0.435103	0.003103	0.083505	0.670626	0	0.132624	0	0.03225	1.159899	0.274793	1.0440248	0.258695
9) ri	0.299624	0.010372	0.057606	1.774535	0.097697	0	0.16609	0.476067	0.033498	0.00304	0.4850791	0
10) rm	0.066555	0.023083	0.086409	0.870749	0.195393	0	0.083045	0.030714	0.097143	0.000661	0.184636	0
11) rp2	0.015073	0.002449	0.012344	0.017305	0	0	0.041522	0.015357	0.00335	0.00119	0.0065551	0
12) rn	0.134413	0.002593	0.283917	0.569487	0	0	0.373702	0.107499	0.170838	0.010178	0.2250592	0
13) si	4.906446	0.101212	0.013554	5.566028	0	0.044208	0.249135	0.761708	0.128701	0.00228	6.6159402	0
14) sm	0.965832	0.386613	0.020332	2.731203	0	0.014736	0.124567	0.049142	0.373234	0.000496	2.5182295	0
15) sp2	0.250568	0.049713	0.002905	0.054279	0	0	0.062284	0.024571	0.01287	0.000892	0.0894046	0
16) sn	1.740012	0.025303	0.066804	1.786261	0	0.132624	0.560554	0.171999	0.656377	0.007633	3.0695578	0

Post-crash

bi	corp (post	(reg post)	FSA (post)	FT (post)	CBI (post)	CIMA (pos	ICSA (post	IOD (post)	CPS (post)	IPPR (post	News-gen	TUC (post)
1) ci	3.88244	1.85E-05	0.266259	0.609919	0	0.096757	0	0.19304	0	0.110306	0.568137	0
2) cm	1.201142	0.000227	0.163851	0.228487	0.033632	0.225766	0	0.021449	0	0.027332	0.079395	0.007392
3) cp2	0.464875	1.85E-05	0.040963	0.010259	0.008408	0	0	0	0	0.017571	0.005156	0.004032
4) cn	0.539554	4.63E-06	0.341357	0.152946	0.08408	0.967568	0	0.042898	0	0.191327	0.124763	0.155559
5) p1i	4.915847	0.124862	0.079572	3.411735	0	0.01843	0	0.231648	0.271132	0.328052	1.870117	0
6) p1m	0.254583	0.036902	0.048967	1.278096	0.016816	0.043003	0	0.025739	0.022594	0.081287	0.261341	0.022667
7) p1p2	0.031343	0.002494	0.012242	0.057384	0.004204	0	0	0	0.169457	0.052256	0.01697	0.012364
8) p1n	0.453476	4.63E-05	0.102015	0.855542	0.04204	0.184299	0	0.051477	0.723018	0.569011	0.410679	0.477046
9) ri	0.536443	0.001	0.061209	1.963177	0	0	0	0.579119	0.175869	0.012893	1.017912	0
10) rm	0.044612	0.012254	0.037667	0.735441	0.201792	0	0	0.064347	0.014656	0.003195	0.142249	0.000493
11) rp2	0.012677	0.001	0.009417	0.03302	0.050448	0	0	0	0.109918	0.002054	0.009237	0.000269
12) rn	0.117664	0.00025	0.078473	0.492295	0.50448	0	0	0.128693	0.468985	0.022363	0.223534	0.010371
13) si	9.111508	2.258173	0.048967	8.538868	0	0.01843	0.116119	0.308864	0.168541	0.010028	8.095951	0
14) sm	0.784249	0.794864	0.030134	3.198811	0.08408	0.043003	0	0.034318	0.014045	0.002485	1.131376	0.001971
15) sp2	0.18938	0.055557	0.007533	0.14362	0.02102	0	0	0	0.105338	0.001597	0.073466	0.001075
16) sn	1.221299	0.0035	0.062778	2.141245	0.2102	0.184299	0.139343	0.068636	0.449444	0.017393	1.777877	0.041482

[1] Red corner marker for IPPR indicates that it includes two sub corpuses, IPPR-a (corporate governance based) and IPPR-b (also corporate governance based but with more emphasis on environmental concerns).

Appendix 4 - Extracts from Master Lists of VRTs and DimSyns[1]

Value-related terms (VRTs)

Value-related terms (VRTs) (inc value assessment terms, value drivers etc)	Search volume UK average per/month (source: KeywordSpy.com)[2]	Ngram average minimax %, 09/04 – 03/12 (Source BL: webarchive.org.uk/ukwa/ngram/)[2]
Advantage	3,350,000	5.417
Agreement	3,350,000	6.849
Alliance	7,480,000	3.964
Asset	2,740,000	4.170
Assets	1,000,000	4.170
Bargaining power	9,900	0.037
Bond	11,100,000	4.899
Bonus	4,090,000	0.891
Book value	450,000	0.174
Bottom line	201,000	3.252
Brand	11,100,000	4.830
Brand loyalty	27,100	0.066
Business ideas	450,000	0.111
Business strategy	246,000	1.025
Capital	24,900,000	6.594
Cash	16,600,000	5.452
Cash flow	1,220,000	0.418
Charge	3,350,000	8.141

[1]Full VRT and DimSyn master lists available on request to view.
[2]Threshold values considered for use indicated in green (KS >10,000; Ngram >5.0)

Dimension Synonyms (DimSyns)

Dimension – corporate governance: (shareholder value) ShV Primacy	Search volume UK average per/m (source: KeywordSpy.com)	Dimension – corporate governance: (stakeholder) StV Primacy	Search volume UK average per/m (source: KeywordSpy.com)
Angel investor	27,100	Affiliate	2,740,00
Banker	1,830,000	Agent	11,100,000
Bondholder	8,100	Ally	1,500,000
Boss	n/a (US: 20,400,000)	Associate	1,500,000
Business owner	90,500	Backer	246,000
Capital provider	n/a (US: 2,900)	Benefactor	60,500
Capitalist	165,000	CEO	2,740,000
Chief	4,090,000	Co partner	6,600
Director	n/a (US: 20,400,000)	Co worker	60,500
Entrepreneur	1,500,000	Collaborator	27,100
Employer	673,000	Colleague	201,000
Equity holder	1,000	Constituency	110,000
Financier	368,000	Constituent	90,500
Investor	1,500,000	Contributor	60,500
Lender	550,000	Corporate sponsor	5,400
Owner	2,740,000	Endorser	18,100
President	11,100,000	Employee	5,000,000
Principle	1,500,000	Executive	7,480,000
Shareholder	301,000	Manager	37,200,000
Stock owner	1,300	Social investor	480
Stockholder	40,500	Stakeholder	246,000
Venture capitalist	40,500	Steward	550,000

Appendix 5 – Researcher instructions for implementing the 'narrative staining' procedure

Stages

1. Form or choose corpuses to be looked at based on research questions. A minimum of two or two sub-corpus datasets are required. The corpuses should be big – small corpuses are unlikely to generate sufficient material needed for an analysis.
2. Determine a list of terms for the topic under examination as synonyms or related terms – within reason as many as possible. This can be considered the main variable (in the present case the topic is about value, therefore conceptualized as a *value-related term* or *VRT.* If it was about, say, 'belief' it would be a *BRT*, and so forth accordingly). These go into a Master List under the category of *VRT*.
3. Determine dimensions to be examined. Four are likely to be adequate (eg as we used: synonyms for 'shareholder' and 'stakeholder'; 'long-term' and 'short-term').
4. For each of the four chosen dimensions, as in *Stage 2,* determine a list of synonyms or related terms – again, within reason, as many as possible. As *dimension-synonyms* these are conceptualized simply as *DimSyns*. (*Dimension 'category' terms, such as highlighted in Stage 3, may themselves also be used if they are found to meet criteria*). These *DimSyns* go into the Master List for their respective dimension categories.
5. By a means such as an internet-based monthly volume analysis (using a site or utility for usage stats), popularity ratings or expert knowledge, whittle the options down and focus on a small subset of terms for the main topic and DimSyns (in practice we have

finalized on 4 VRTs and 4 DimSyns, which are manageable quantities given technical constraints, though larger sets are feasible).

6. Code the chosen terms (eg by a letter)
7. Determine all possible combinations of the letters to be looked at (or *combos* as we also refer to them) with an *n choose r* approach. Hence, using four VRTs and one dymsyn for each category, making eight in total, we want letter combinations of, say, two from the larger set of eight terms (ie a set of *bi* terms: AC, BD, DC…). (*With Excel combos are easily produced and filtered, and in this case of bi* sets *actually 16 usable combinations after filtering - see Chapter 4*). The same process, if required, is done for the next r values of r=3 and r=4, *tri* and *quad* respectively.
8. Find term frequencies for the sets of individual terms from chosen corpuses (ie for each VRT and DimSyn) with Nvivo or similar software.
9. Having generated the letter (*bi*) combinations, their corresponding term combination frequency totals are calculated (again with an Excel utility and using the frequencies obtained in *Stage 8*). At this time we use simple multiplication but other combinatory approaches are theoretically feasible too. (*Note that with very small frequency totals often obtained, it can be necessary to increase the totals by an exponent of 10, and which must be done for both conditions. This does not change the distribution of results across conditions – though may statistically - but allows them to be processed by utilities that would otherwise have problems carrying out the calculations – in effect it magnifies the result*).
10. The procedure is repeated for the second corpus dataset (therefore in this case giving us pre and post-crash combo result datasets).
11. The corpus dataset results are graphed using a perceptual mapping approach. The corpus, therefore, consisting of two datasets (pre and post-crash), is portrayed on one

graphical output, allowing the observation of combos as a (time-based) split (at present, due to the uni-dimensional nature of the results part of the output is manually separated to give an exploded view for further examination, though it is hoped in the future to be an automatic process).

12. The exploded view of the variable combinations are coloured – *stained* – according to their DimSyn (not their VRT)
13. A simple eyeballing of the results, which are now in map form, provides a great deal of qualitative information, showing as it can any potential difference or movement of term combos between corpus datasets. But secondary analyses can also then be made to examine the distribution of colours (term combos) in more detail. This is particularly relevant when there are extensive results from multiple corpuses, and where *narrative strips* may be formed to easily view and understand more widespread differences or associations between these corpuses.
14. The procedure is repeated for the next corpus (in practice this usually means repeating from *Stage 8)*, and then so on for however many corpuses - and with their accompanying sub-datasets where appropriate – that there are under consideration.

Appendix 6 - Term combinations[a]

	Using 4-element set	Using 8-element set		
Term[1]	**bi, tri & quad[2]**	**bi**	**tri**	**quad**
1) c (customer)	1) cp1	1) ci	1) cp1i	1) cp1im
2) p1 (price)	2) cr	2) cm	2) cri	2) crim
3) r (return)	3) cs	3) cp2	3) csi	3) csim
4) s (share)	4) p1r	4) cn	4) p1ri	4) p1rim
5) I (investor)	5) p1s	5) p1i	5) p1si	5) p1sim
6) m (manager)	6) rs	6) p1m	6) rsi	6) rsim
7) p2 (permanent)	7) cp1r	7) p1p2	7) cp1m	7) cp1ip2
8) n (now)	8) crs	8) p1n	8) crm	8) crip2
	9) cp1s	9) ri	9) csm	9) csip2
	10) p1rs	10) rm	10) p1rm	10) p1rip2
	11) cp1rs	11) rp2	11) p1sm	11) p1sip2
		12) rn	12) rsm	12) rsip2
		13) si	13) cp1p2	13) cp1in
		14) sm	14) crp2	14) crin
		15) sp2	15) csp2	15) csin
		16) sn	16) p1rp2	16) p1rin
			17) p1sp2	17) p1sin
			18) rsp2	18) rsin
			29) cp1n	19) cp1mp2
			20) crn	20) crmp2
			21) csn	21) csmp2
			22) p1rn	22) p1rmp2
			23) p1sn	23) p1smp2
			24) rsn	24) rsmp2
			25) cim	25) cp1mn
			26) p1im	26) crmn
			27) rim	27) csmn
			28) sim	28) p1rmn
			29) cip2	29) p1smn
			30) p1ip2	30) rsmn
			31) rip2	31) cp1p2n
			32) sip2	32) crp2n
			33) cin	33) csp2n
			34) p1in	34) p1rp2n
			35) rin	35) p1sp2n
			36) sin	36) rsp2n
			37) cmp2	
			38) p1mp2	
			39) rmp2	
			40) smp2	

			41) cmn 42) p1mn 43) rmn 44) smn 45) cp2n 46) p1p2n 47) rp2n 48) sp2n	

Coded term combinations

[a]Notes:
[1]Term and 4-element set columns shown for completeness – main study focuses only on 8-element set
[2]*Bi, tri & quad* column (column 2) refers to coded terms without DimSyns; ie for a 4 element set
[3]Term combinations for 4-element and 8-element sets based on *n choose r* approach.

Appendix 7 - Filtering for term combinations[1,2]

Term Combinations

Terms (8)		bi		tri			quad			
		8 choose 2		8 choose 3			8 choose 4			
Total possible:			28			56				70
customer (equity)	**C**	C	P1	C	P1	S	C	P1	S	R
price (pay)	**P1**	C	S	C	P1	R	C	P1	S	I
share (performance)	**S**	C	R	C	P1	I	C	P1	S	M
return (strategy)	**R**	C	I	C	P1	M	C	P1	S	P2
investor	**I**	C	M	C	P1	P2	C	P1	S	N
manager	**M**	C	P2	C	P1	N	C	P1	R	I
permanent	**P2**	C	N	C	S	R	C	P1	R	M
now	**N**	P1	S	C	S	I	C	P1	R	P2
		P1	R	C	S	M	C	P1	R	N
		P1	I	C	S	P2	C	P1	I	M
		P1	M	C	S	N	C	P1	I	P2
		P1	P2	C	R	I	C	P1	I	N
		P1	N	C	R	M	C	P1	M	P2
		S	R	C	R	P2	C	P1	M	N
		S	I	C	R	N	C	P1	P2	N
		S	M	C	I	M	C	S	R	I
		S	P2	C	I	P2	C	S	R	M
		S	N	C	I	N	C	S	R	P2
		R	I	C	M	P2	C	S	R	N
		R	M	C	M	N	C	S	I	M
		R	P2	C	P2	N	C	S	I	P2
		R	N	P1	S	R	C	S	I	N
		I	M	P1	S	I	C	S	M	P2
		I	P2	P1	S	M	C	S	M	N
		I	N	P1	S	P2	C	S	P2	N
		M	P2	P1	S	N	C	R	I	M
		M	N	P1	R	I	C	R	I	P2
		P2	N	P1	R	M	C	R	I	N
				P1	R	P2	C	R	M	P2
				P1	R	N	C	R	M	N
				P1	I	M	C	R	P2	N
				P1	I	P2	C	I	M	P2
				P1	I	N	C	I	M	N
				P1	M	P2	C	I	P2	N
				P1	M	N	C	M	P2	N
				P1	P2	N	P1	S	R	I
				S	R	I	P1	S	R	M
				S	R	M	P1	S	R	P2
				S	R	P2	P1	S	R	N
				S	R	N	P1	S	I	M
				S	I	M	P1	S	I	P2
				S	I	P2	P1	S	I	N
				S	I	N	P1	S	M	P2
				S	M	P2	P1	S	M	N
				S	M	N	P1	S	P2	N
				S	P2	N	P1	R	I	M
				R	I	M	P1	R	I	P2
				R	I	P2	P1	R	I	N
				R	I	N	P1	R	M	P2
				R	M	P2	P1	R	M	N
				R	M	N	P1	R	P2	N
				R	P2	N	P1	I	M	P2
				I	M	P2	P1	I	M	N
				I	M	N	P1	I	P2	N
				I	P2	N	P1	M	P2	N
				M	P2	N	S	R	I	M
							S	R	I	P2
							S	R	I	N
							S	R	M	P2
							S	R	M	N
							S	R	P2	N
							S	I	M	P2
							S	I	M	N
							S	I	P2	N
							S	M	P2	N
							R	I	M	P2
							R	I	M	N
							R	I	P2	N
							R	M	P2	N
							I	M	P2	N

[1]Coded term combos, automatically generated, showing exclusions for *bi*, *tri* and *quad* groups – main exclusions in yellow; with *partials* indicated where there is an additional red term to match with a black one - in the Quad column (eg first partial is C I M P2. I and M cancel, leaving C (customer) and P2 (permanent); hence 1 VRT and 1 DimSyn). Bracketed terms refer to Set 2 VRTs used for alternate output.

[2]Utility developed from source: http://www.get-digital-help.com/2015/02/26/return-all-combinations/#comment-285532.

Appendix 8 - Preliminary term frequency analysis

A frequency analysis of the twenty VRT's for the corpus comprising the corporate and regulatory datasets was conducted (the corporate dataset containing annual reports and websites the regulatory dataset containing soft and hard law ie Codes and Acts and). These were examined in different ways (using their VRTs) to see how they compare pre and post-crash (Figs 1, 2) and from an intra-corpus perspective pre and post-crash (see Appendices 9 and 10).

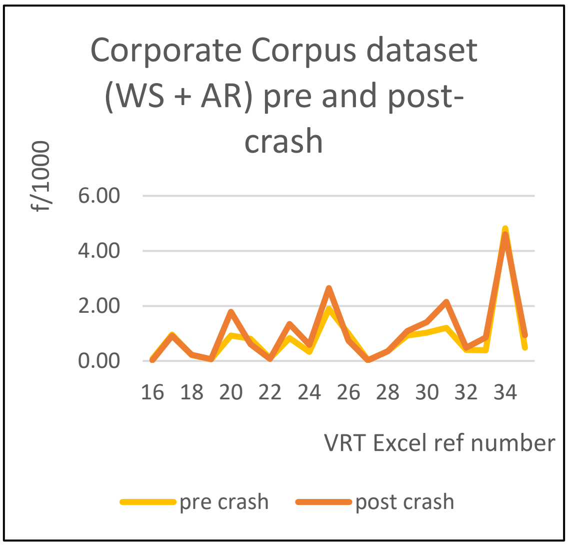


Fig 1

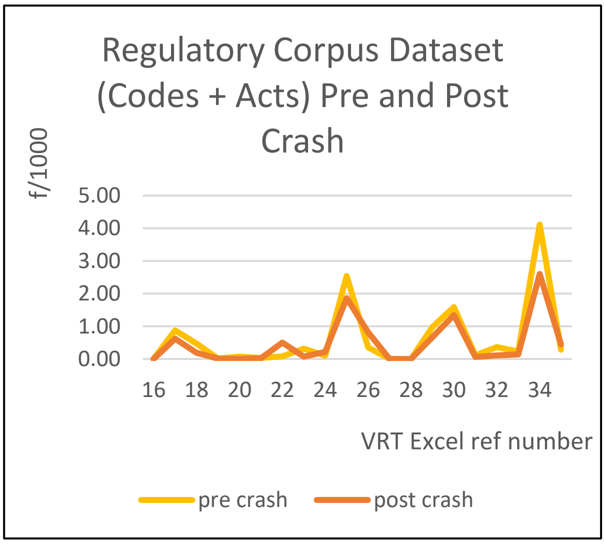


Fig 2

Horizontal axis numbers refer to Excel reference numbers for each of the twenty VRTs[1] examined (see Chapter 4, Table 4.1). And as with all the frequency analyses in this part of the study, though there are minor differences in VRT usage, graphs tend to be similar.

[1]Note that the number for VRT '35' does not display

Corpus datasets compared: In comparing the regulatory and corporate datasets, however (Fig 3 and Fig 4) what we find is that the bias towards the corporate dataset is enhanced for the particular VRTs seen diverging pre-crash and in fact extended to encompass others including numbers 25 - which appears to have switched prominence between the datasets - 32, and 34. Respectively these are: *information*, *resource* and *share*. Of particular note, then, is the increased divergence for the corporate dataset away from the regulatory dataset for the VRT's considered. This is shown more clearly by the trend lines, and it suggests that while the frequency divergence is small there is perhaps a greater interest for these terms for companies post-crash.

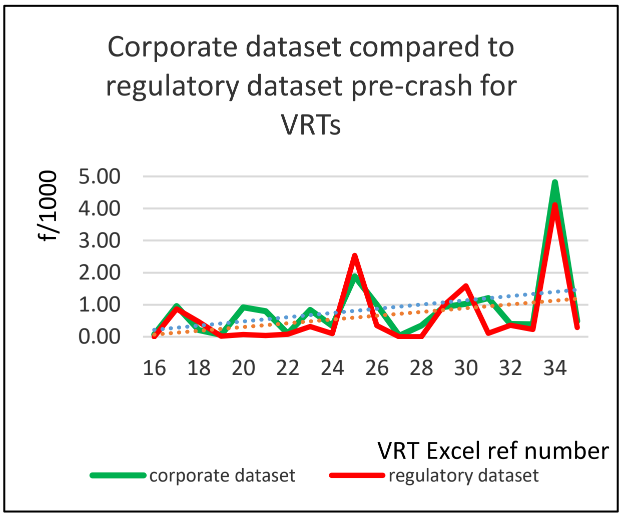


Fig 3

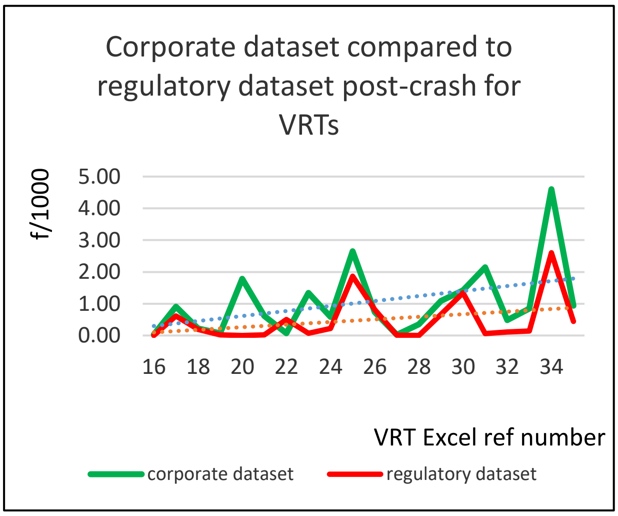


Fig 4

Term frequency combinations

Initially considered was the 4-element set; comprising the terms: customer (c), price (p), share (s), and return (r), in product combinations of two as indicated in Table 4.4 (ie subsets =2), and referred to as *bi* combinations. The corporate and regulatory datasets were then analysed pre and post-crash for these combinations – as before these were examined in different ways to see how they compared, both in relation to each other and pre and post-crash as well as later for the ‘tri’ and ‘quad’ combinations. Main intra-corpus examples are shown below with others in Appendix 8 and 9. Here it can begin to be seen that term combinations – or combos - are displaying as different within each of the two datasets pre and post-crash.[1]

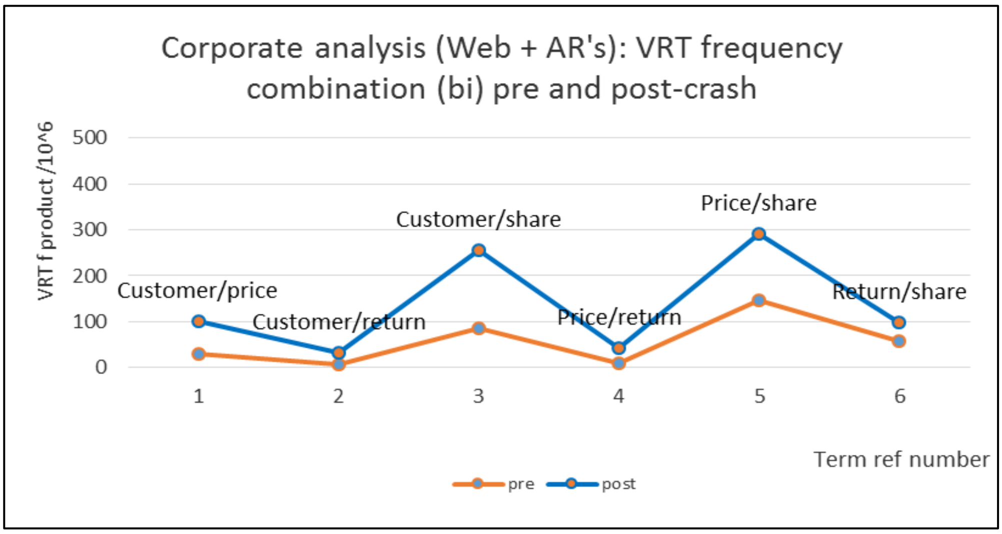


Fig 5

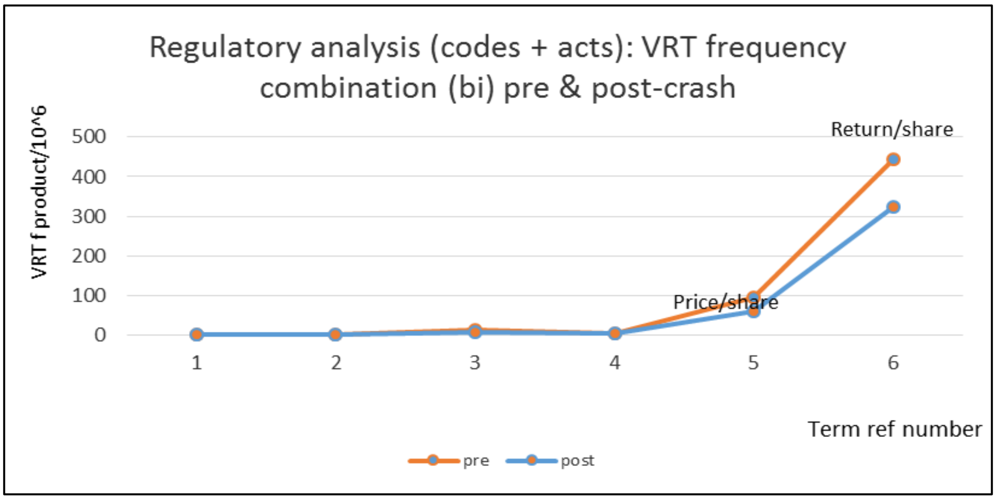


Fig 6

[1]Note: for these graphs and the following ones including for the ‘quad’ terms, Figs 9 and 10 below, see also Appendix 4 for spreadsheet reference number term codes.

Comparable results were obtained when an inter-corpus analysis was carried out.

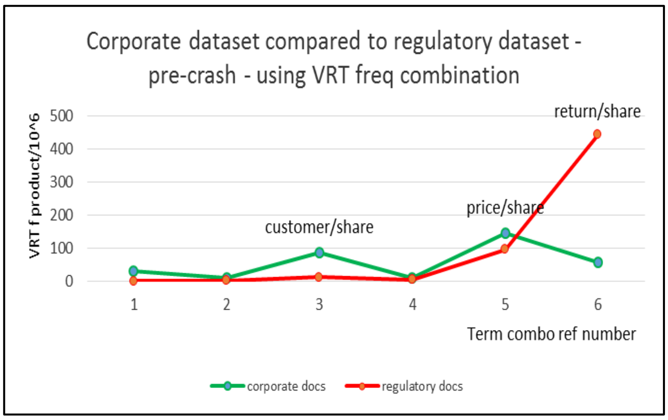


Fig 7

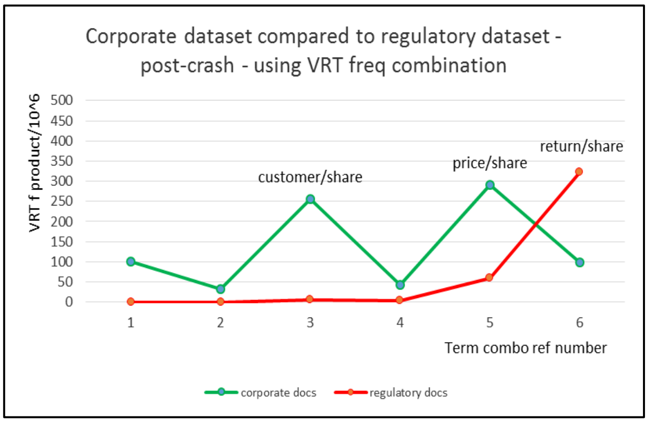


Fig 8

Having determined that something was occurring over time for combinations between the datasets – with some combos differentially favoured - next examined were 8-element sets, subset <=4, labelled as *bi*, *tri* and *quad* groups (see Appendix 6), and which along with the other four terms included: *investor* (i), *manager* (m), *permanent* (p2), *now* (n).

Examining graphs pre and post-crash for corporate and regulatory datasets, what appears to be happening is that there's no specific term variation pre and post-crash, except mildly so, for what is looked at (remember evaluations can only be made based on the specific set of terms; another set of terms could potentially produce a different outcome). However, in some cases there is a pulling away so that if a term combination use is demonstrated this tends to be more pronounced after the crash. This result occurred in a variety of instances where variables or method of analysis were altered slightly to investigate in more detail (eg focusing on combinations with a VRT bias v a DimSyn bias) and was observed to be a consistent finding. The effect was most pronounced on the quad term combinations. Here the vertical axis values are, Fig 9 and Fig 10, pre-crash 0.000005 v post-crash 0.00001; hence the frequencies are double.

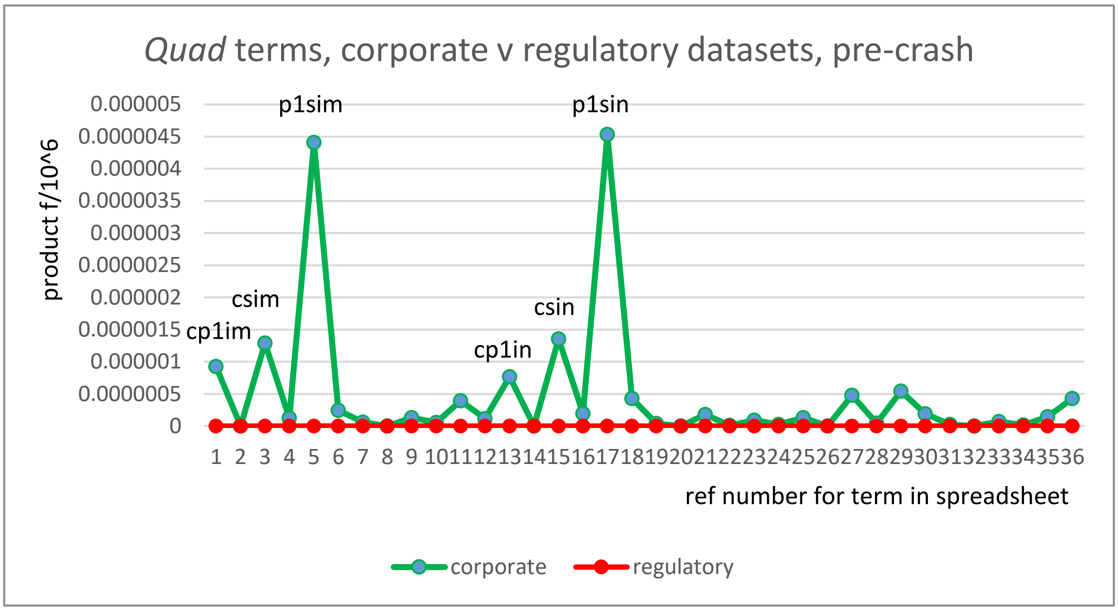


Fig 9

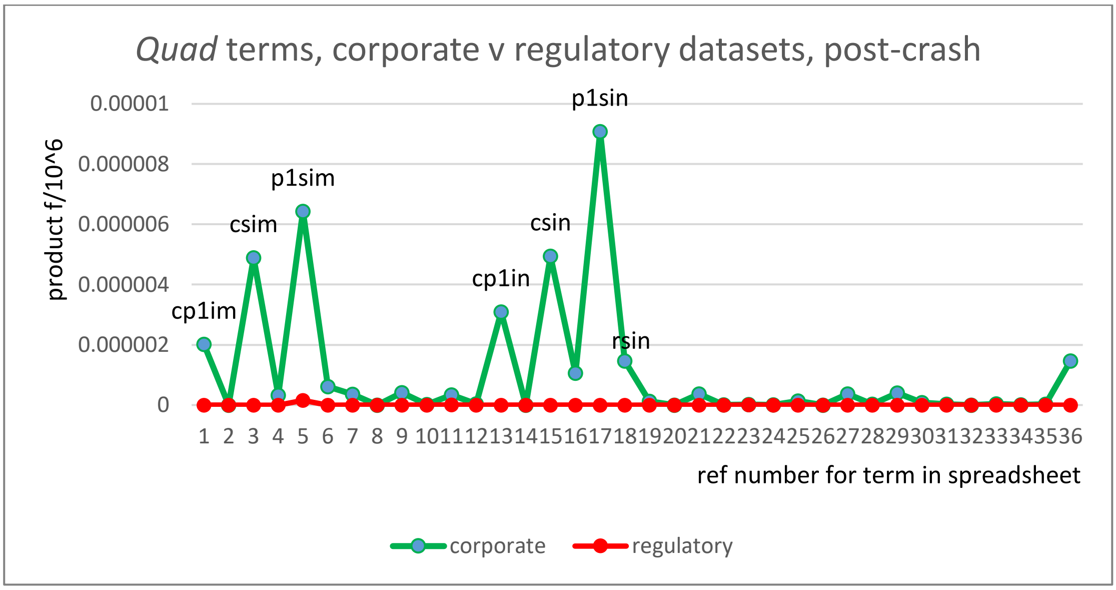
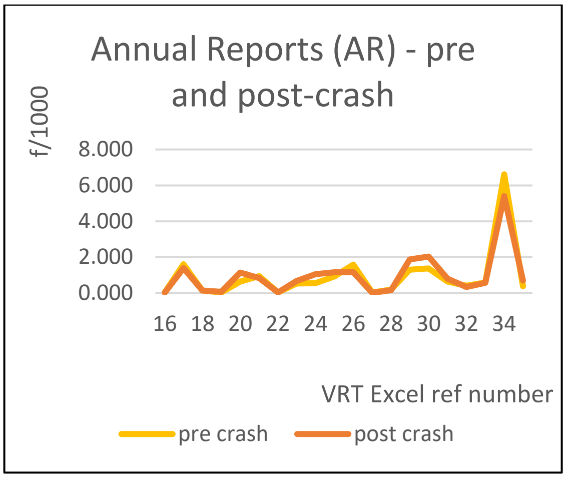


Fig 10

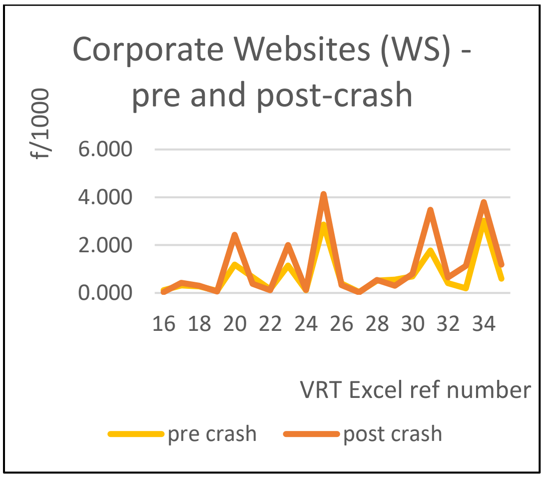
For the analyses in this group, terms per million are being looked at, so very small effects. But then again, this level of measurement is often used in corpus linguistic analysis.

It should be noted too that the Excel graph sets itself in relation to the biggest numbers. Hence, while some data points may be observed as flat, at this point in the examination of the data what was happening at a deeper level was not known, and whether there were differences that were significant but could not be seen. Subsequent analysis began to shed light on this.

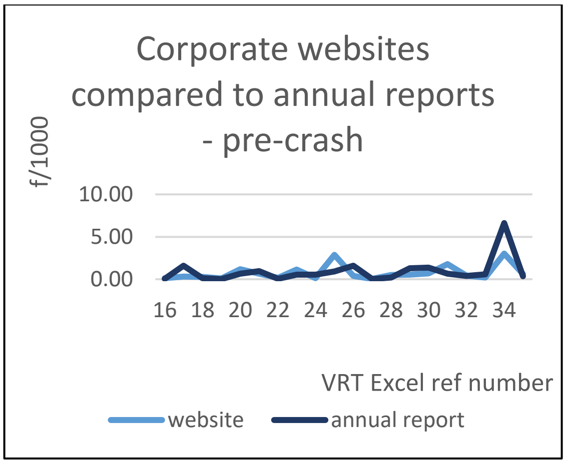
Appendix 9 - Intra-corpus frequency analyses of VRTs for corporate and regulatory datasets



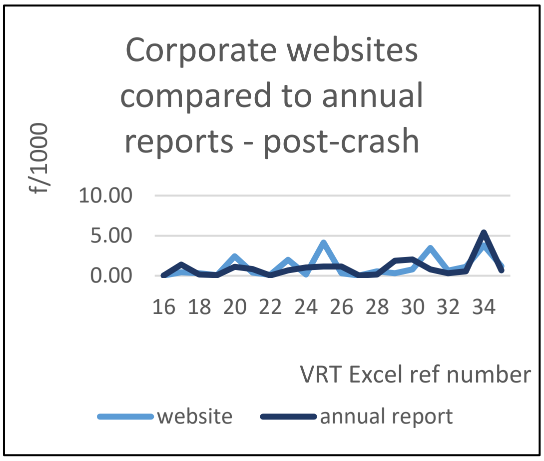
i



ii

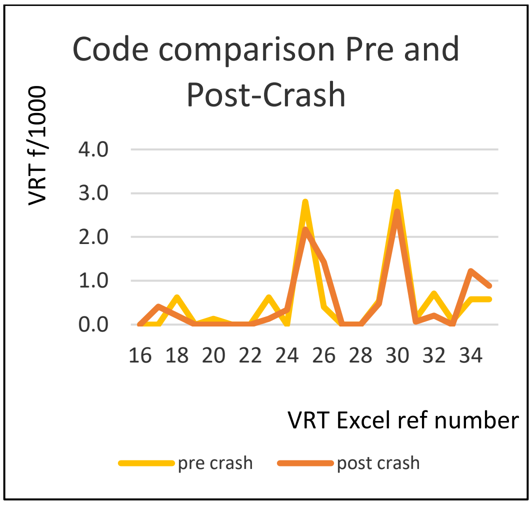


iii

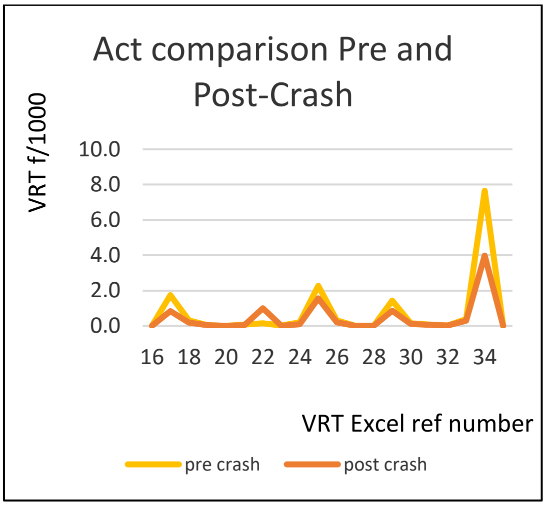


iv

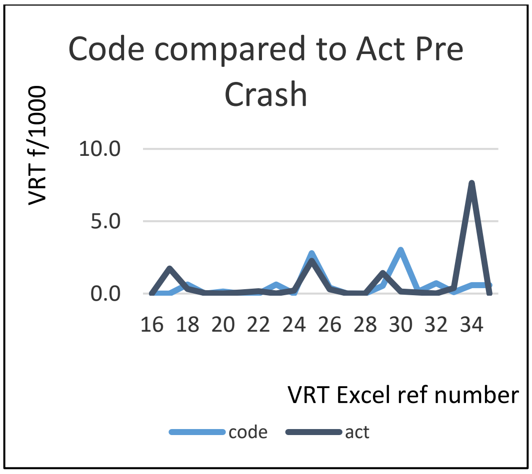
Corporate dataset frequency analysis



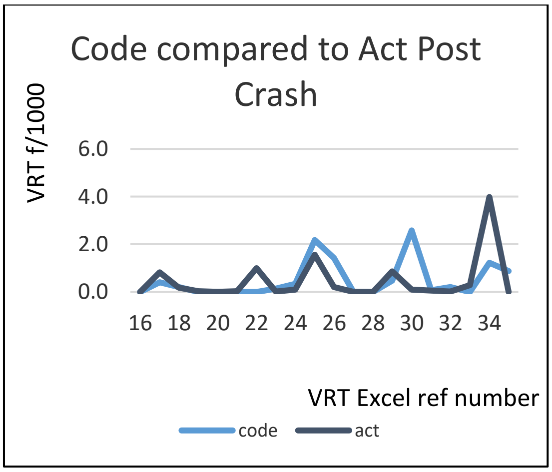
i



ii



iii



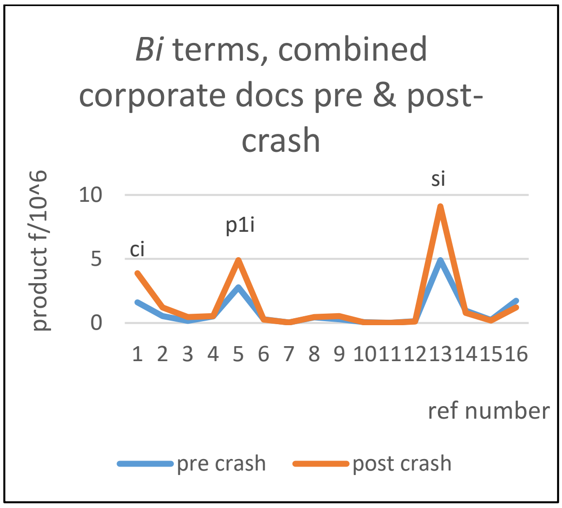
iv

Regulatory dataset frequency analysis

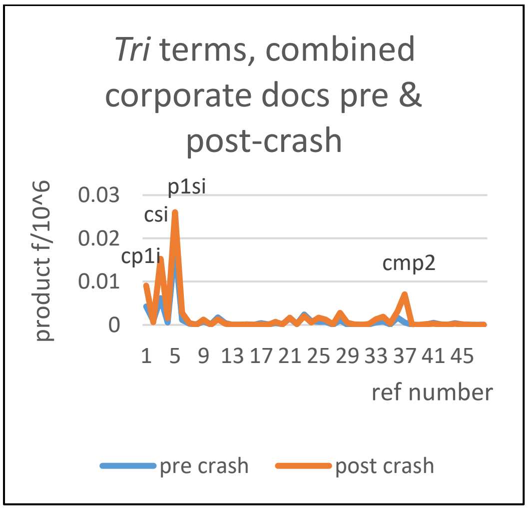
Appendix 10 – Intra-corpus combination frequency analyses on 8-element sets

a) Intra-corpus *combination* frequency analysis on 8-element set for the combined corporate (website + annual report) datasets

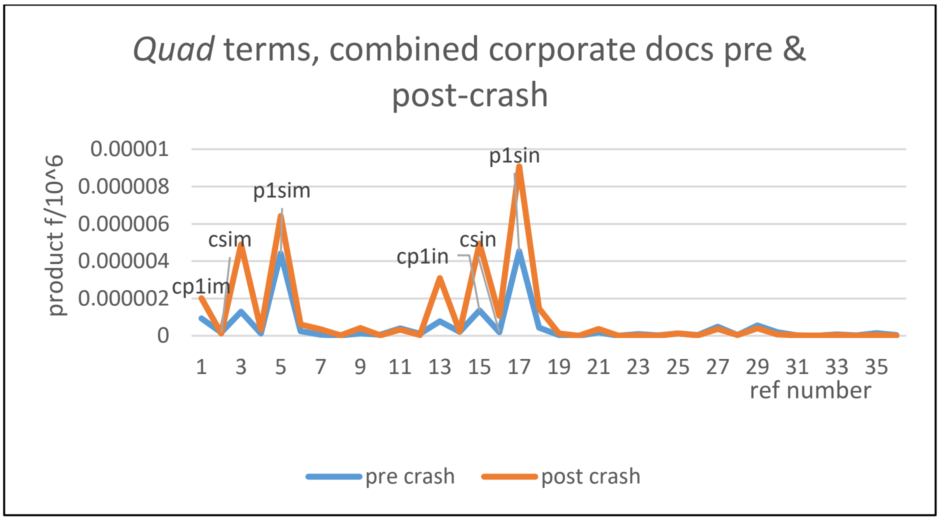
8 element set; combination subsets <=4
Term reference codes: customer (c), price (p1), share (s), return (r), investor (i), manager (m), permanent (p2), now (n)



i

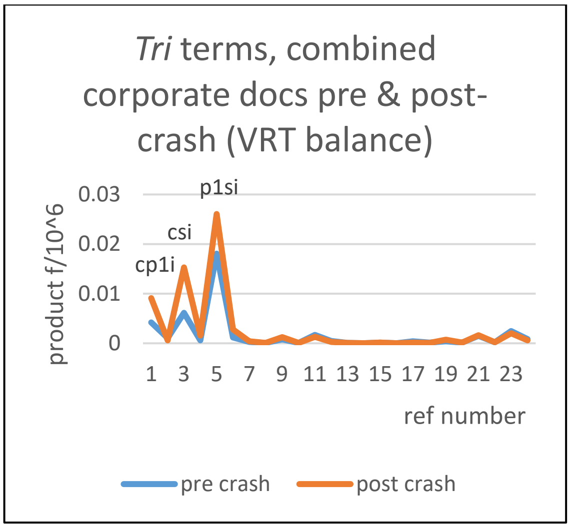


ii

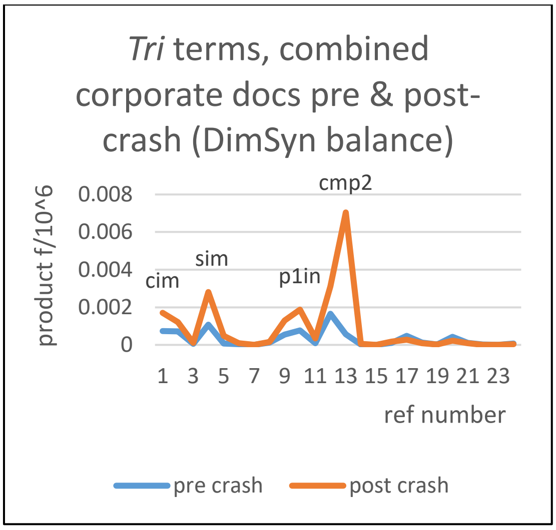


iii

Secondary analysis of tri terms ensuring at least two terms from either VRT or DimSyn groups. Note similarity of (iv) to (ii) above suggesting a great deal of the variance is due to the VRT component.



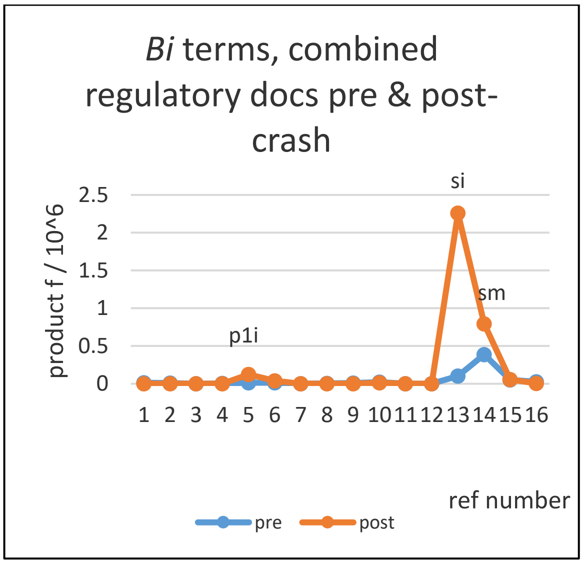
iv



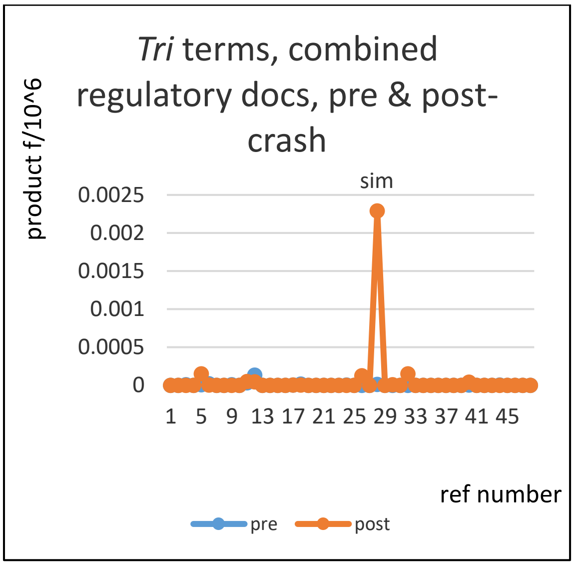
v

b) Intra-corpus *combination* frequency analysis on 8-element set for the combined regulatory (hard + soft law) datasets

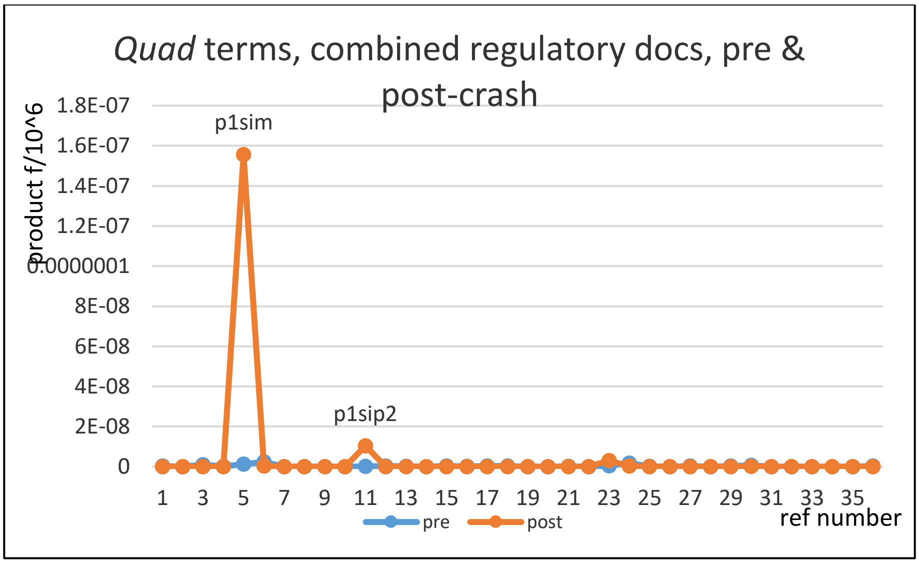
8 element set; combination subsets <=4
Term reference codes: customer (c), price (p1), share (s), return (r), investor (i), manager (m), permanent (p2), now (n)



i

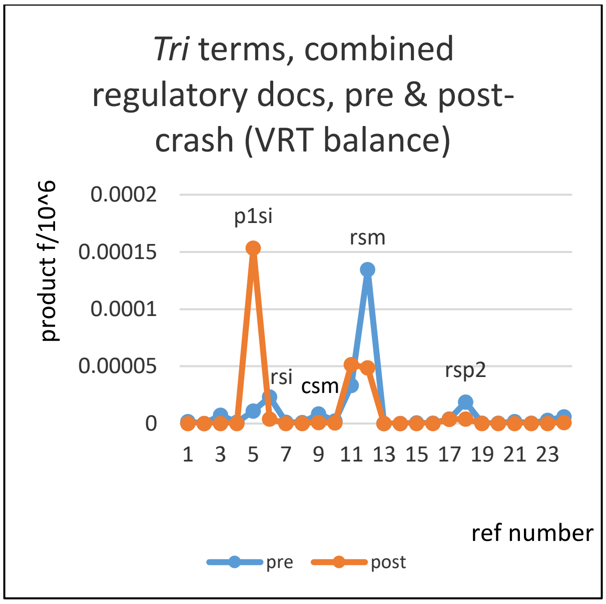


ii

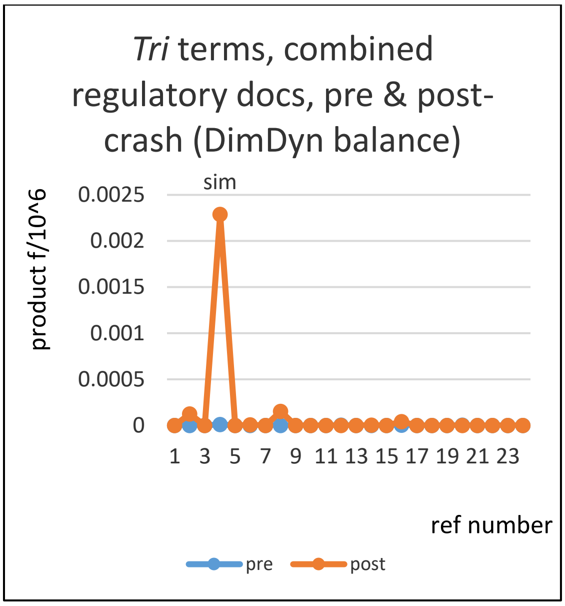


iii

Secondary analysis of tri terms ensuring at least two terms from either VRT or DimSyn groups. Note similarity of (v) to (ii) above suggesting a great deal of the variance is due to the DimSyn component.



iv



v

Appendix 11 – Comparison of a basic combo bar graph with a perceptual map[a]

Standard graphing for observed biasing is found to have limitations. Available graphical utilities from Excel were able to visually highlight the overall direction of any biasing for a corpus (ie where there was a greater frequency of combo use - be it pre-Crash or post-Crash – it would plot on the relevant side of the graph, and hence would be considered a bias, as shown in Fig 1). The graph is therefore useful. For example, it can be observed in Fig 1, which is a plot of the *Institute of Directors* corpus, that certain combos like *3)cp2* (customer, permanent) and *7)p1p2* (price, permanent) are prevalent pre-crash while combos including *1)ci* (customer, investor) and *2)cm* (customer, manager) are prevalent post-crash. But it was nevertheless a method difficult to employ.

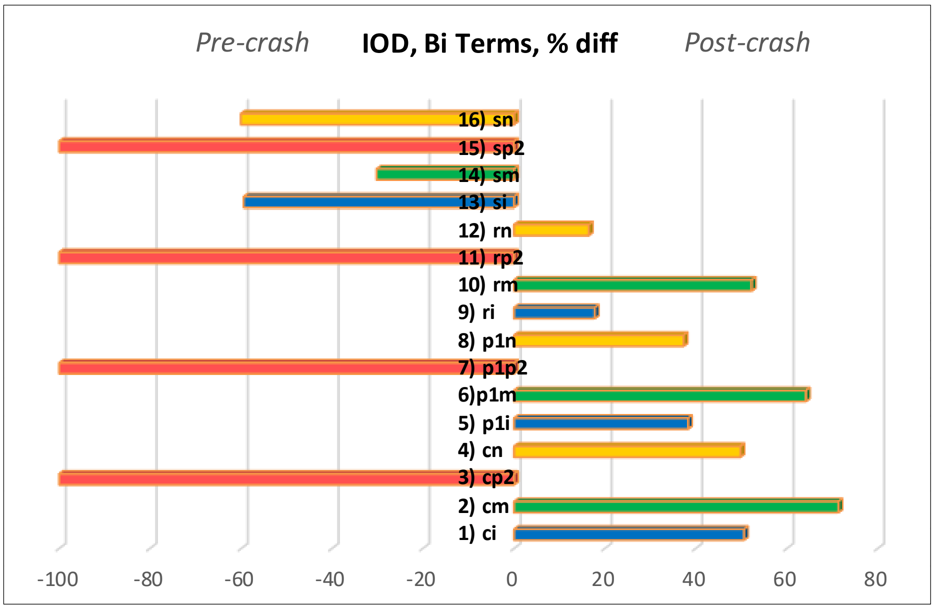


Fig 1: Institute of Directors (IOD) bar chart

[a]Notes:
1. -ve values indicate pre-post direction not a numerical negative
2. % is proportion of max (ie minimax calculation of pre and post-Crash frequency values)

The combo codes, it was found, had to be manually constructed into a list in Word and then superimposed over the bar chart in Excel, lining it up to display in the central position. Matching the codes to the bars also had to be done manually. With the intention, too, of moving to analyse *tri* and *quad* results, the method while effective to some extent, and with more work could be used as the preliminary data input for the narrative strip, was found to be impractical. Other secondary analyses, ie matrix analysis, would have been similarly problematic.

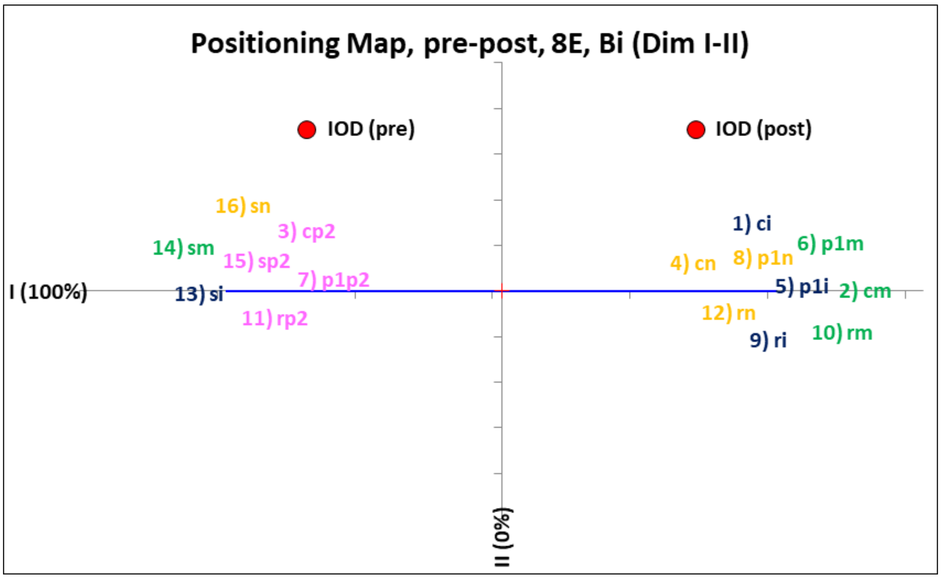


Fig 2: IOD positioning map

It may be observed how the colours are distributed in exactly the same way in both Fig 1 and Fig 2, even though data is handled differently in each case: the bar chart in Fig 1 is a display of a minimax analysis and the positioning map in Fig 2 is a normalized frequency analysis. However, labelling, is difficult in Excel; there is more physical flexibility and space in the positioning map, which also allows for deconstruction of the terms with the colour coding applied. Albeit the initial part of the deconstruction is done manually the map is a much more straightforward method that can similarly be easily applied to multiple corpus data.

Appendix 12 - Comparison of analyses between utilities MEXL and XLSTAT

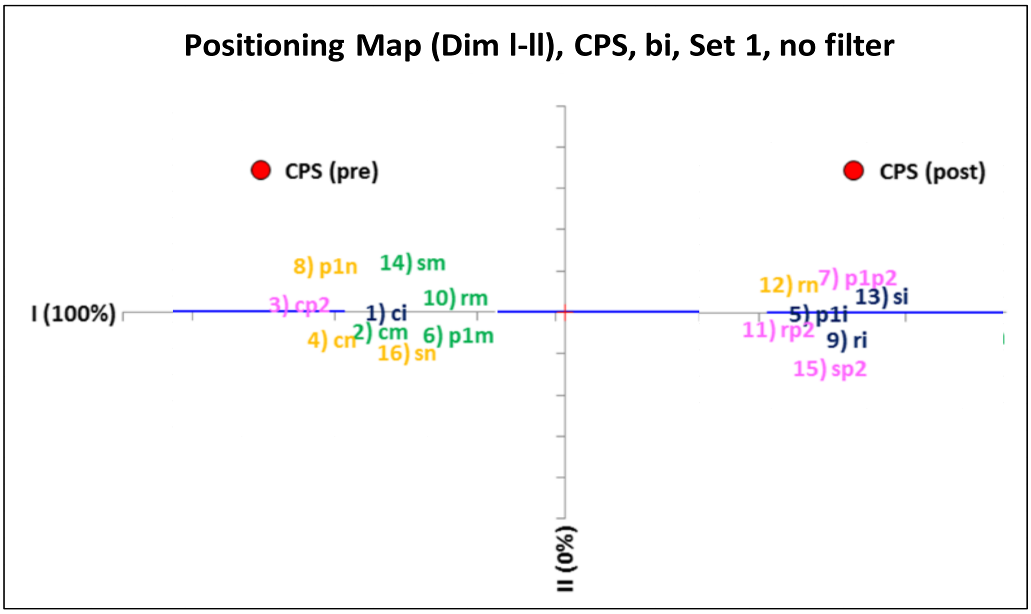


Fig 1. MEXL plot for CPS (Centre for Policy Studies)

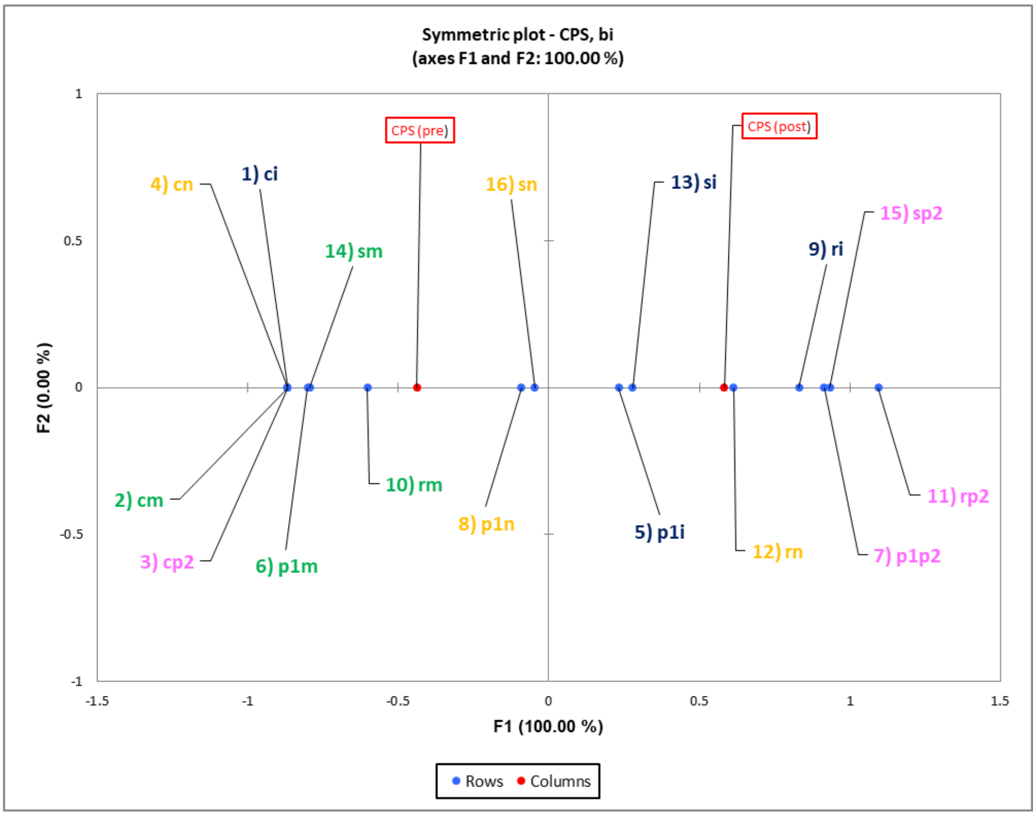


Fig 2. XLSTAT plot for CPS (Centre for Policy Studies)

1. Note how variables for the XLSTAT graph, in producing a *uni-dimensional* plot, are generated along the horizontal line (labels and connecting lines have been added), whereas for MEXL the variables themselves are in manually exploded positions from two single masses.

2. Axis values refer to variance - though for narrative staining with two conditions somewhat redundant

3. Results do not always generate with complete comparability between utilities – most likely due to low variance values - and further work is required to set down rules.

The following graphs are shown only for completeness and to demonstrate similar scaling issues if using a conventional (multivariate positioning, correspondence or associated analytical) approach.

A basic 2D plot for primary corpuses (corporate and regulatory) pre and post-Crash. Though colour clusters can be seen with XLSTAT and the utility is a useful tool, it is nevertheless difficult to pick up slight variations in data or to relate these to the pre and post-Crash conditions. The problem is similarly observable with MEXL (as indicated in Fig 3; see also Results: Fig 4.13 for a comparison). Though as explained in the Method, MEXL is more manipulable.

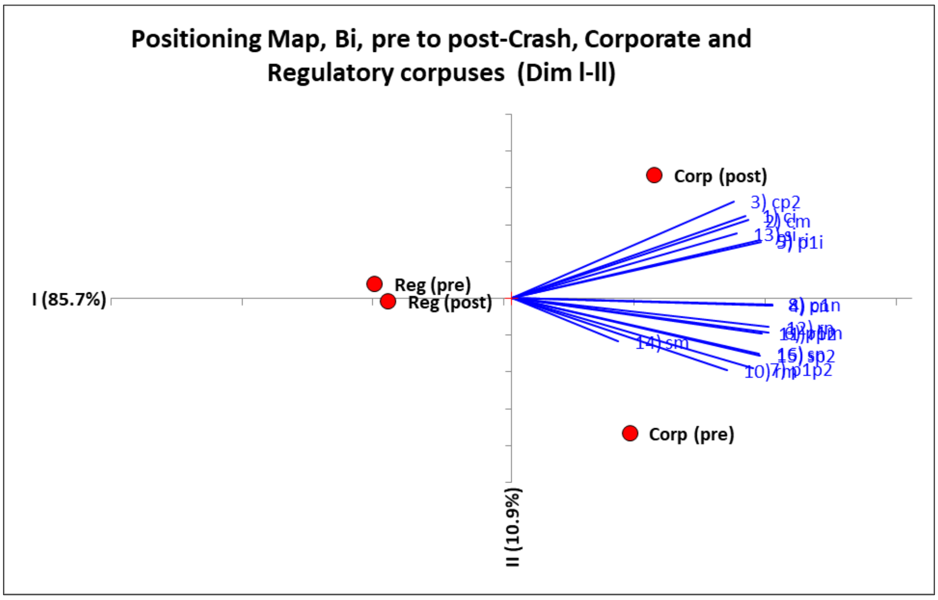


Fig 3. MEXL plot for primary corpuses (uncoloured)

Note, even with slight variations in utility output, the important aspect of how the combos as a whole in both utility results are clustering closest to the corporate corpuses.

In reality, this level of analysis is inappropriate as it is showing the *relative favouring* of the combos to a particular corpus – which is why it is useful for marketing and brand analysis (XLSTAT also presents users with a significance test value which is confusing and unlikely to be relevant to this kind of qualitative investigation). Hence, to demonstrate bias for multiple stakeholder organizations, the need to deconstruct to a uni-dimensional graph as done with the narrative staining approach, and as highlighted in Figs 1 and 2 above, which can then be subjected to secondary analysis.

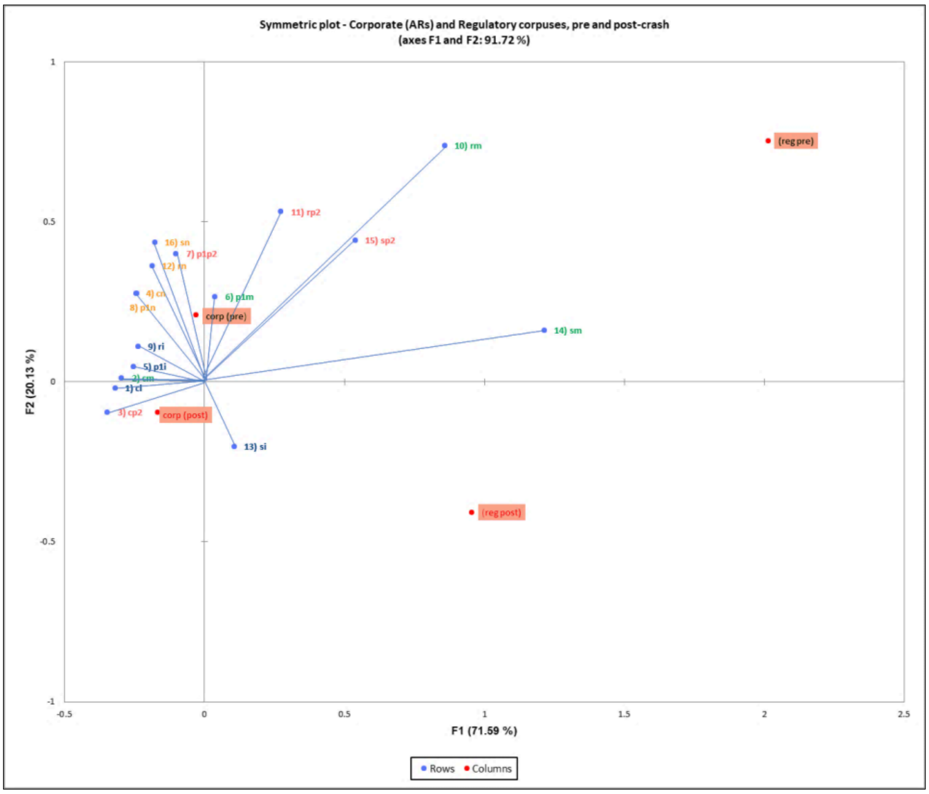


Fig 4. XLSTAT plot for primary corpuses (coloured)

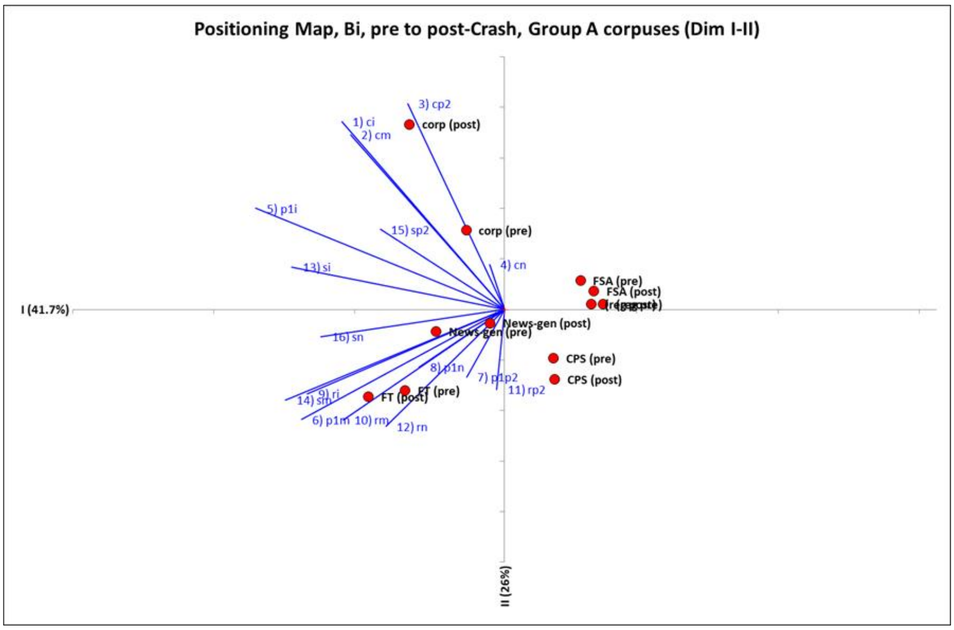


Fig 5. MEXL plot for Group A corpuses (uncoloured)

A basic 2D plot for Group A corpuses (corp, reg, FSA, FT, Newspapers, CPS) pre and post-Crash. Though colour clusters can be seen with XLSTAT and the utility is a useful tool, it is nevertheless difficult to pick up slight variations in data or to relate these to the pre and post-Crash conditions. The problem is similarly observable with MEXL (as indicated in Fig 5). Though as explained in the Method, MEXL is more manipulable.

Note, similarly to above, even with slight variations in utility output, the important aspect of how the combos as a whole in both utility results are clustering closest to similar corpuses – and away from others eg FSA, CPS.

In reality, this level of analysis is inappropriate as it is showing the *relative favouring* of the combos to a particular corpus – which is why it is useful for marketing and brand analysis (XLSTAT also presents users with a significance test value which is confusing and unlikely to be relevant to this kind of qualitative investigation). Hence, to demonstrate bias for multiple stakeholder organizations, the need to deconstruct to a uni-dimensional graph as done with the narrative staining approach, and as highlighted in Figs 1 and 2 above, which can then be subjected to secondary analysis.

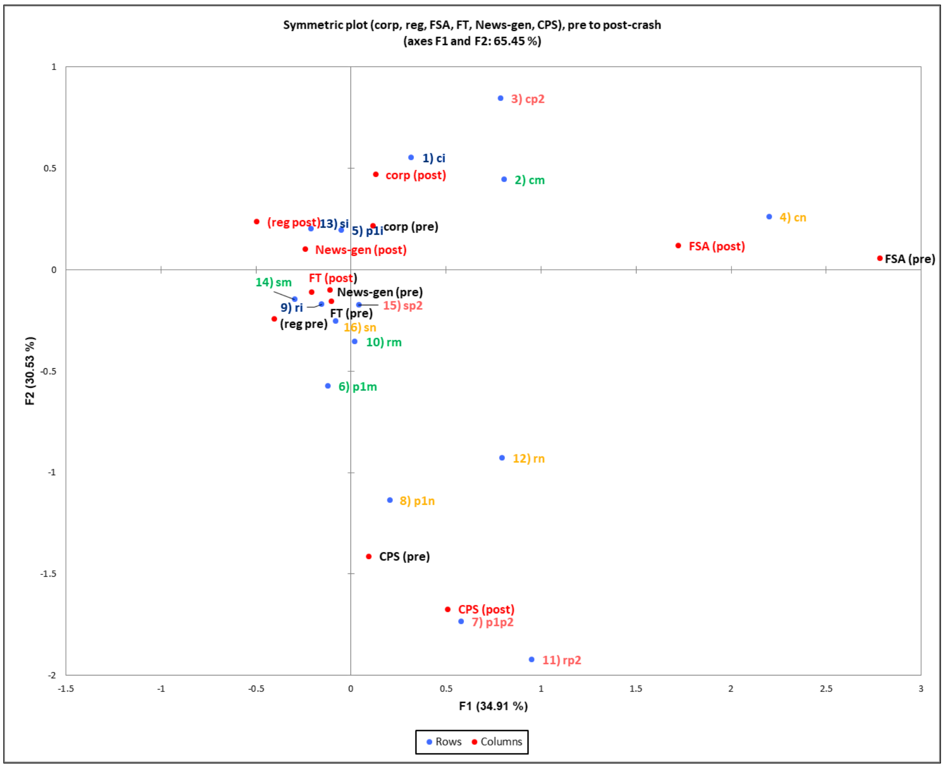


Fig 6. XLSTAT plot for Group A corpuses (connecting lines omitted due to complexity; coloured)

Appendix 13 - Correlations results for primary corpuses

This analysis addresses Q3, and its subsidiary questions Q3a and Q3b.[1].It thus looks at the regulatory corpus and its sub-corpuses against the corporate corpus and its sub-corpuses.

Correlations (bi only, and using Set 1)

	Corp Total	Corp ARs	Corp WSs
Soft law	-0.146544	0.053332	-0.31563
Hard law	-0.300204	-0.3002	-0.1189
Soft law + Hard law	-0.174066	-0.13951	-0.21724

Correlations (bi only, and using Set 2)

	Corp Total	Corp ARs	Corp WSs
Soft law	0.8266931	0.468166	0.613597
Hard law	0.8551164	0.460398	0.822518
Soft law + Hard law	0.91908	0.444577	0.768401

Correlations (bi, tri and quad together[2], and using Set 1)

	Corp Total	Corp ARs	Corp WSs
Soft law	-0.139559	0.09698	-0.23124
Hard law	-0.084393	-0.22928	-0.02849
Soft law + Hard law	0.0365088[3]	-0.05091	0.015832

Correlations (bi, tri and quad together, and using Set 2)

	Corp Total	Corp ARs	Corp WSs
Soft law	0.6805128	0.530884	0.474162
Hard law	0.6851087	0.491164	0.725084
Soft law + Hard law	0.7821451	0.460308	0.719546

Set 1 refers to VRT-1 (customer, price, return, share).

Set 2 refers to VRT-2 (equity, pay, performance, strategy).

DimSyns = primacy, temporal (termism).

Soft law = Combined Code 2003, Corporate Governance Code 2012, Stewardship Code 2012.

Hard law = Companies Act 2006, Companies Act 2006 - with amendments and notes 2015.

Corp Total = Corporate annual reports and websites together for twenty FT250 companies.

[1]Highlighted figures in yellow indicate fairly strong to strong significant correlations (>0.6), and where it may be noted how using Set 2 VRTs seems to be the source of the strong total correlations, though it seems driven largely by websites.
[2]The bi, tri, and quad correlations use a larger sequence of combos for verification than with bi combos alone.
[3]Highlighted figure in blue is the non-significant correlation in answer to Q1, though as discussed in Chapter 6 looking at Set 1 alone provides only a limited answer as Set 2 has stronger correlations.

Appendix 14 - Comparing bi, tri and quad levels of analysis

As a variety of mapping assessments were carried out, a degree of similarity of the colour clustering distributions for a particular corpus was consistently observed whatever level was considered. This observation was based not only on the corporate and regulatory corpus datasets but also for the other ten peripheral stakeholder corpuses examined.

To explore this further the minimax difference values (see Chapter 5, Table 5.1) were taken for the corporate *bi* set and ranked. This was repeated for the *tri* and *quad* sets. As illustrated in the following graphs, there is a high degree of similarity to the shapes (Fig 1: a, b, c). The analysis was repeated with the regulatory corpus (as well as out of curiosity for the quint level - combinations of five from an eight-element set), and the effect was confirmed (Fig 1: d, e, f, g). Though each corpus has its own distinct shape for the combos examined (ie Figs 1: a, b and c approximate a straight line; Figs 1: d, e, f, and g a more serpentine form), whatever level is looked at it can be predicted that the distribution of combos will be similar. The reason this likely occurs is because tri sets contain bi sets and quad sets contain tri and bi sets, and so on if larger sets are used. And the combo frequencies are calculated in the same way for all the sets (*note that correlations can be calculated in theory as well here to show association between levels*, *but some of the datasets are of different sizes so making it largely unfeasible*).

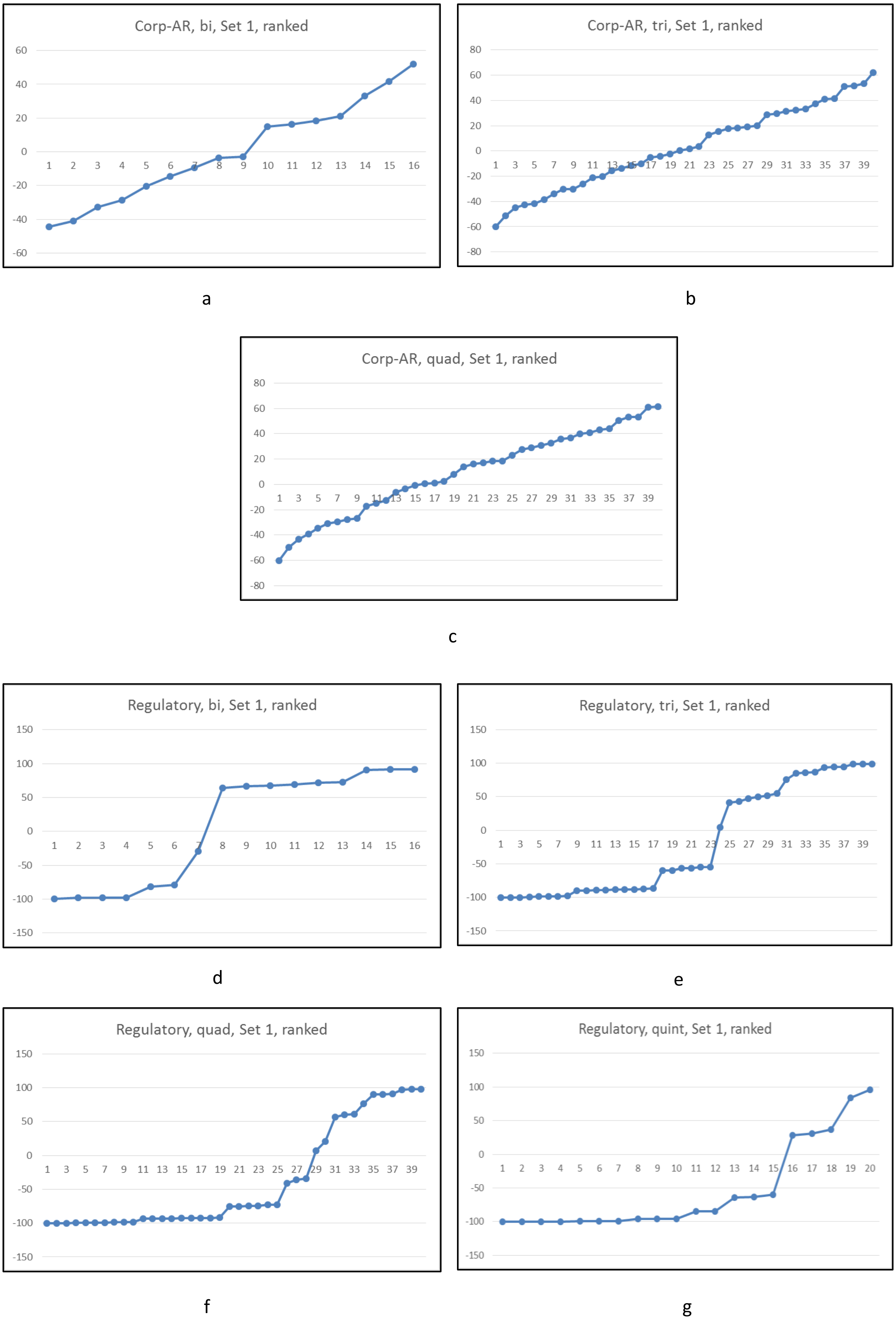

Corp-AR, bi, Set 1, ranked
a
Corp-AR, tri, Set 1, ranked
b
Corp-AR, quad, Set 1, ranked
c
Regulatory, bi, Set 1, ranked
d
Regulatory, tri, Set 1, ranked
e
Regulatory, quad, Set 1, ranked
f
Regulatory, quint, Set 1, ranked
g

Fig 1

This effect does not mean that deeper *tri* and *quad* levels of analysis are unimportant, on the contrary they can flesh out a more detailed and richer assessment of the distributions. They are also useful for providing additional combo content to differentiate when more than one time period is assessed, which is to say with more complex analyses. But for the purposes of this research the *bi* level of analysis is found to provide sufficient information from which to assess any possible perceptual bias, and the focus is therefore on this level. Having said that, this assumption of predictability can only be made using the multiplicative approach to forming combos that have been chosen; another approach if taken would need to be assessed for this assumption. Due to the technical limitations of the utilities at the disposal of this investigation, so that a great deal of manual input is required to obtain the results, it does, though, make the work that much easier.

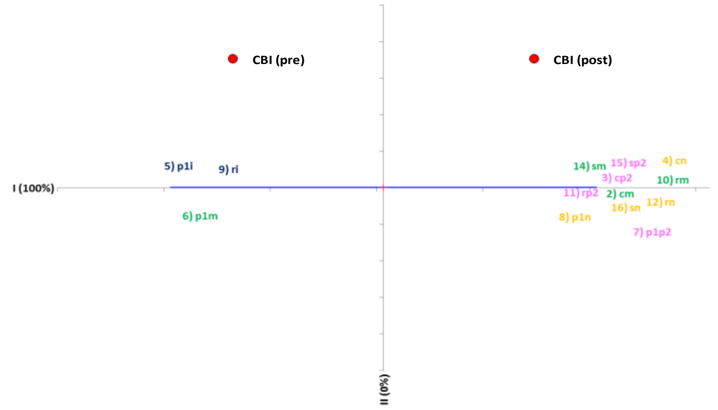
Appendix 15 - Perceptual maps for peripheral stakeholder organizations[a]

The following maps for the ten secondary stakeholder corpuses show bi combo results by Set.

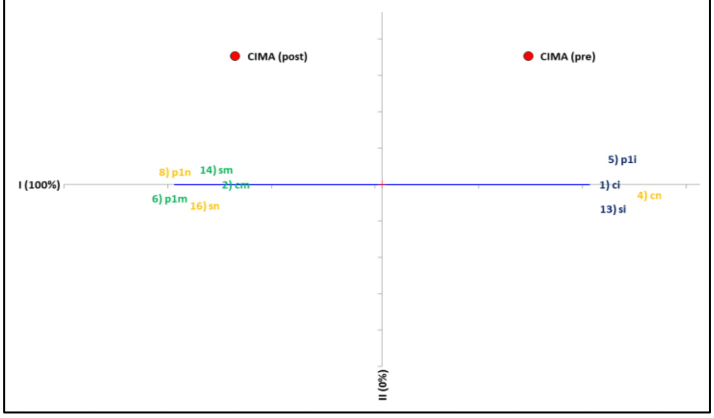
<u>*Set constituents:*</u>
Set 1. *VRT-1*: 'customer', 'price', 'return', 'share'; *DimSyns*-termism (long-term / 'permanent', short-term / 'now'); *DimSyns*-primacy (shareholder / 'investor', stakeholder / 'manager')
Set 2. *VRT-2*: 'equity', 'pay', 'performance', 'strategy'; *DimSyns*-termism (long-term / 'permanent', short-term / 'now'); *DimSyns*-primacy (shareholder / 'investor', stakeholder / 'manager')
Set 3. *VRT-1*: 'customer', 'price', 'return', 'share'; *DimSyns*-sense of urgency (urgency-to-reorientate / 'action', non-urgency-to-reorientate / 'efficient'); *DimSyns*-primacy (shareholder / 'investor', stakeholder / 'manager')
Set 4. *VRT-2*: 'equity', 'pay', 'performance', 'strategy'; *DimSyns*-sense of urgency (urgency-to-reorientate / 'action', non-urgency-to-reorientate / 'efficient'); *DimSyns*-primacy (shareholder / 'investor', stakeholder / 'manager')

Set 1, *bi*, positioning maps

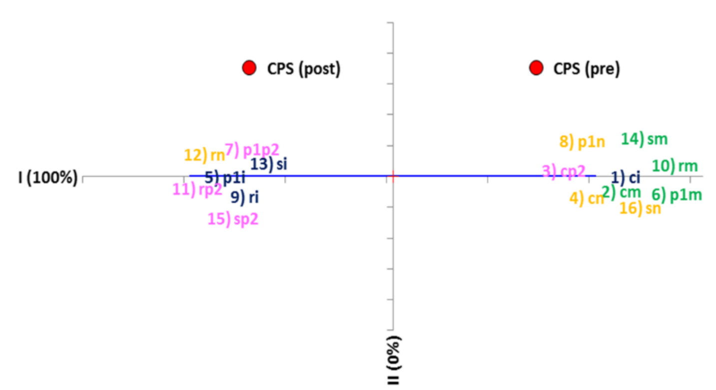
Positioning Map (Dim I-II), CBI, bi, Set 1, no filter



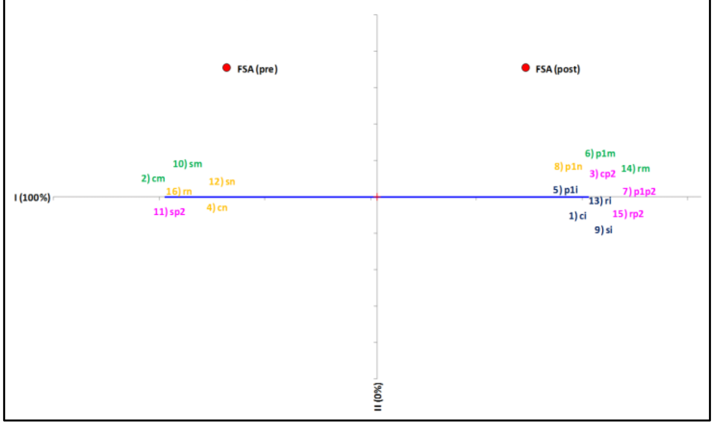
Positioning Map (Dim I-II), CIMA, bi, Set 1, no filter



Positioning Map (Dim I-II), CPS, bi, Set 1, no filter



Positioning Map (Dim I-II), FSA, bi, Set 1, no filter



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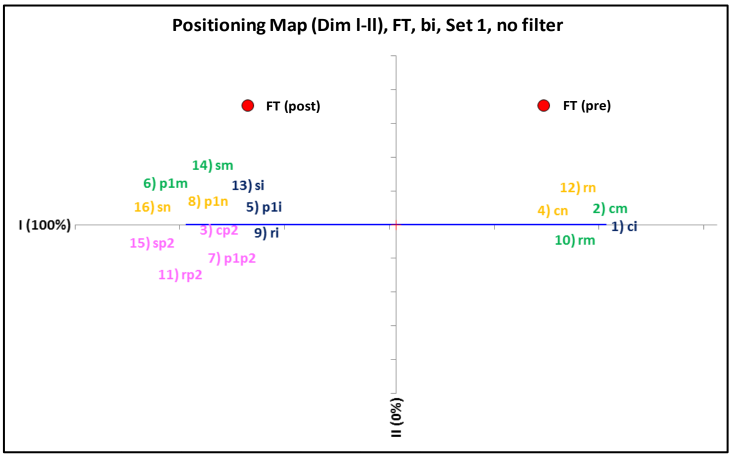
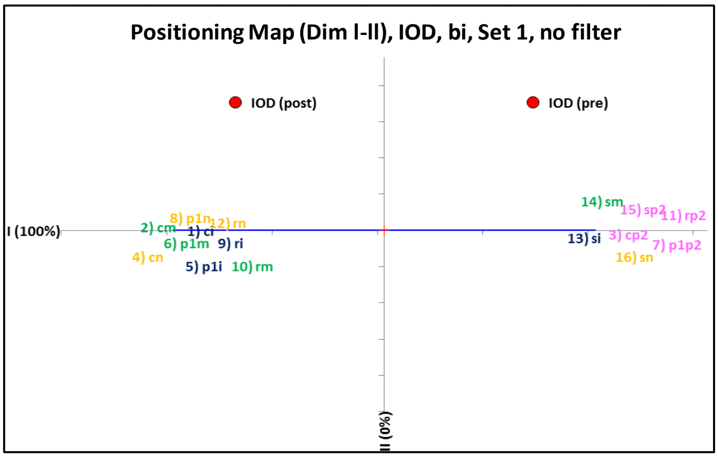
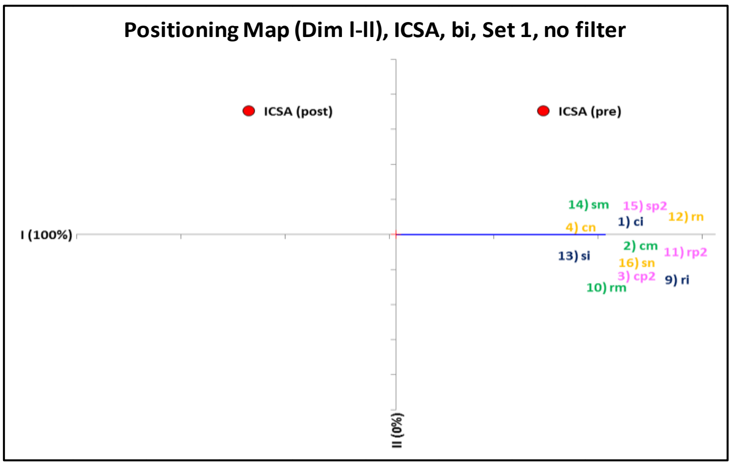
[a]Notes:
1. Note change of pre and post-crash orientation for some of the maps, which is the result of the way the utility handles the data (in the main body of the document for the primary corpuses this has been manually altered into the correct orientation for ease of assessment where required). It can be further noted that this is a characteristic of many utilities produced by different vendors.
2. Due to the reduced sizes of the maps below, to magnify press ctrl-key and scroll mouse wheel.
3. All maps are uni-dimensional.



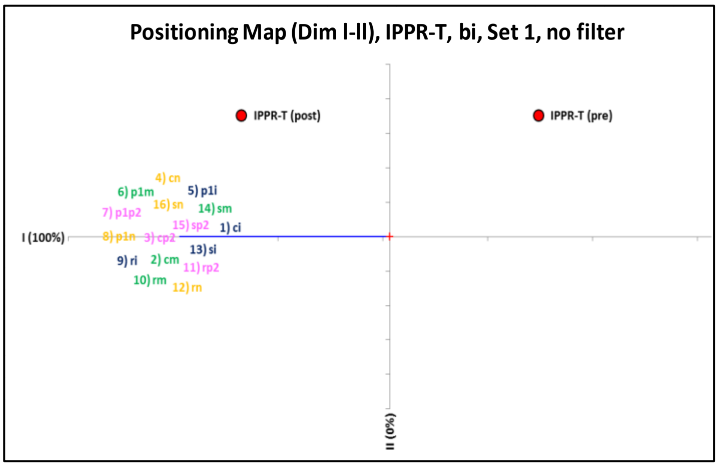
Positioning Map (Dim I-II), FT, bi, Set 1, no filter
FT (post)
FT (pre)
I (100%)
II (0%)



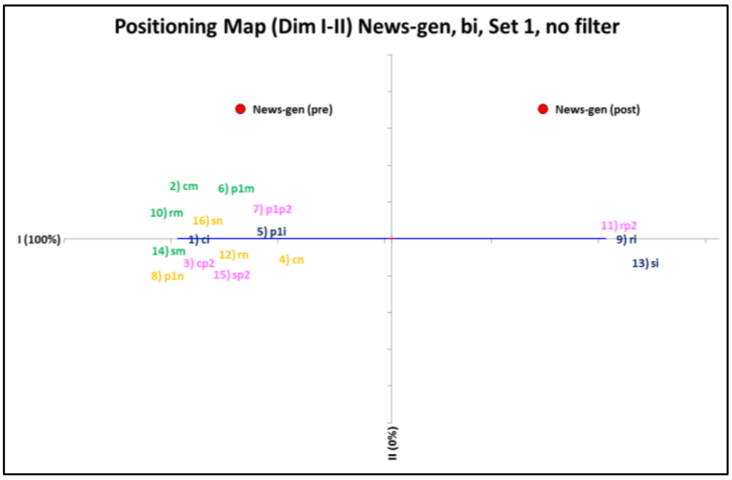
Positioning Map (Dim I-II), IOD, bi, Set 1, no filter
IOD (post)
IOD (pre)
I (100%)
II (0%)



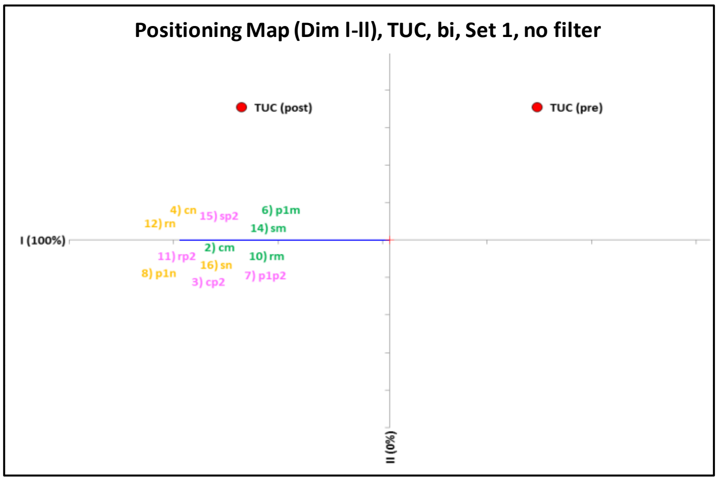
Positioning Map (Dim I-II), ICSA, bi, Set 1, no filter
ICSA (post)
ICSA (pre)
I (100%)
II (0%)



Positioning Map (Dim I-II), IPPR-T, bi, Set 1, no filter
IPPR-T (post)
IPPR-T (pre)
I (100%)
II (0%)

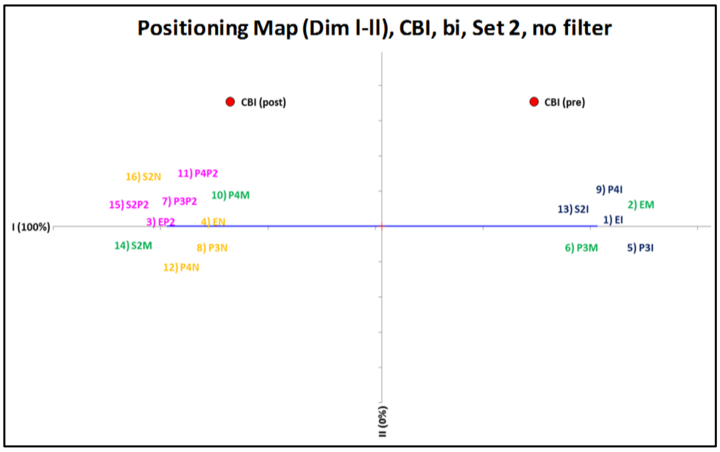


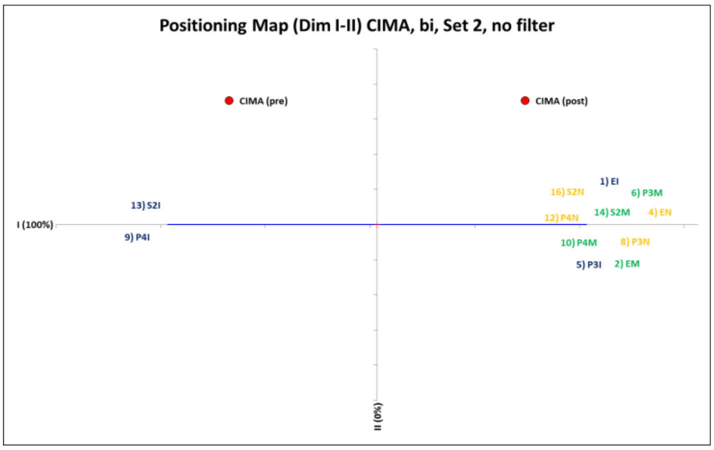
Positioning Map (Dim I-II) News-gen, bi, Set 1, no filter
News-gen (pre)
News-gen (post)
I (100%)
II (0%)

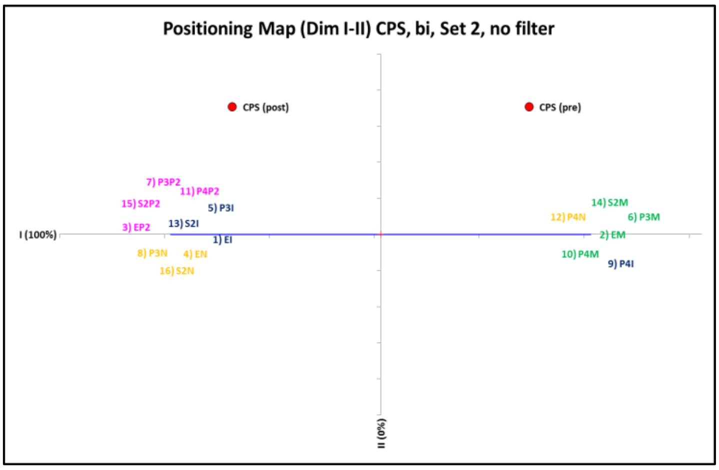


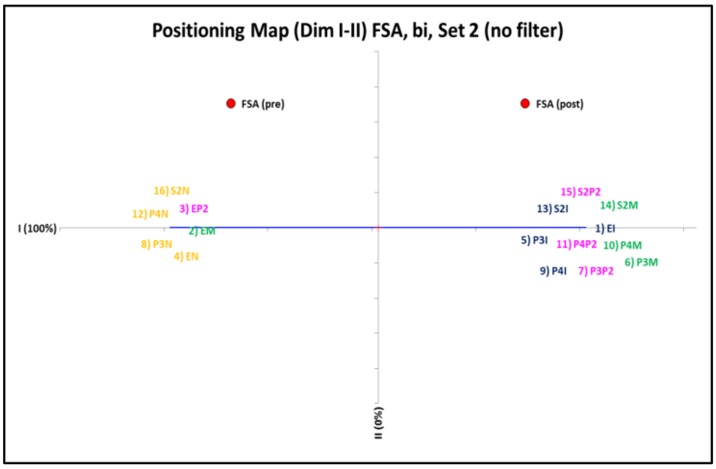
Positioning Map (Dim I-II), TUC, bi, Set 1, no filter
TUC (post)
TUC (pre)
I (100%)
II (0%)

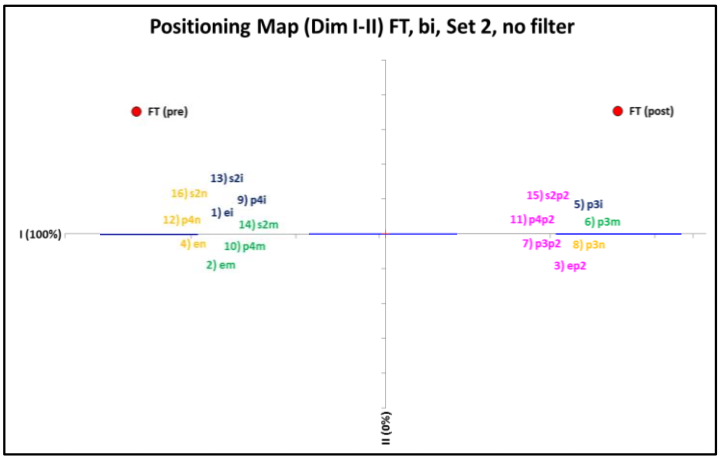
Set 2, *bi*, positioning maps

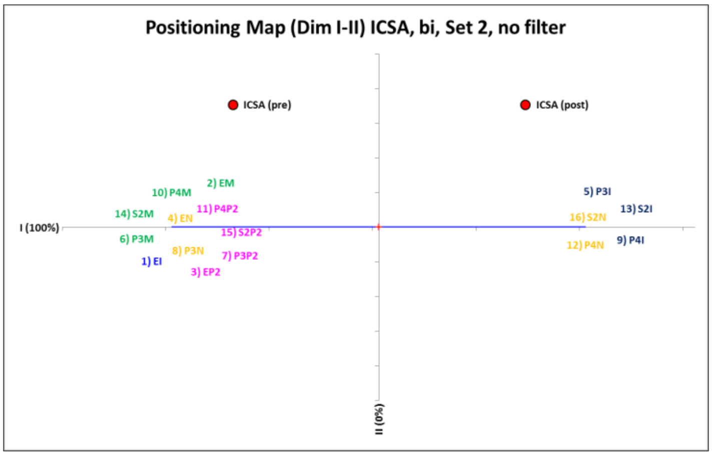


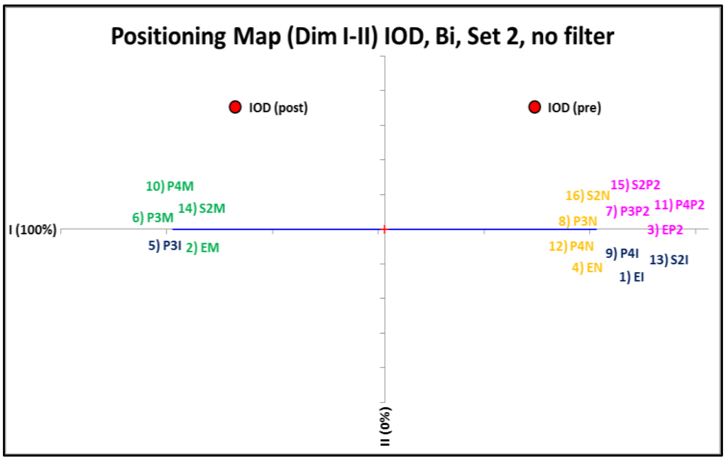




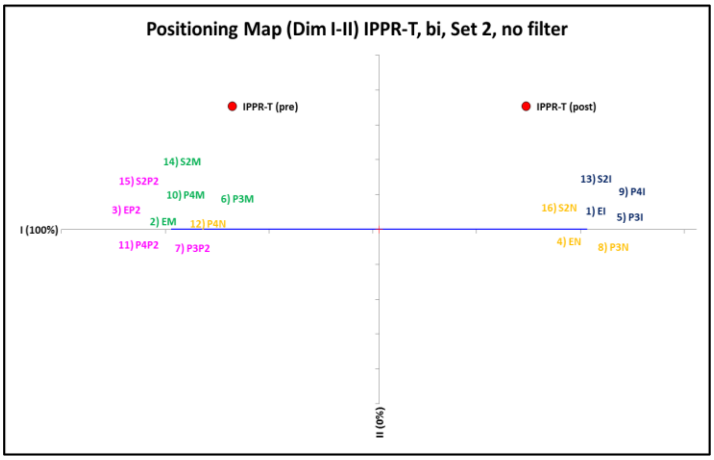




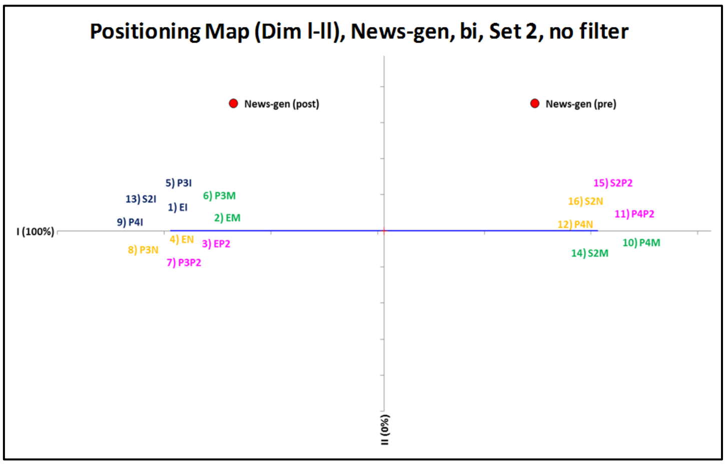




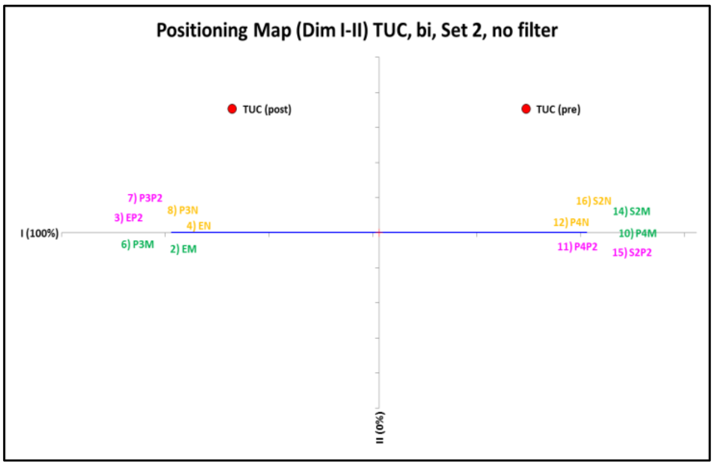
Positioning Map (Dim I-II) IOD, Bi, Set 2, no filter
IOD (post)
IOD (pre)
I (100%)
II (0%)
10) P4M
6) P3M
14) S2M
5) P3I
2) EM
16) S2N
15) S2P2
7) P3P2
11) P4P2
8) P3N
3) EP2
12) P4N
9) P4I
13) S2I
4) EN
1) EI



Positioning Map (Dim I-II) IPPR-T, bi, Set 2, no filter
IPPR-T (pre)
IPPR-T (post)
I (100%)
II (0%)
14) S2M
15) S2P2
10) P4M
6) P3M
3) EP2
2) EM
12) P4N
11) P4P2
7) P3P2
13) S2I
9) P4I
16) S2N
1) EI
5) P3I
4) EN
8) P3N



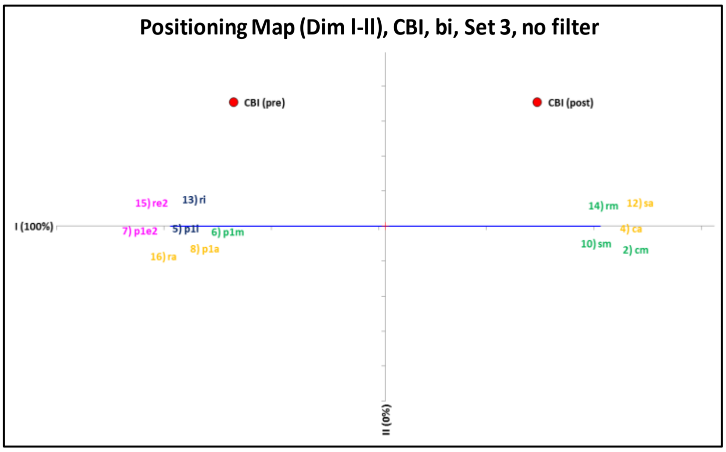
Positioning Map (Dim I-II), News-gen, bi, Set 2, no filter
News-gen (post)
News-gen (pre)
I (100%)
II (0%)
5) P3I
13) S2I
6) P3M
1) EI
2) EM
9) P4I
4) EN
3) EP2
8) P3N
7) P3P2
15) S2P2
16) S2N
11) P4P2
12) P4N
10) P4M
14) S2M

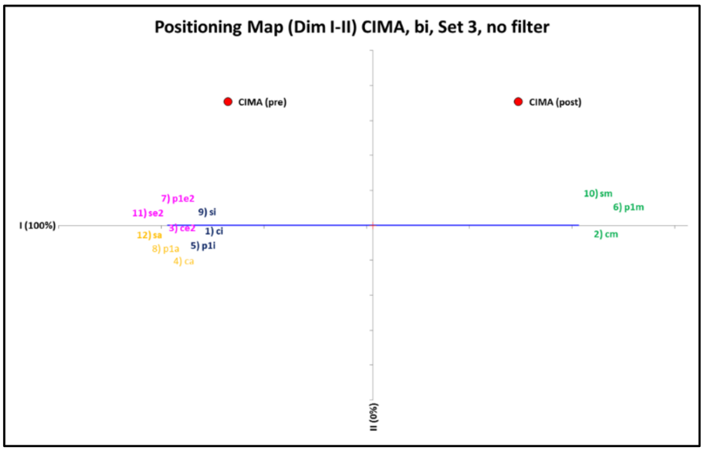


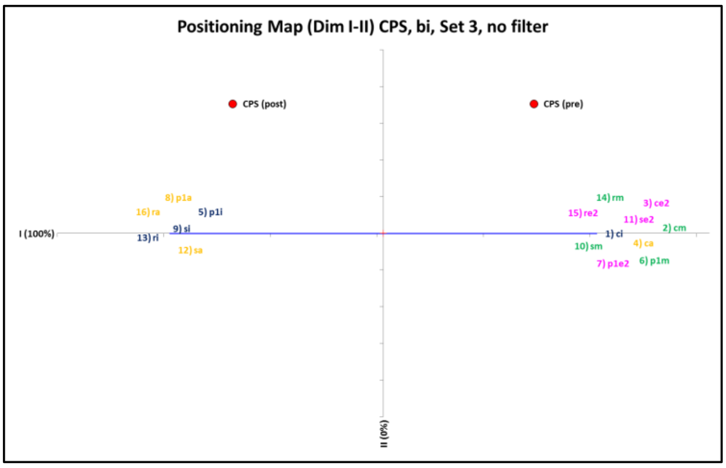
Positioning Map (Dim I-II) TUC, bi, Set 2, no filter
TUC (post)
TUC (pre)
I (100%)
II (0%)
7) P3P2
8) P3N
3) EP2
4) EN
6) P3M
2) EM
16) S2N
14) S2M
12) P4N
10) P4M
11) P4P2
15) S2P2

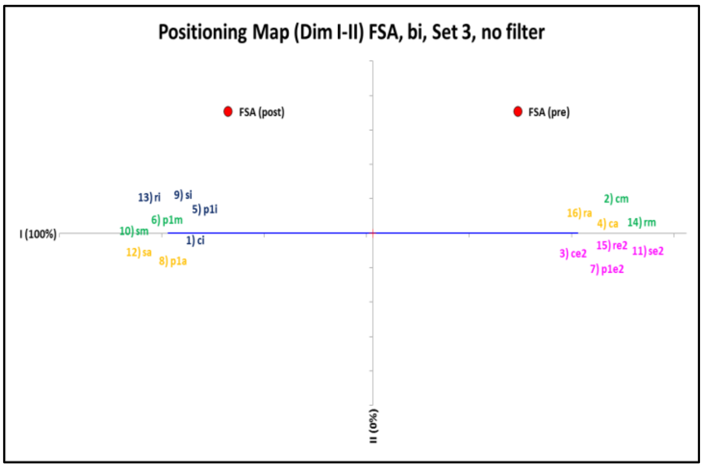
Set 3, *bi*, positioning maps

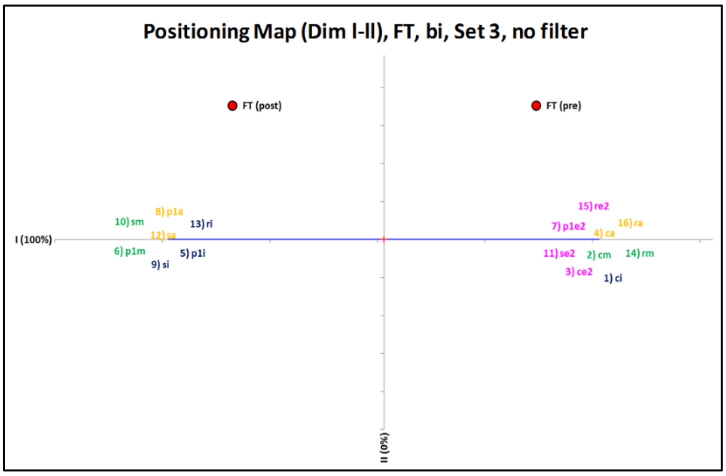
Note, same colours have been used here as in Set 1 and Set 2 - 'sense of urgency' variables are action (orange), and efficient (purple)

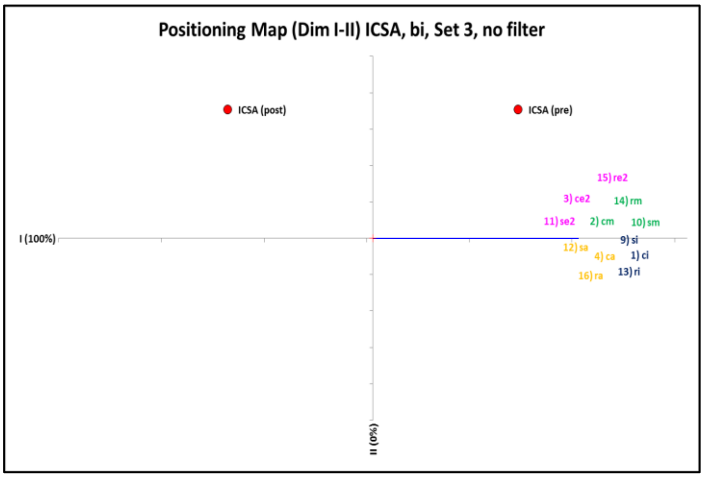


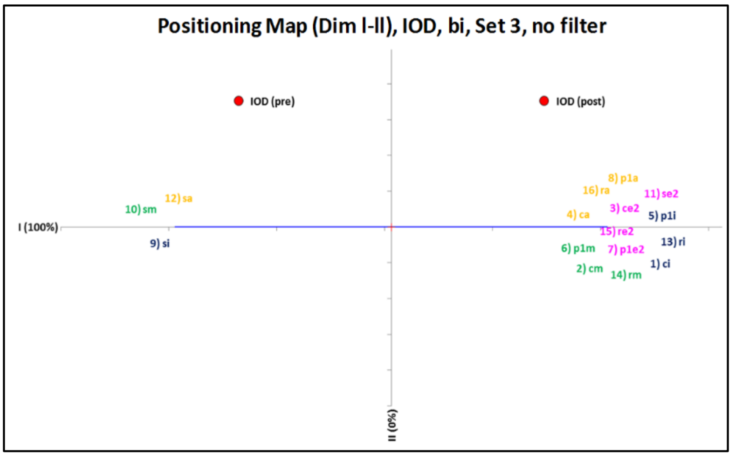




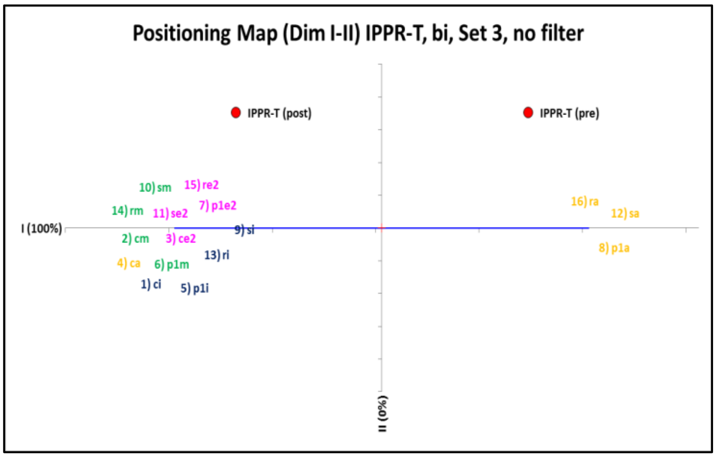




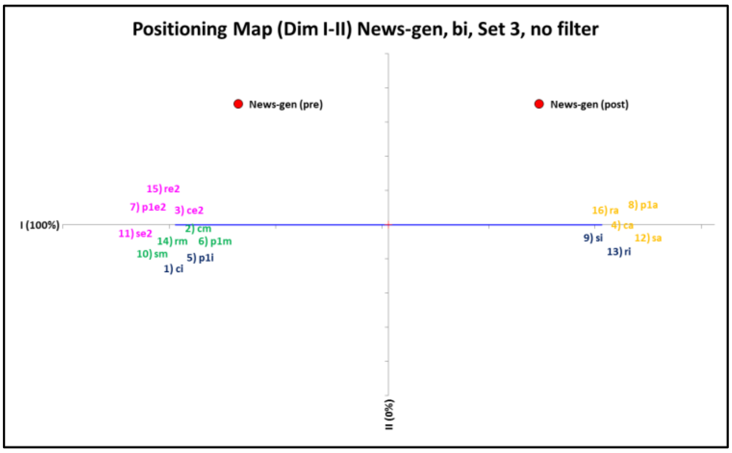




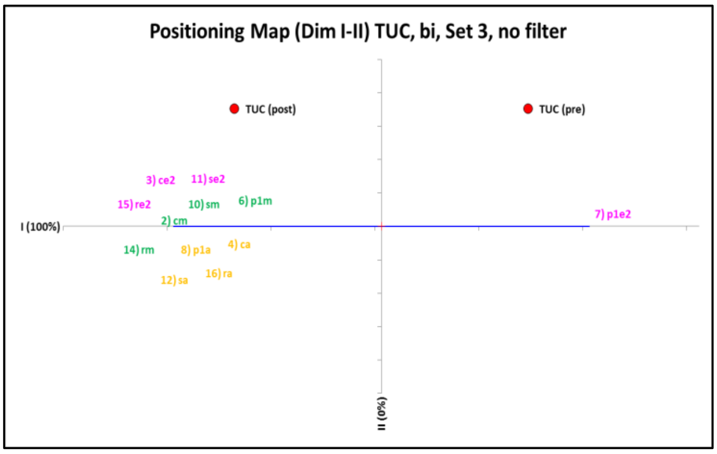
Positioning Map (Dim I-II), IOD, bi, Set 3, no filter



Positioning Map (Dim I-II) IPPR-T, bi, Set 3, no filter



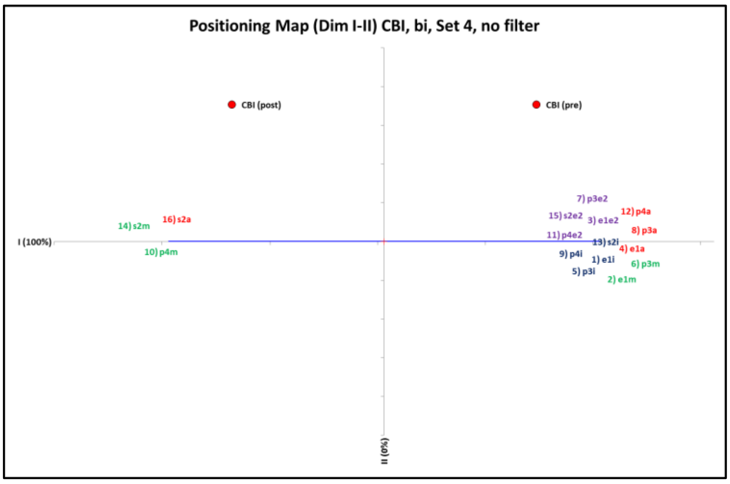
Positioning Map (Dim I-II) News-gen, bi, Set 3, no filter

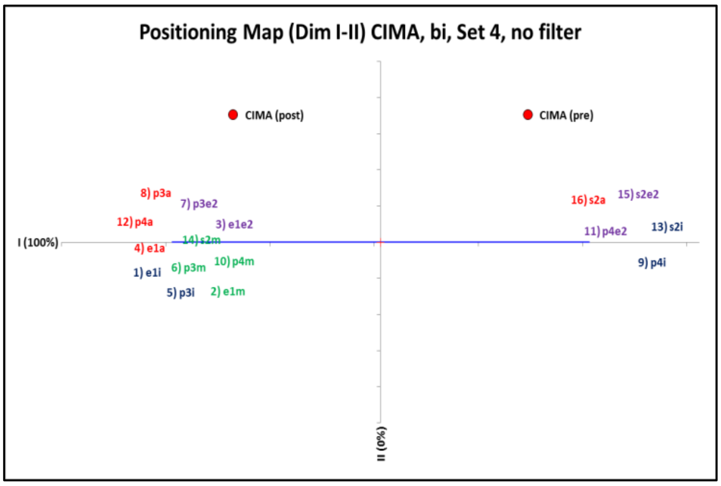


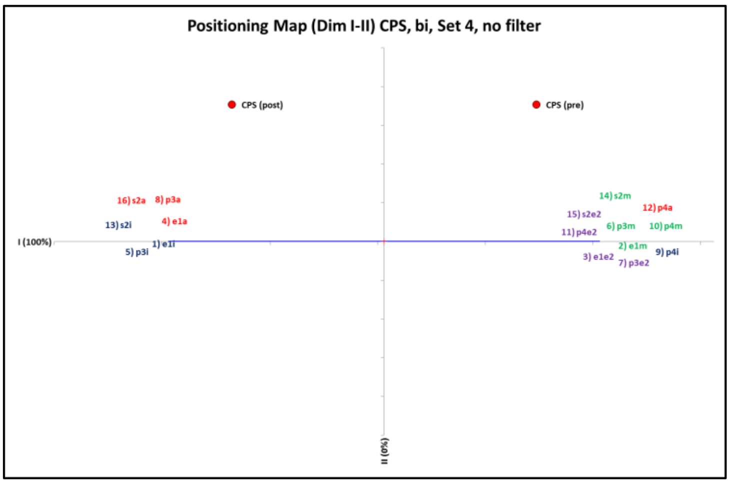
Positioning Map (Dim I-II) TUC, bi, Set 3, no filter

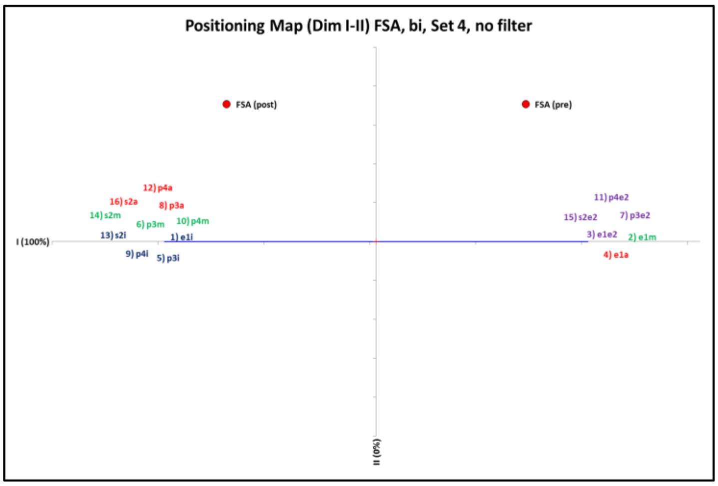
Set 4, *bi*, positioning maps

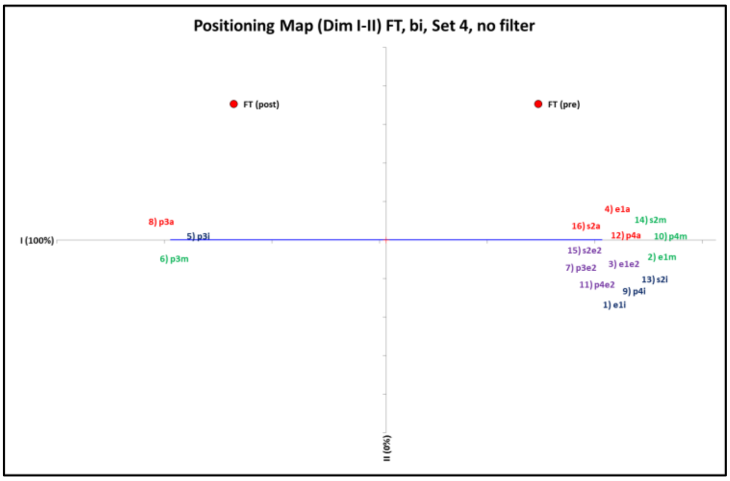
Note, colours for 'sense of urgency' variables are action (red), and efficient (lilac)

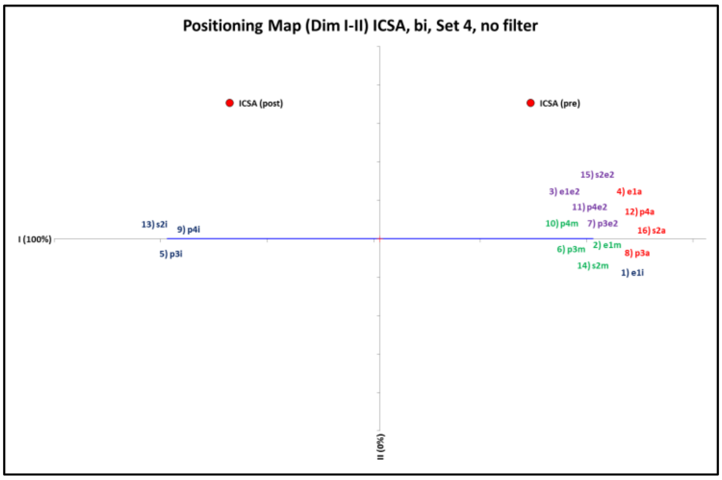


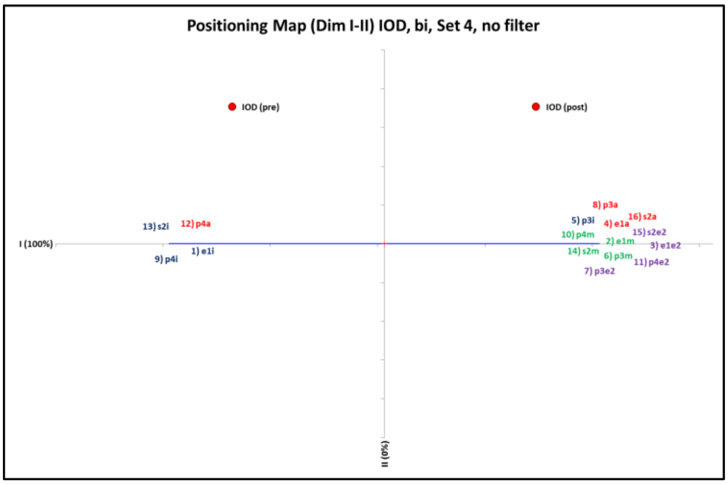


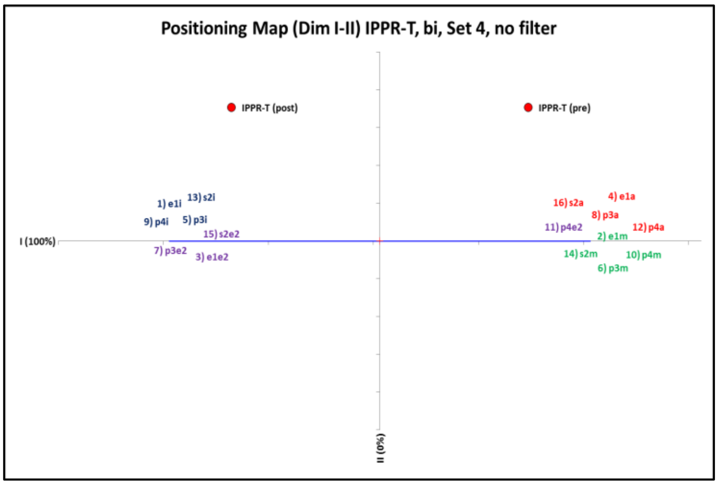


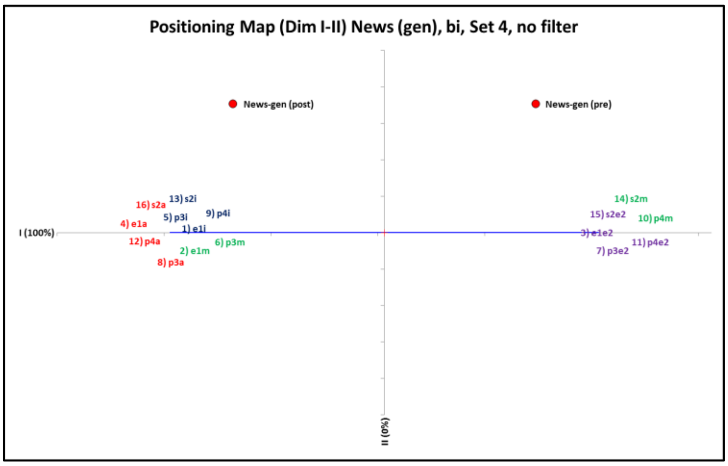


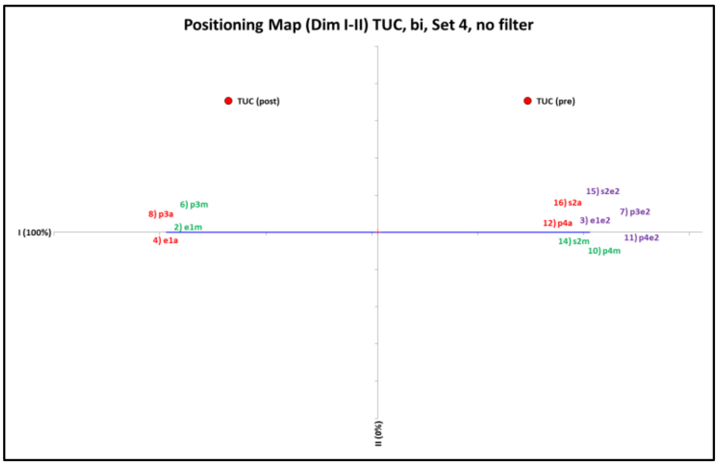





Positioning Map (Dim I-II) IOD, bi, Set 4, no filter
IOD (pre)
IOD (post)
I (100%)
II (0%)


Positioning Map (Dim I-II) IPPR-T, bi, Set 4, no filter
IPPR-T (post)
IPPR-T (pre)
I (100%)
II (0%)


Positioning Map (Dim I-II) News (gen), bi, Set 4, no filter
News-gen (post)
News-gen (pre)
I (100%)
II (0%)


Positioning Map (Dim I-II) TUC, bi, Set 4, no filter
TUC (post)
TUC (pre)
I (100%)
II (0%)

Appendix 16 – Data matrices for secondary analyses of VRTs

Set 1 to Set 4 matrices (bi, no filter) – for the assessment of financial v non-financial terms in primary corpuses

Non-financial = return, customer
Financial = price, share
ST = short-term, LT = long-term, ShP = shareholder primacy, StP = stakeholder primacy, a = action, e2 = efficiency
1 = pre-crash, 2 = post-crash

Set 1

Corp-AR (Set 1)	**Pre**				**Post**			
VRT	**ST1**	**LT1**	**ShP1**	**StP1**	**ST2**	**ST2**	**ShP2**	**StP2**
return	1	0	1	1	0	1	0	0
customer	0	0	0	0	1	1	1	1
price	1	0	0	1	0	1	1	0
share	1	1	1	1	0	0	0	0

reg (Set 1)	Pre (1)				Post (2)			
VRT	**ST1**	**LT1**	**ShP1**	**StP1**	**ST2**	**ST2**	**ShP2**	**StP2**
return	1	0	0	0	0	1	1	1
customer	1	1	1	1	0	0	0	0
price	1	0	0	0	0	1	1	1
share	1	0	0	0	0	1	1	1

Set 2

Corp-AR (Set 2)	Pre (1)				Post (2)			
VRT	**ST1**	**LT1**	**ShP1**	**StP1**	**ST2**	**LT2**	**ShP2**	**StP2**
performance	0	0	0	0	1	1	1	1
strategy	0	0	0	0	1	1	1	1
equity	0	0	0	0	1	1	1	1
pay	0	0	0	1	1	1	1	0

reg (Set 2)	Pre (1)				Post (2)			
VRT	**ST1**	**LT1**	**ShP1**	**StP1**	**ST2**	**LT2**	**ShP2**	**StP2**
performance	1	0	0	0	0	1	1	1
strategy	1	0	0	0	0	1	1	1
equity	1	0	0	0	0	1	1	1
pay	1	0	0	0	0	1	1	1

Set 3

Corp-AR (Set 3)	Pre				Post			
VRT	a1	e2-1	ShP1	StP1	a2	e2-2	ShP2	StP2
return	0	0	1	1	1	1	0	0
customer	0	0	0	0	1	1	1	1
price	0	0	0	1	1	1	1	0
share	0	0	1	1	1	1	0	0

reg (Set 3)	Pre (1)				Post (2)			
VRT	a1	e2-1	ShP1	StP1	a2	e2-2	ShP2	StP2
return	1	1	0	0	0	0	1	1
customer	1	1	1	1	0	0	0	0
price	1	1	0	0	0	0	1	1
share	1	1	0	0	0	0	1	1

Set 4

Corp-AR (Set 4)	Pre (1)				Post (2)			
VRT	a1	e2-1	ShP1	StP1	a2	e2-2	ShP2	StP2
performance	0	0	0	0	1	1	1	1
strategy	0	0	0	0	1	1	1	1
equity	0	0	0	0	1	1	1	1
pay	1	0	0	0	1	1	1	0

reg (Set 4)	Pre (1)				Post (2)			
VRT	a1	e2-1	ShP1	StP1	a2	e2-2	ShP2	StP2
performance	1	1	0	0	0	0	1	1
strategy	0	0	0	0	1	1	1	1
equity	0	0	0	0	1	1	1	1
pay	1	1	0	0	0	0	1	1

[1]For additional visualization techniques using categorical data (though generally not binary) see work by Michael Friendly: http://www.math.yorku.ca/SCS/friendly.html ; http://www.datavis.ca/

Appendix 17 – Data matrices for alignment graph generation

The example data matrices are formed from narrative strip overlay data to generate alignment graphs for secondary analysis of the narrative strip

These matrices refer to *Chapter 4, Section 4.7.2,* and are for the *Set 1* analysis. Mean values were calculated based on the number of corpuses required to be looked at together. The procedure allows the formation of Groups A, B and C. Note, where there is a red corner marker this indicates that the value had to be manually altered slightly to allow the graph to display the separate plot lines – otherwise they obscure each other.

Group A

S1,G-A (/6)	Pre Crash	Post Crash
VRT-shareholder	1.167	2.667
VRT- stakeholder	2.667	1.333
VRT-short-term	3	0.833
VRT-long-term	1.333	2.667

Group B

S1,G-B (/4)	Pre Crash	Post Crash
VRT-shareholder	2.25	0.75
VRT- stakeholder	1.28	2.28
VRT-short-term	1.25	2.25
VRT-long-term	1.75	1

Group C

S1,G-C (/2)	Pre Crash	Post Crash
VRT-shareholder	0	2
VRT- stakeholder	0.1	4.1
VRT-short-term	0	4
VRT-long-term	0.2	4.2

Group constituents

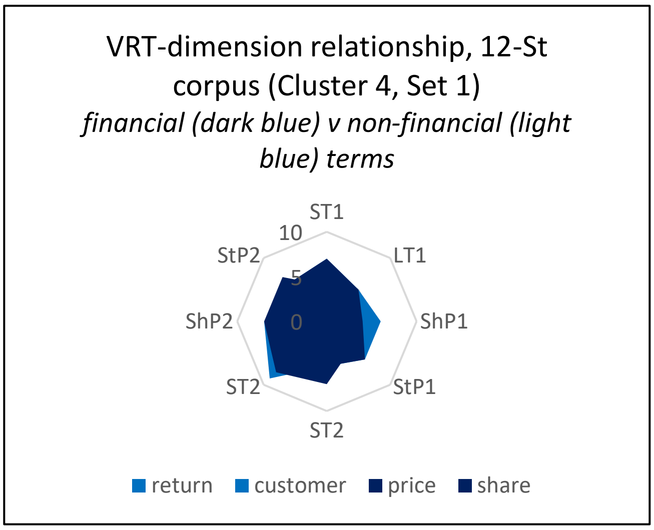
G-A: corp, reg, FSA, FT, News-gen, CPS

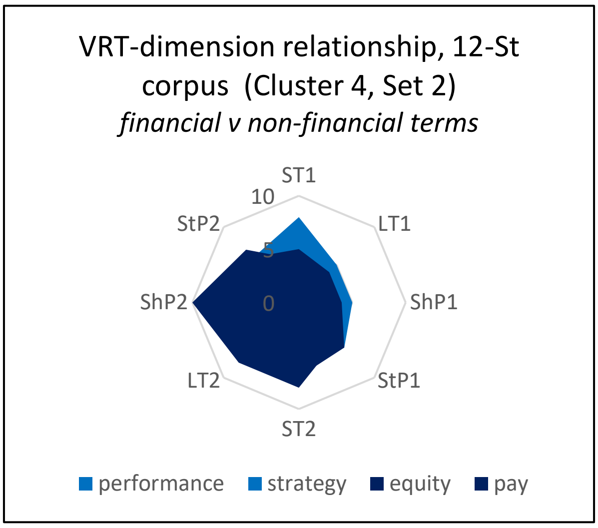
G-B: CBI, CIMA, ICSA, IOD

G-C: IPPR-Total, TUC

Appendix 18 - Radar graphs for a twelve-stakeholder corpus analysed by set

The graphs show a pre-Crash bias for non-financial VRT's (light blue) moving to a post-Crash bias for financial VRT's (dark blue) in all cases, even though graph 'a' appears ambiguous (see also Chapter 5, Section 5.4.4 for further clarification).[a]





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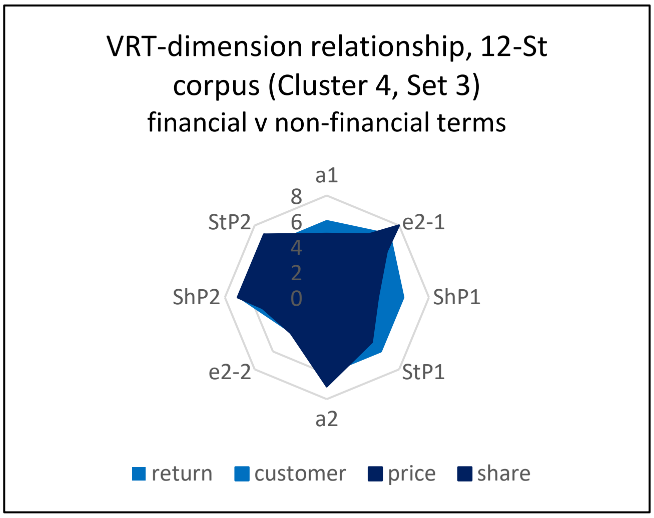

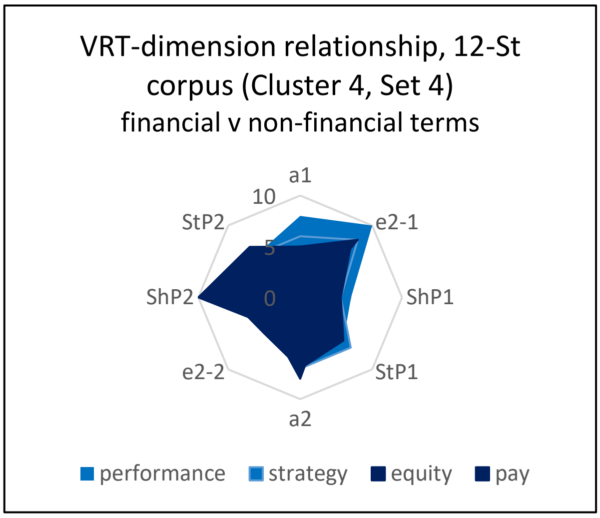

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[a]1. Note that while visually impactful, where these graphs have a dominant edge (as in the lower left quadrants) the *degree* of overlap (ie bias) is obscured.
2. 'Cluster 4' = a 12-stakeholder corpus

Appendix 19 – Cross-corpus table of results for research questions and hypotheses

Research Questions and Hypotheses Supported (✓) or not Supported (x), Summary Table, for Primary and Peripheral Stakeholder Corpuses[1]

Corp -uses	Set type	Q1 (primacy)	Q2.i (termism)	Q2.ii (SofU)	H1a (primacy /term.)	H1b (primacy /term.)	H2a (primacy /SofU)	H2b (primacy /SofU)	H1c (primacy /term.)	H1d (primacy /term.)	H2c (primacy /SofU)	H2d (primacy /SofU)
		Diff	*Diff*	*Diff*	*Pre*	*Post*	*Pre*	*Post*	*Pre*	*Post*	*Pre*	*Post*
Corp.	Set 1	✓	✓		x	x			x	✓		
	Set 2	✓	✓		x	x			x	x		
	Set 3	✓		✓			x	x			x	x
	Set 4	✓		✓			x	x			x	x
Reg.	Set 1	x	✓		x	x			x	x		
	Set 2	✓	✓		x	x			x	x		
	Set 3	x		✓			x	x			x	x
	Set 4	✓		x			x	x			x	x
FSA	Set 1	✓	✓		x	x						
	Set 2	✓	✓		x	x						
	Set 3	✓		✓			x	x				
	Set 4	✓		✓			x	x				
FT	Set 1	✓	✓		x	x						
	Set 2	x	✓		x	x						
	Set 3	✓		✓			x	x				
	Set 4	x		✓			x	x				
News -gen	Set 1	✓	✓		x	x						
	Set 2	✓	x		x	x						
	Set 3	✓		✓			x	x				
	Set 4	✓		✓			x	x				
CPS	Set 1	✓	✓		x	x						
	Set 2	✓	✓		x	x						
	Set 3	✓		✓			x	✓				
	Set 4	✓		✓			x	x				
CBI	Set 1	✓	✓		x	x						
	Set 2	✓	✓		x	x						
	Set 3	✓		✓			x					
	Set 4	✓		✓			✓	✓				
CIMA	Set 1	✓	✓		✓	x						
	Set 2	✓	✓		x	x						
	Set 3	✓		✓			x	x				
	Set 4	✓		✓			✓	✓				

ICSA	Set 1	✓	✓		x	x						
	Set 2	✓	✓		x	x						
	Set 3	✓		✓			x	x				
	Set 4	✓		✓			x	x				
IOD	Set 1	x	✓		x	x						
	Set 2	✓	✓		x	x						
	Set 3	x		✓			x	x				
	Set 4	✓		✓			x	x				
IPPR-T	Set 1	✓	✓		x	x						
	Set 2	✓	✓		x	x						
	Set 3	✓		✓			x	x				
	Set 4	✓		✓			x	x				
TUC	Set 1	✓	✓		x	x						
	Set 2	✓	x		x	x						
	Set 3	✓		✓			x	✓				
	Set 4	✓		✓			x	✓				

[a]Notes:
1. Diff = pre to post-crash difference ie change over time
2. Area coloured pink, under H1c – H2d concerning the use of financial v non-financial VRT’s, refers to peripheral stakeholder organizations where - other than the primary corpuses - were only analysed as groups, not individually (see Table 5.3 in Section 5.4.4.iib; Appendix 18 for alternate radar graphs of 12-stakeholder corpus).
3. term = termism; SofU = sense of urgency
4. Q3 not included (see Appendix 13)

Appendix 20 - Secondary Corpus Organizational Profiles[1,2]

Group A

1. The Financial Services Authority (FSA)

The FSA was a body set up by the British Government in December 2001 to regulate the financial services industry in the UK.

Under the terms of the Financial Services and Markets Act 2000 the FSA promoted four statutory objectives which, according to its website, were: "market confidence – maintaining confidence in the UK financial system; financial stability - contributing to the protection and enhancement of stability of the UK financial system; consumer protection; and reducing the extent to which it is possible for a regulated business to be used for a purpose connected with financial crime. " It also has secondary objectives of providing accountability and transparency – eg rule-making and guidance had to be seen to be in line with their statutory objectives.

The FSA supported these activities through the application of a set of 'principles of good regulation' concerning which it stated, 'we must have regard to when discharging our functions'. It pursued common standards setting, and the development of methods to monitor global firms and markets through dialogue and the formation of good relationships with overseas regulators.

The FSA has been superseded (April 1, 2013), by the Financial Conduct Authority (FCA).

[1]Secondary corpuses only; ie excluding primary corporate and regulatory domains for Group A
[2]For all profiles, main sources include the respective organizational website and Wikipedia.

2. The Financial Times (FT)

The FT is the UK's leading daily business and finance newspaper. The paper covers the latest business, market, economic and political stories, with reports, columns by regular contributors, and opinion pieces. The FT provides its readers with a section specifically on financial data, including stock prices by sector, indices such as the FT100, as well as news about different capital markets and the latest news items from a variety of companies and the people who work there or run them. In addition to financial news the FT has TV listings, weather reports, the occasional article on non-financial topics, and a monthly magazine, *How to Spend it* – a lifestyle magazine on expensive homes, yachts, clothes, cars, and luxury items. While it concentrates on the UK its coverage is worldwide.

Importantly for the present research it can be noted that the FT's editorial position is for promoting globalization and free markets. The FT is generally a Conservative leaning newspaper.

3. Newspapers (General)

Several different general newspapers are combined and analysed, including The Times, Sunday Times, Daily Telegraph, Sunday Telegraph, and The Guardian.

***i) The Times and Sunday Times*.** Considered 'quality newspapers' and aimed at a general readership; though it has a history and cultural persona of being seen as an elite paper. In actuality ABC1 classification on the NRS (national readership survey) social grades system places the Times's readership as being largely middle class, including upper middle.

Its political stance is historically Conservative and many of its journalists follow this line, although there have been columnists with labour affiliations who have written for the paper too, such as Oliver Kamm, David Aaronovitch and Jenni Rusell.

ii) The Telegraph and Sunday Telegraph. Considered 'quality newspapers' for a general UK readership. This largely includes readers of the middle classes (NRS grade ABC1) but to some extent also working class individuals (NRS grade C2DE). The Political stance of the Telegraph and Sunday Telegraph is staunchly Conservative, with its loyalty tending to be right wing with respect to party activism. Their wholehearted support for the Conservatives has been satirized by the magazine, *Private Eye*, who labelled the paper *Torygraph*!

iii) The Guardian. Considered a 'quality newspaper' it has a middle class readership segment (ABC1) though other social group sub-segments are represented too. However, according to a MORI pole taken in 2005, 48 percent of readers at the time were Labour supporters and 34 percent were Liberal Democrats. The paper's political stance is as a result considered left of centre, and very supportive of the Labour Party. At times, though, its writers have also supported the policies of the Liberal Democrats. Editors and journalists have occasionally taken a more radical, politically-correct, leftist position on a variety of issues.

For some readers the paper is understood to constitute an integral part of their left-leaning, middle-class activism. They may be described pejoratively, however, as 'Guardian reader' or 'Guardianista'.

4. The Centre for Policy Studies

The CPS is a think tank focusing on the development of free market principles in order to establish a society for Britain that is less state dependent; aiming to curb regulation that would stifle business creativity, as well as curb taxes that act as a disincentive to work or the attracting of investment. Similarly, to give people the opportunity to choose the type of public policy provision they can access and reducing state monopolies so that new providers can enter a market. In turn this is expected to positively feed into the money supply. Broadly speaking the CPS addresses societal concerns in the areas of: the economy, the family, energy, public services, prison services, drug use, and media broadcasting where public funds are at issue.

The CPS was founded in 1974 by Margaret Thatcher, Alfred Sherman and Sir Keith Joseph. With its historical links to the Conservative Party and its economic liberalist ideology, the CPS may not be as non-partisan as it might often portray itself.

It advocates through its activities – including publications and speeches - and high-profile relationships with politicians

Group B

1. The Confederation of British Industry

The CBI is a leading UK representative body of employers at both a national and international level that works to further the aims of British business. Currently it has over 800 members and represents in excess of 190,000 businesses from FT100 companies to privately owned businesses, trade associations, universities and other public bodies. Its motto is 'The Voice of Business'. About one third of all private sector employees, about 7 million people, fall under its purview.

The CBI formulates responses to the changing landscape of industry and the factors affecting it. It then supports and advises its members in this regard so that they may plan ahead and develop. It thus represents member views with policymakers with the aim of creating a business environment where companies can succeed, create jobs and 'ultimately, drive economic growth and prosperity', as its website explains. As a major lobbyist it seeks as well to 'shape pro-enterprise policies' with government that companies require in order to locate opportunities and make it easier for businesses of all types to trade with less restriction, with everyone able to benefit and prosper. However, this liberalism is business influenced not ideological. And in that context it is a not-for-profit, non-political organization.

2. The Chartered Institute of Management Accountants

CIMA is the professional body for management accountancy in the UK, has a stated mission ‘to help people and businesses succeed in the public and private sectors.’ The CBI is interested in promoting the interests of its members in order to create a successful business environment to ‘ultimately, drive economic growth and prosperity’.

CIMA thus seeks to promote and develop the management accounting profession, as well as ensure businesses get a high level of accounting expertise. This it does through encouraging students to become management accountants to gain CIMA accreditation through its qualifying exams, and standard-setting to ensure good practice in a corporate and organizational context. Membership is directed at those accountants working in companies and industry where the body’s professional objectives can be furthered.

3. The Institute of Company Secretaries and Administrators

ICSA is a professional organization but one focusing on the development of good corporate governance through the development of the necessary skills company secretaries require to that end. ICSA is a not-for-profit does and not promote a political position, stating on its website that ‘we are impartial, independent and informed’.

ICSA supplies support and resources in such areas as the development of director’s duties. It also produces consultation papers and research (including on the Charity Commission, The Takeover Panel and the FSA), guidance notes (including on competition law and risk management), and compliance information. Further, it provides training, guidance and qualifications through certification and post-qualification courses,

ICSA also train, advise, and work with policy-makers and regulators to improve governance standards of leadership, accountability and corporate behaviour in the broader UK industry as well as internationally.

4. Institute of Directors

The IOD is a representative body focusing on the business needs and development of corporate and business leaders. According to its mission statement the IOD stands for: 'free enterprise, entrepreneurialism, wealth creation and good corporate governance'. It is believed that around 'seventy-eight per cent of FTSE 100 companies currently have an IOD member on their board or in a senior management position'.

The IOD aims to make business leaders better at their role. It acts as a business information and (confidential) advisory and guidance service on the different elements of running a successful business; training and mentoring members on different aspects of board development. it represents 'the views of businesses and IOD members in the media and with government.'; campaigns to the public and government for a policy of effective business and entrepreneurial activity; and the promoting of responsible business practice for the benefit of the business community and society as a whole.

Group C

1. The Institute of Public Policy Research

The IPPR is a left of centre political thinktank, and producing thought-led reports. It describes itself as independent and as 'the UK's leading progressive thinktank.' Historically, it had close ties to the Labour Party with trustees including former Labour leader Neil Kinnock and TUC Deputy Secretary General, Frances O'Grady (in this context it was criticized in 2015 by the Charity Commission for being supportive of Labour Party policy rather than remaining independent).

The IPPR is concerned with affecting change in areas that it terms 'the big issues'. Currently these include: the economy, jobs and skills, housing, political reform, welfare, children and families, health and social care, immigration, tax and spending, schools, crime and justice, energy and climate change.

2. The Trades Union Congress

The TUC is a national umbrella organisation for affiliated unions – in essence a federation of unions in England and Wales representing the interests of around 5.8 million workers. It is, according to its website, ‘the voice of Britain at work’, with an aim of improving the quality of working life and creating equality for everyone - occasionally against difficult employers. It also campaigns on issues such as health and safety, as well as disability discrimination in the workplace,

There are presently 51 unions affiliated to the TUC; though this number has historically tended to reduce over time as smaller unions with few members are merged into larger ones. Approximately half of the TUC union membership is through UNISON and UNITE, the largest and second largest British unions respectively.

While there is no actual official link between the TUC and the Labour Party, many of its members are drawn from TUC affiliated unions. The TUC also seeks the more long-term aim of a socialist transformation of society, and thus to create greater equality. As a consequence the TUC has at times taken a highly militant stance against corporate leadership and government. In part this was due to the fact that its Trades Councils were often headed by militant and communist-influenced lay activists.

Appendix 21 - The impact of mission statement narrative on financial performance

To examine in a basic form the corpus constituent's financial performance, the mission statements of seventeen companies in the corpus were reviewed (Table 2) to compare them with how these companies actually performed over time. This was an additional analysis to the main investigation. The question was whether narrative (reflected in MSs) and with particular reference to primacy orientation bore at all on financial performance?

In fact it does seem that some companies who stressed a shareholder focus achieved greater returns if one compares them pre to post-Crash (Table 1), though findings are far from uniform.

Croda, for example, led with an adjusted rise of 881.25% over the period. Pre-Crash its emphasis is squarely on innovation but post-Crash it focuses much more on shareholders *('…we strive to create value for our shareholders by…'*. While with Bodycote, looking more deeply at the terminology, we see that pre-Crash its primary emphasis is: '*To provide world class companies with metallurgical and testing services that make a positive contribution to the success of their businesses'*. The company does also want: '*To earn sustainable profits which attract shareholder interest'*, but it is not featured as the primary aim. Post-crash, however, greater prominence is given to its goal: '*to create superior shareholder returns through the provision of selected thermal processing services that are highly valued by our customers'*. The language has changed from being focused on the contribution Bodycote can make to its customers' businesses to the provision of a service which can be leveraged as customers will then value it more. Notable too are the handling of their employees and to a

Table 1: Share prices for corporate corpus constituents, pre and post-Crash[a]

Company name (and LSE ticker symbol)	1 June 2004 share price	1 June 2012 share price	% change	1 June 2004 adjusted share price	1 June 2012 adjusted[2] share price	Adjusted[2] % change
Amec (AMFW)	273	967	254.21	178.3	783.11	339.21
Bodycote (BOY)	157.5	354.6	125.14	192.23	321.05	67.01
BTG (BTG)	108	376.7	248.80	108	376.7	248.80
Cairn Energy (CNE)	555.45	289.7	-47.84	173.54	289.7	66.94
Croda (CRDA)	285.75	2255	689.15	213.65	2096.43	881.25
Electrocomponents (ECM)	357	202.7	-43.22	165.33	159.87	-3.30
Greene king (GNK)	3263.78	481.2	-85.26	957.11	401.51	-58.05
Michael Page Int. / Page Group (PAGE)	179	365	103.91	135.1	326.14	141.41
National Express (NEX)	350.17	184	-47.45	188.79	154.6	-18.11
Pennon (PNN)	6416.1	738.5	-88.49	1411.96	595.29	-57.84
Qinetiq (QQ)	*198.25	153	-22.82	*157.25	137.24	-12.72
Rank Group (RNK)	208.12	118	-43.30	133	103.56	-22.14
Redrow (RDW)	274.59	112	-59.21	207.68	106.18	-48.87
Tate & Lyle (TATE)	330	643	94.85	184.22	525.53	185.27
UDG Healthcare (UDG)	280	176.5	-36.96	221.56	158.4	-28.51
Vectura (VEC)	57.5[1]	65	13.04	57.5[1]	65	13.04

[a]Notes:
1. Earliest date available for data: 10th Feb 2006 for QQ; 2nd July 2004 for VEC
2. Adjusted prices are prices adjusted for dividends and splits
3. AA, AO, Sophos and PZ Cussons not included due to insufficient data for one or both periods
4. LSE ticker symbols shown in table without suffix '.L' for looking up, eg AMFW is AMFW.L
5. Source: Yahoo Finance historical stock prices (eg, https://uk.finance.yahoo.com/q/hp?s=AMFW.L)

lesser extent their greater emphasis post-Crash on corporate citizenship. But its post-Crash adjusted percentage change has in fact risen only by 67.01%.

Other companies like Amec with an adjusted rise of 339.21% and BTG with 248.80%, apparently show little change in primacy focus. And with Cairn, pre-Crash its aim is ‘maximizing the value of discovery’, while post-crash its aim is ‘discovering hidden value.’ Here it can be argued that the change has been to move from a more abstract rationale of the company’s purpose, in this case that of discovery, to one stressing there is something valuable that can be found and when discovered can be leveraged. Cairn shows an adjusted rise over the period of 66.94%. Perhaps this comparatively small increase could be attributed to the fact there are sub-statements for each time period that are very similar in their focus on shareholder value. But it is not a given.

Meanwhile Greene King with a somewhat mixed post-Crash primacy focus falls with an adjusted change of -58.05. And Pennon, appearing to have a shareholder focus both pre and Post-Crash, falls with an adjusted change of -57.84%.

Interpretations are therefore not clear cut. Indeed, there could be a variety of reasons for the findings besides the assumption of some kind of simple linear relationship between mission statement elements and performance (whatever the primacy orientation) – time horizon companies use in strategic planning being one. There also appears to be no way to forecast the level of the effect these possible performance-related elements might have. For example, we could not know in advance that Croda would outperform other companies also stressing a shareholder focus. The tenuous nature of going too far in stressing a particular primacy orientation is another factor to bear in mind within this context too. These sorts of points must therefore be taken into account in examining this type of material.

Table 2: Comparison of Corporate Mission Statements, Pre to Post-Crash[a]

Company	Pre-Crash	Post-Crash
Amec	…design, deliver and support infrastructure – from local technical services to international landmark projects *…total life of asset services and project delivery to clients in the international oil and gas industry* *Across the world responsibly for the long term*	…provide [our] people with the technical expertise to support our customers as they build, operate or decommission their assets. AMEC's vision is that by continually delivering excellence, we inspire trust and loyalty in our customers. (v)
Bodycote	• To provide world class companies with metallurgical and testing services that make a positive contribution to the success of their businesses. • To earn sustainable profits which attract shareholder interest. • To engage, develop and retain competent people, harness their enthusiasm and inspire them to excel. • To act as a good corporate citizen.	Bodycote's objective is to create superior shareholder returns through the provision of selected thermal processing services that are highly valued by our customers, giving full regard to a safe working environment for our employees and minimal environmental impact. *As a group, Bodycote is committed to acting responsibly as a good corporate citizen, to reducing the environmental impact of the Group's activities and to providing our employees with a safe working environment.*
BTG	The Company's mission is to identify opportunities for therapeutic advances in the treatment of neurologic and psychiatric disorders, and to license and develop compounds that can meet these needs.	Our mission is to bring to market medical products that meet the needs of specialist physicians and their patients.
Cairn	Maximizing the value of discovery *Our Strategy: To secure high equity interests and strategic positions in potential high worth exploration plays.* *Our goal: To create and deliver shareholder value by accelerating development, production and monetisation of exploration discoveries where appropriate.*	Discovering hidden value *Delivering growth and shareholder value within a balanced portfolio* *We aim to deliver transformational growth by discovering hidden value within a balanced oil and gas exploration, development and production portfolio. We, along with our JV partners, responsibly develop assets which produce hydrocarbons to provide the cash flow to fund future exploration activity.*
Croda	Innovation: If research is the heart of Croda, and new products are our lifeblood, then innovation is the spirit of ingenuity that drives us forward.	Innovating for a Sustainable Future At Croda, we strive to create value for our shareholders by driving profitable sales growth through successful new product development, moving ever closer to our customers and increasing our focus on fast growing markets. We are a business committed to financial growth, high returns, environmental protection and social progress.

		• continue innovating to improve our products and processes by minimising their effect on the environment, whilst maximising the efficient use of all resources *• foster open and comprehensive dialogue with all stakeholders and work cooperatively to address our Material Issues* *• provide development opportunities for all employees to reach their full potential; and* *• ensure fair and equitable employment conditions, providing a stimulating working environment based on respect and partnership.*
Electro-components	To do great things… to lead the high service segment of every distribution market in which we operate. *…to exceed the expectations of customers everywhere with our service levels and product offer; to exploit new opportunities through electronic trading; to develop new markets by rolling out our business model worldwide; and we do all of this with the support of our established process infrastructure and expertise.*	Leveraging our global presence 1. Focus on International markets 2. Develop our electronics and maintenance offers 3. Exploit the full potential of e-commerce 4. Leverage our global infrastructure and increase operating margins 5. Maintain UK profitability *Our business model is designed to create long-term growth for our shareholders through delivering a service that is second to none for our customers.*
Greene king	Building the best beer business in Britain *• constantly improving the quality of our people and our assets* *• concentrating on those market sectors where competition is less intense, the barriers to competitive entry are higher, and the returns are more reliable* *• focusing on the traditional drinks and pub markets, where timeless high quality will be rewarded* *• marketing brands and concepts which have genuine consumer appeal without being dependent upon branding per se.*	To be Britain's best pubs and beer business Drive attractive shareholder returns and deliver earnings and dividend growth *…to deliver value, service and quality to all of our customers* *All of our businesses are building customer loyalty by delivering industry-leading value, service and quality as we strive to become Britain's best pubs and beer business.*
Michael Page Int. / Page Group	…to stay focused on our core competency of specialist recruitment and to grow the business organically by the expansion of existing business in their local markets, the introduction of new disciplines into existing locations, and by entering new geographic markets.	…organic growth by region and discipline, a focus on growth markets, development of internal management expertise and a structure that champions our own talent.
National Express	Joining up people and places *…Provide transport services and solutions. By the very nature of what we do, we are adding to the quality of life of the communities we serve by providing mobility and delivering social, economic and environmental benefits.*	…Is to earn the lifetime loyalty of our customers by consistently delivering frequent, high performing public transport services which offer excellent value. (v) *…on improving profitability by delivering operational excellence and driving organic growth across our divisions. We have targeted strong cash generation. We have sought to build on this platform and expand into new markets…*

	We remain focused on providing quality public services and increasing shareholder value.	*Operational excellence is crucial to our goal of achieving best-in-class margins.*
Pennon	…the creation of shareholder value through its strategic focus on water, sewerage and waste management.	…the creation of shareholder value through its strategic focus on water and sewerage services, recycling, renewable energy and waste management. *Our strategy is to promote the success of the Group for the benefit of our shareholders, customers and other stakeholders through our focus on water and sewerage services, recycling, renewable energy and waste management. We aim to be a pre-eminent provider of customer services to high standards of quality, efficiency and reliability.*
Qinetiq	*(In solving defence and security problems …)* operate at the leading edge of technology which enables us to give commercial customers access to solutions that are often beyond the state-of-the-art available in civil markets.	Our Mission: Our business is based on technical expertise, knowledge and advice to solve some of the world's most challenging problems. Our most prized possession is trust. Customers around the world rely on the ideas, innovations and drive of our people to help them meet their goals – often in environments where their mission has no second chance for success. Whether we are supplying technical services support to the defence industry or helping a bank to keep its customer records safe – we aim to deliver solutions that work first time and every time.
Rank Group	The Board's primary objective is to continue to deliver attractive returns for shareholders through a combination of income and capital growth	We aim to deliver sustainable growth in earnings per share by stimulating and meeting demand for gaming-based entertainment. *Creating fun and enjoyment for our customers is what Rank does and we've been doing it well for 75 years!*
Redrow	Redrow is committed to developing quality living and working environments with the objective of delivering sustainable and profitable growth, creating value for our Shareholders.	Our aim is to be the premium brand in the sector, by delivering a high quality product to our customers. At Redrow we take pride in delivering quality homes to our customers and value to our shareholders *Goal: Deliver long term sustainable value…*
Tate & Lyle	Creating the world's leading renewable ingredients business	Turning raw materials into distinctive, high quality ingredients and solutions for our customers. Our vision is to become the leading global provider of speciality food ingredients and solutions. (v)
UDG	Our focus is to use our leading market positions within our chosen healthcare service sectors as a platform for future growth. Our vision is to be recognized as an innovative, international healthcare	Accelerating Effectiveness in Healthcare Underline our position as 'an international healthcare services group, headquartered in Ireland'. …provide(s) outsourced commercial solutions to international healthcare companies.

	services company, expanding from our leading positions in Ireland and the UK, through successfully leveraging our skills in our other chosen markets. (v)	To enable healthcare companies to operate more effectively – by providing better solutions for providers, payers and patients. (v)
Vectura	…make it easier for patients to inhale powders that otherwise could not be delivered to the lungs	…we are committed to developing therapies that improve the quality of patients' lives. The respiratory market is a large and growing market and we are confident we will succeed in creating value for our shareholders.

[a]Notes:

1. Source: Corporate annual reports
2. V = value statement as source
3. Mission statements shown in table not always explicit in annual report but exist within text
4. Comments in italics are additional statements extracted from text
5. AA, AO, Sophos and PZ Cussons not included due to insufficient information in annual report for one or both periods.

The crucial performance-related elements, ultimately: Research on the whole, from what has been observed, suggests that it is not so much about particular - though superficial - elements of mission statements being responsible in determining excess financial or stockmarket returns but rather a terminology reflecting something deeper and authentic (see Auster and Freeman, 2012). It is about having the right core values adhered to 'that many may view as the fundamental rules of business… be concerned with your employees, be responsible to the society in which you do business, and emphasize and communicate your value system' (Bartkus et al, 2006). Certainly then, managers need to espouse the correct narrative but it is only a necessary but insufficient condition. And with external market forces there are, of course, no guarantees either for commercial success. Put another way, managers need to *walk the talk*, where an aligned narrative is a central factor, and a starting point at the least, for better performance.