Storytelling & uncertainty: Managerial cognitive capability & sensegiving post 2007 financial crisis

Full title:

Storytelling in an age of uncertainty: Exploring managerial cognitive capability, expectations and sensegiving in narratives post the financial crisis of 2007

ABSTRACT

Drawing on the theories of the managerial cognitive capability, sociology of expectations, and sensegiving, we conducted a longitudinal study based on storytelling. We focus on how the banking and finance sectors in the UK communicated with their stakeholders in an age of high uncertainty, via annual reports during the period of 2007-2015. We investigated how organizational narratives and stories regarding the TMT's managerial cognitive capability were changed by events which resulted in uncertainty, and how critical events could produce variations of the narratives by employing content analysis with two cycles of coding with NVivo 10. The findings significantly contribute to theory development in the areas of storytelling and sensegiving as part of TMT's managerial cognitive capability during periods of change and uncertainty in business management, as well as to practice.

Keywords: storytelling, managerial cognitive capability, sociology of expectations, uncertainty, banking and finance,

INTRODUCTION

In reality, a challenging environment as represented by the financial crisis post-2007, and what Meyer (1982) called ‘hyperturbulence’ or ‘environmental jolts’ are often associated with high risk and uncertainty and loss of legitimacy (Lengnick-Hall & Beck, 2005; Suchman, 1995). The financial crisis of 2007-08, the subsequent global recession and slowdown, and the Eurozone crisis have generated tremendous uncertainty across the world. Language and storytelling as part of managers’ cognitive capabilities can be critical to gain acceptance of strategic plans, particularly during periods of change and uncertainty (Helfat & Peteraf, 2015). For senior leadership, storytelling is a way to communicate organizational values and culture during periods of uncertainty (Slater, Mohr, & Sengupta 2014). Storytelling through scenarios has been used to describe and communicate the future in the face of adversity (Bowman, MacKay, Masrani, & McKiernan, 2013). It is considered an effective way to communicate a firm’s innovative vision (Buckler & Zien, 1996). With its use of narrative, storytelling brings clarity to complex and ambiguous information (Denning, 2004).

The financial crisis of 2007 produced a crisis of legitimacy where trust and confidence in firms in the broad finance sector were dented (Earle, 2009) and required these firms to respond via their Top Management Teams (TMT) and CEOs with stories and rhetoric strategies (Riaz, Buchanan, & Ruebottom, 2016) that reassured their stakeholders. In periods of uncertainty, especially as a result of environmental industry-wide jolts, replotting of previous projective stories and associated intertexual linkages is important in regaining legitimacy (Garud, Schildt, & Lant, 2014).

Our study contributes to bridging three gaps in the literature. First, we extend Garud et al.’s (2014) theoretical exploration of projective stories and intertextual linkages associated with the legitimacy loss and high uncertainty related to entrepreneurship to examine similar occurrence with mature companies in the post 2007 financial crisis in the UK FTSE 350. Second, we follow the call of (Loewenstein, Ocasio, & Jones, 2012) to study the use of vocabulary and vocabulary structures as compared to discourse analysis in giving meaning to narratives which responds to a crisis of legitimacy of institutional stakeholders as resulted from the financial crisis. Third, we test Maitlis and Lawrence's (2007) sensegiving triggers and their proposition connected to "leader sensegiving and complex sensemaking environments" (Maitlis & Lawrence, 2007 p. 77) through exploring the TMT narratives during the uncertainty post the 2007 crisis.

Our longitudinal study answers the call for projective stories following storytelling at different points in time, particularly when legitimacy is threatened or lost (Garud et., 2014, p. 1489). We highlight how uncertainty affects the firm's and TMT cognitive capabilities through sensegiving activities in producing narratives and common narrative themes associated with periods of uncertainty. In the process we study narratives from the standpoint of the use of vocabulary and vocabulary structures compared to the more common discourse analysis treatment (Fairclough, 2013). In addition, as we note how the narratives, we explore how such considerations might differ across banking and finance sectors depending on the characteristics of the internal and external stakeholders. Within sectors facing uncertainty, we examine how maturity of firms affects the stories told in terms of content, message and metaphors used.

The paper proceeds as follows: 1) we present our theoretical framework (managerial cognitive dynamics (storytelling), sociology of expectations (projective stories) and sensegiving); 2) present the research methods used, 3) we describe the environmental context and the sources of uncertainty; 4) we then use these in our first level of analysis to evidence projective stories; 5) we explicate our second level of analysis by providing evidence and examples of sensegiving; 6) and lastly, we end with a discussion of our findings, contribution to both theory and practice, and offer conclusion.

THEORETICAL BACKGROUND

TMT Managerial Cognitive Capability and Storytelling

During periods of intense change and uncertainty, TMT and boards need to use their dynamic capabilities to maintain performance and results (Teece, 2007; Teece & Leih, 2016). The dynamic capability of reconfiguration and its dependence on the other managerial cognitive capabilities of language and communication has been linked to storytelling in an environment of change and adaption especially with strategic plans (Helfat & Peteraf, 2015). Through storytelling organizations can provide meaning to their range of stakeholders (Boje, 1991) and use stories as a “medium of interpretive exchange” as it tells the “grand narrative” (Boje, 1995, p. 1000). Storytelling and narratives have been used to describe the strategy of practice (Barry & Elmes, 1997). Furthermore, narratives are connected to the “form in which the knowledge is cast” and help us to understand the impact it has on the audience or stakeholders (Czarniawska, 1997, p.6).

Sociology of Expectations

The sociology of expectations is concerned with expectations related to the future-oriented studies in such subject areas as economics, management, innovation, science technology and society (Borup, Brown, Konrad, & Van Lente, 2006). Borup et al., (2006) further explain that expectations are connected with the firm’s vision for the future which may change under uncertainty and complexity. Garud et al., (2014) utilize the sociology of expectations in entrepreneurial ventures drawing on the future expectations that arise from such events given the uncertainty involved. They draw on the fact that these expectations are related to the cognitive and pragmatic legitimacy (Suchman, 1995). To meet these legitimacy challenges, firms should tell projective stories that answer the necessary cognitive and pragmatic expectations of the stakeholders (Garud et al., 2014).

With projective stories, firms aim to legitimize the expectations they set through their stories (Lounsbury & Glynn, 2001). They achieve this by addressing cognitive legitimacy through setting the cognitive expectations, i.e. the characteristics of the firm's future, such as its vision and values; and addressing legitimacy through articulating its pragmatic expectations - i.e. the results and benefits that its stakeholders will achieve as represented by attaining its goals and key performance indicators. The communication of these expectations undertaken by the top management team (TMT) via projective stories are woven into the plotting of the story and enhanced and backed up by intertextual linkages. The intertextual linkages are stories from the outside environment of the firm narrated by experts and trusted sources (Wry, Lounsbury, & Glynn, 2011), which enhances the believability of the stories plotted internally (Fisher, 1987; Polkinghorne, 1988). More important is how these story elements change into replotting and reconfiguring links when there are environmental legitimacy jolts (Garud et al., 2014).

Sensegiving

Sensegiving occurs when managers of a firm seek to influence the sensemaking of their stakeholders (Gioia & Chittipeddi, 1991; Weick, Sutcliffe, & Obstfeld, 2005), a process also known as "meaning making" (Polkinghorne, 1988). It is linked to innovative and entrepreneurial activities under uncertainty where managers use metaphors and share their mental models to communicate vision and novel concepts to prospective stakeholders (Hill & Levenhagen, 1995). Sensegiving is an important element in managers' communication and in delivering their narratives to frontline employees during a strategic change implementation (Sonenshein & Dholakia, 2012; Sonenshein, 2010). It is also an important component of leadership (Maitlis & Lawrence, 2007) as leaders often attempt to influence the sensemaking process to stakeholders around key events affecting the organization (Humphreys, Ucbasaran, & Lockett, 2011). The sensegiving aspect of stories provides legitimacy to both the teller of the stories (Maclean, Harvey, & Chia, 2012) and the ideas they portray (Currie & Brown, 2003).

This theoretical background is summarized in Figure 1 with the sources of uncertainty referred to in the diagram described in detail in Table 1.

Insert Table 1 and Figure 1 About Here

Research Questions

The following research questions emerged from literature review:

1) How does sociology of expectations and the associated projective stories and intertextual linkages operate over a longitudinal time period involving legitimacy loss related to multiple instances of environmental uncertainty?
2) How and in what instances does TMT sensegiving narratives occur over a longitudinal period with multiple instances of environmental uncertainty?
3) How is vocabulary used in the storytelling narratives to address stakeholders' expectations in periods of loss of legitimacy involving different types of uncertainty?

METHODS

Context of Study

The global economic and financial crisis of 2007-2009 deeply affected companies and countries. It caused damage and economic uncertainty across the world (Ball, 2014), particularly in Europe (Gardo & Martin, 2010), including the UK (Haddow, Hare, Hooley, & Shakir, 2013). The FTSE 350 is a share index of the top 350 companies by market capitalization in the London Stock Exchange. The index gauges the performance of these companies over time and it is representative of the state of the UK economy. The FTSE option-implied volatility indicator (Haddow et al., 2013) is a proxy which is used to measure the level of economic uncertainty of the UK economy.

Data

We conduct a longitudinal study of the annual reports (AR)s of a sample of companies from the London Stock Exchange (LSE) FTSE 350 during the period 2007-2015 which represents the start period of the financial crisis 2007/2008 and the following years. Corporates' ARs as an example of public language in strategy (Gao, Yu, & Cannella, 2015) and as projective stories (Garud et al., 2014) in their narratives and the expectations they communicate to their stakeholders can in situations of uncertainty lend legitimacy to the firm. Firm boards and TMT use ARs to communicate with a range of stakeholders (Stanton & Stanton, 2002); to create good impressions among their stakeholders and provide legitimacy for their past and future actions (He & Baruch, 2010); and to construct a picture of reality (Hines, 1988). ARs are used by its TMT to portray the vision, competencies and achievements within the current business environment (Kendall, 1993).

Sample

Our sample comprises all the 73 companies from the banking and finance sectors that are included in the FTSE 350. We choose these sectors because they have been facing the most uncertain environment during the period under study and significantly impacted on the post-financial crisis right up to its present state. The ARs of those 73 companies across the eight-year period represent 542 reports in total. Table 2 shows the key characteristics of the sample.

Insert Table 2 About Here

Content analysis

We conduct a directed content analysis and examine the thematic structure of the strategic review sections of the ARs to identify elements of the narratives and stories that firms were telling of how they were dealing with uncertainty. Content analysis has been widely used in the analysis of firms' ARs (Merkl-Davies, Brennan, & McLeay, 2011). Content analysis examines the characteristics of language and its contextual meaning (Krippendorff, 2004). A directed content analysis is a deductive approach that uses the theoretical framework as the basis and guide to build the initial concepts which are used to design the coding scheme for the data, i.e. the language (Hsieh and Shannon, 2005). It employs the theory utilized in the framework to develop the coding scheme and choose the concepts to be coded. It then adds other codes in the course of the analysis which match the elements of the theories used. The strength of this analysis supports and extends the theory (Hsieh and Shannon, 2005), which constitutes the primary aim of this study.

The ARs were coded following the two-cycle approach (Saldana, 2009). In the first cycle, provisional coding was used to analyse the text of the ARs with a "start list" of keywords drawn from our developed theoretical framework (Krippendorff, 2004; Miles & Huberman, 1994) (See Figure 1). The second cycle of coding was a longitudinal coding (Saldana, 2008) which uses the coding from the first cycle to categorize data and then undertake a comparative analysis of the reports over time and focus on "inferences of changes if any". We employed seven categories developed by Saldana (2008): 1) increase and emerge; 2) cumulative; 3) surges, epiphanies and turning point; 4) decrease and cease; 5) constant and consistent; 6) idiosyncratic; and 7) missing. The coding was based on the strategic report sections of the ARs, and was recoded multiple times. Both the coding scheme guided by theory and multiple coding instances increases the validity and reliability of the coding (Potter & Levine-Donnerstein, 1999). We use NVivo 10 to improve the rigor and depth of the analysis (Nair, Malhotra, & Ahire, 2011). Figure 2 presents the coding process and components of the first and second cycles of coding.

Insert Figure 2 About Here

ANALYSIS AND FINDINGS

Our analysis was performed at two levels. The first level of analysis was divided into two cycles of coding, discussed above.

The second level of analysis was to code and interpret the data to reveal incidences of storytelling and sensegiving in the ARs. This is done by examining the narratives associated with the incidences of uncertainties and crises that individual firms, sectors and the overall business community faced. Subsequently we examined the narratives to understand the impacts of these incidences on their firms and their strategies in order to reassure their stakeholders. Maitlis & Lawrence (2007, p.65) suggest a “perception or anticipation of sensemaking gap” under uncertainty or one which stakeholders have complex interests may trigger leaders’ sensegiving efforts leaders. We code and analyse each source of uncertainty to highlight narratives that are associated with sensegiving at the beginning, the middle and the end of the period to show the evolution of the sensegiving when the environment and stakeholders’ interests changed.

First level of analysis

Financial crisis of 2007 and subsequent crisis

The global financial crisis started in 2007 and officially ended in 2009 (Anderson and Gascon, 2009). It precipitated other sources of uncertainties and crisis such as the Eurozone debt crisis, national austerity programs, and government and public outcry over such areas as high executive remuneration and corporate governance. The uncertainty caused by these events resulted in a massive loss of legitimacy and trust in major firms and badly affected stock markets and the firms' operations in the UK and abroad, particularly in the banking and finance sectors (Laeven, 2011). As a result of the loss of legitimacy firm attempted to show the stakeholders through their narratives that they adhered to and pursued good corporate social responsibility (CSR) practices and ideals and this was core to their firms' purposes and values. This was particularly important with the banking sector where trust and confidence had been eroded as a result of the crisis (Earle, 2009).

> **Barclays- 2013:** We must focus not only on what we do but on how we do it, and we are committed to embedding a **values-driven culture** in Barclays. To deliver **sustainable performance**, we have to balance the needs of all our stakeholders across the short and long-term.
>
> **Royal- 2010:** As **part of our mission to rebuild investor confidence and trust**, we have greatly improved the **quality and transparency of RBS's external reporting**, and we provide financial information to the market quarterly.

Like the banks, the risky and short-term behaviours of firms in the general finance (GF) sector were seen as partly to blame for the crisis. There is a recognition years later that risk and employee behaviour must be tied to vision, values, strategy and performance.

> **Close Brothers-2014:** The conduct of our employees is a priority and the group has developed a robust framework to control, monitor and report conduct **risk**. During the year we have looked to embed fully **the organisations culture and traditional values** of service and integrity through initiatives such as the **"Vision and Values**" programme and the "Banking Customer Service Programme.

Banks were at pains to stress their CSR credentials and tried to show they were good corporate citizens, significantly contributing to their communities:

> **Lloyds- 2007 & 2008:** … **Lloyds TSB's charitable giving** ….. **mission is to improve the lives of people in local communities, especially those who are disadvantaged**.

Banks listed on the LSE post-2007 were able to take advantage of the risk travails of the older banks and used this as a marketing tool to show how different they were.

> **Aldermore (**first listed on the LSE in 2015) **– 2015: We continue to lend within our risk appetite,** and loan portfolios continue to perform better than our expectations.

Communication about ring-fencing, scandals and regulations

Banks have been adversely affected by certain illegal practices by employees at the upper echelons, which have led to fines by regulators in Europe and the US (Aebi, Sabato, & Schmid, 2012). Those prominent scandals include the Payment Performance Insurance, Forex and Libor; these and others have added uncertainty with regulators threatening the imposition of ring-fencing retail banking activities from investment activities. In their narratives to stakeholders, banks expressed contrition and showed they were addressing the causes of those scandals. They increasingly emphasised and created elaborate narratives around their values and how these were central to their strategy and operations over time. When discussing these, their language seemed to be open.

> **HSBC-2014:** We agreed settlements in respect of inquiries by the UK Financial Conduct Authority and the US Commodity Futures Trading Commission into the foreign exchange market in 2014. HSBC was badly let down by a few individuals whose actions do not reflect the vast majority of employees who uphold **the values and standards** expected of the bank. **This matter is now rightly in the hands of the Serious Fraud Office**.

The newer banks who were listed 2007 onwards used the crisis of 2007 and the subsequent scandals to present their new approach and vision. While the older banks communicated about the uncertainty of the regulatory climate around ring-fencing, the newer ones welcome and celebrate it, not suffering from the adverse legacy of the investment banking subsidiaries or the scandals.

> **Virgin Money Group-2012:** Virgin Money's aspiration to compete effectively in retail banking is entirely **consistent with regulatory developments in 2012**. ……. The ICB also made recommendations about subsidiarisation and **ring-fencing** to improve **financial stability**. **While this will require structural changes in large universal banks** in the UK, Virgin Money in its **current form already complies fully with the proposed requirements for a ring-fenced retail bank.**

Firms in the GF sector also had to respond to new regulations and stressed that these would not impact on their ability to generate returns and profits for their investors.

> **Hargreaves 2014**: This year has been dominated by regulation. **The introduction of the Retail Distribution Review ("RDR") for platforms in April has necessitated significant Board and management attention**. …..Despite this challenge, we **managed to maintain our focus on growing the business organically**, enhancing our digital proposition, adding functionality to our stockbroking business ….

Investor activism, government scrutiny post-2007 crisis and the impact of equity investment funds (EIFs) and GF firms

Pre and post 2007 financial crisis, EIF and GF firms were being forced to respond to increasing investor activism and government scrutiny relating to issues of sustainability, high executive pay and corporate governance. The narratives in the ARs of these firms were used to show they were listening and responding to these stakeholders so as to prevent adverse actions like government regulation or shareholder sanctions.

> **3i Infrastructure (EIF) - 2008:** As a **socially responsible investor**, 3i Infrastructure aims to **invest in companies that act responsibly in terms of environmental, ethical, governance and social issues.** This aim reflects not only 3i Infrastructure's

values and culture**, but also the wishes of its investors and helps protect and enhance the Company's reputation**.

In addition to the investor activism, there was evidence of the power and close relationship that existed between the EIFs and other companies in the LSE in which they invested.

City of London Investment Trust-2015: As the oil price fell in the second half of 2014, the portfolio's **holdings in the sector were reviewed** ………Holdings were maintained in **Royal Dutch Shell and BP** …… In April 2015, **Royal Dutch Shell** bid for **oil independent BG**…..On a long term basis, this was a good moment **to acquire BG** with its valuation relatively depressed.

Government and public outcry on high remuneration to executives by firms

One issue that was further highlighted by the crisis of 2007, was the high remuneration to executives. The general public, investors and government require all firms in these sectors to communicate their understanding of the importance of tying remuneration to mission, values and performance, in not only the short term but also the long term.

Aldomore-2011: In line with **current Government thinking,** all of the Executive Management team and some other senior staff have their **compensation tied to the long term fortunes of the Bank,** and thus are incentivised to make sure that they are prepared to live with the consequences of decisions they make now**, and well into the future…..** Our **shareholders have always had a seat on our Remuneration Committee,** to help ensure the long term interests of the Bank are protected.

In recent years, finance firms and banks have begun to fight back against the high remuneration narrative which they were forced to acknowledge in the earlier years. This highlights the need to maintain competiveness for high-quality personnel.

Barclays-2010: As Chairman, I am acutely aware of the **public disquiet over remuneration in the industry**. Barclays is committed to **acting responsibly in this area**. We

> are fully compliant with all regulatory requirements and our **remuneration systems are designed to reward success, not failure**. If we are **to remain competitive in a global market place**, however, it is simply not an option for us unilaterally to reduce compensation levels. We can only **contribute to society if we are able to recruit and retain good people.**

The impact of the best practice introduction features to the AR

In the aftermath of the crisis of 2007, there was a requirement for firms to publish their financial ARs so that all stakeholders could understand clearly and concisely activities implemented by the firm (Finacial Reporting Council (FRC), 2014).

> **Barclays- 2014**: The 2014 Annual Report includes a Strategic Report that summarises the key elements of the full report. The Strategic Report is in line with the **regulations and best practice as advised by the Financial Reporting Council, and the Department of Business, Innovation & Skills**. The design changes this year with increased infographics are intended to **facilitate more effective communication with all our stakeholders, and to provide more concise and relevant narrative reports**. These objectives are entirely in line with **our aim to become more clear and transparent** on our journey to be the 'Go-To' bank.

Table 3 presents a summary of the sources of the uncertainty, the representative themes describing the main narratives that focus on the source, and the associated cognitive and pragmatic expectation storytelling elements used in the narrative in the banking and finance sectors.

Insert Table 3 About Here

In short, the themes and narrative elements used in the collected ARs are found similar to intertextual linkages (Garud et al., 2014; Wry et al., 2011). The intertextual linkages are stories from the outside environment of the firm told by expert and trusted sources that improved the plausibility of the individual projective stories (Wry et al., 2011). The narrative themes used in those ARs reflected the concerns expressed and recommendations made by the various stakeholders. It is the way that firms report back to their stakeholders to show that they were listening.

The narrative elements such as values, strategy, mission and performance address the cognitive expectations and legitimacy claims in statements by firms, when describing their philosophical and business *raison d'etre* to their stakeholders. Mission statements connect a firm's values, decision-making direction and purpose to its performance (Bartkus & Glassman, 2008; Sanchez & Heene, 2004). Vision statements describe the future, are important and linked to leadership, performance and motivation in followers (Strange & Mumford, 2005).

Second-cycle coding – Longitudinal analysis

The first-cycle coding includes the evolution of the narratives about high executive remunerations, ring-fencing and regulations. We have discussed some of these previously and others will be discussed below but here we highlight some others here to show the impact of time on the evolution of narratives. One of them was the changes in the TMT of the firms, particularly the CEO over the years as an example of the firms' responses to the different sources of uncertainty and crisis. For example, immediately after the crisis of 2007/2008 there were changes in both the CEO and the Chairman at Royal Bank which had to be bailed out by the UK government. Barclays Bank, which did not receive major financial assistance from the government and initially was seen to be a bank that fared better from the crisis, had to change CEO twice in two years between 2010 and 2012 in the aftermath of the LIBOR scandal. These changes were seen as important to such stakeholders as the government and the regulators in that they would flag up incidents of risky behaviour by employees and support an accompanying change in culture from revenue at all costs to responsible banking.

Political uncertainty representing such issues as the Scottish referendum 2012-2014, the Greek sovereign crisis and potential exit from the EU 2009-2015, and the UK EU referendum 2013-2016 have affected all the firms in our study. The adverse uncertainty which surrounded the outcome of these issues made the firms reassure stakeholders that their strategies were in place to deal with adverse conditions.

Successive scandals over the years, political pressure and warnings of impeding regulations leading to ring-fencing of retail and investment activities of banks, required firms in the banking and finance sectors to issue a strong narrative response in the ARs. As uncertainty around the issue of ring-fencing regulations lingered in anticipation of an announcement in 2013-2014, the banking and finance sectors stressed in their ARs how the harsh regulations would have a detrimental impact on their ability to make sustainable profits, and consequently hinder economic activities at the national and international levels. Responding to the regulations, also affected the narrative of the GF sector and one regulation "Retail Distribution Review" of 2009 was of particular concern. [The new regulations came into force in early 2013.]

The new entrants in the FTSE 350 revealed another interesting comparison in the narratives of the storytelling within sectors. There were four new entrants in the banking sector since 2007. All those firms emerged out of the banking disruption that resulted from the crisis. In their narratives they depicted the fact that they lacked the stigma from the legacy of bad business practices of the older banks. They also tried to show they would be more ethical, look after their customers' interests, fill the gaps in services left unserved by the bigger banks, follow strong CSR practices, not pursue risky business services, and not present regulatory challenges related to ring-fencing and scandals.

Another longitudinal observation was the impact of the movement of the stock market and how it affected the narratives of the EIFs and GF sectors as compared to the banking sector. Given the nature of the business for a majority of the firms in this sector the movement of the shares of the companies in the stock markets has a great impact on the financial performance of these firms and therefore on their investors. The performance of the stock market during this period was very volatile from year to year. However, the narratives could vary within the sector even though all firms faced similar movements of the stock markets since their portfolios would be affected differently given the differences in the sectors and different firms in which they invested. Firms' shares were affected to varying extents depending on the source(s) of the uncertainty and the anticipation of how it may affect the firms. Examples can be seen in banking and finance which were affected by national government austerity and its impact on consumers' buying power; drop in oil prices due to over-production; or bank bailout and regulations.

Second level of analysis: Sensegiving

In analysing the ARs we also identified sensegiving which top management used when there was an issue of uncertainty. The need for these narratives arose because either the issue was complex - i.e. conflicting outcomes depending on the expectations of the various stakeholders - or the firm's view and interests went against the prevailing perceptions (Maitlis and Lawrence, 2007). We identified such narrative content relation to the sources of uncertainty and provided an explanation of their context and background with examples from the banking sector.

Post the 2007 financial crisis the predominant narrative by the sectors studied to stakeholders (investors, regulators, governments, employees and others) is one of reassurance that firms and their leaders knew appropriate strategies to pursue for survival and prosperity. In addition, there was a consensus that the banking and finance sectors were the main cause of and the solution was for ring-fencing of their activities. These sectors were under pressure from their stakeholders (including regulators across the world, governments, and investors) to address these issues. This shaped their narratives on the regulatory outcome.

2007- "Banking remains a risk-based industry and we will remain prudent in our management and pricing of risk…..we are well placed to take advantage of the opportunities that will undoubtedly arise. Standard Chartered has shown how its position in the world's growth markets and the strength of its balance sheet can deliver record results during turbulent times. We are not complacent about the future but are confident that we will deliver another strong performance in 2008." **Mervyn Davies, CBE Chairman, Standard Charter Bank AR 2007 (Bank Sector)**

In the middles years of the eight year period post 2007, there was a sense of concern and apprehension from the uncertainty and its impact on firms' ability to make the levels of profits they had made in the past. This sense of uncertainty increased with the revelation of each new scandal; for example, LIBOR and Payment Protection Insurance. With the regulations being considered in Europe and the US post-crisis, there were now challenges on how those regulations would affect firms' ability to make the same level of profit by being forced to change their business models (Mergaerts & Vander Vennet, 2016). Firms in the sectors had to reassure their stakeholders of their ability survive and thrive.

2011- "In 2011, we established our longer term strategy for the Group, acted quickly and decisively to mitigate the effects of a challenging environment and put in place the right foundations to deliver on our objectives over the next 3-5 years. We delivered a resilient performance and made good progress against the key elements of our strategic plan to become the best bank for our customers." **António Horta-Osório Group Chief Executive, Lloyds Bank AR 2011 (Bank Sector)**

The power and influence of institutional investors as represented by GF firms and EIFs have increased with the rise of their level of investments in publicly traded companies; this has become a concern relating to the adverse influence such power exerts on the firms (Çelik & Isaksson, 2014). As a result the GF firms indirectly impact upon the strategies, policies and operations of the firms in which they invested. Many investors required firms to follow sustainable practices and employ strong corporate governance. The sensegiving narratives of the EIFs and GF firms were that they would look after their investors' financial and non-financial interests carefully.

During and after the recession, the continuing high remuneration within the banking and finance sectors was considered a major concern among the general public, and they protested these concerns to government officials and corporate regulators. The sensegiving narratives for these issues depend on the sector; for example, the narrative of the EIFs was neutral since they felt they needed high-value, high-performing employees, while the narrative of the banks, which were bailed out by governments, was a mixture of listening to the concerns of their stakeholders, but also taking on the narrative of the EIFs over the years. By the end of the end of the period there are new sources of uncertainties on the horizon but firms in the sectors continued to stress the abilities to strive in the environment of uncertainty.

> **2014-** "2015 will be an important year……The challenges facing the global economy look set
> to continue, particularly in the Eurozone. …. Yet amid this economic and political uncertainty, SMEs, homeowners and savers will continue to require financial services which meet their needs and we are committed to playing our part." **Glyn Jones, Chairman, Aldermore Bank AR 2014 (Bank sector)**

The introduction of the requirement for a narrative strategic review at the beginning of all ARs provided an opportunity to designate increasing space for sensegiving to various stakeholders. It also showed the importance of the AR as a vehicle for firms to tell their stories in terms of their vision, purpose, values and performance, and to set expectations for the future for the benefit of their stakeholders.

DISCUSSION

We explored the role of storytelling in the ARs of FTSE 350 companies during a period of high uncertainty, 2007-2015. To summarise, our first finding resulted from the testing and extension of the use of sociology of expectations and projective stories as these would occur in a real-life setting. The concept of projective stories associated with uncertainty in areas other than innovation and technology (Borup et al., 2006) is new; we further extended it beyond Garud et al.'s (2014) propositions related to entrepreneurship to mature firms dealing with multiple sources of uncertainty over a tumultuous period. In addition we learnt about how mature firms that existed in FTSE 350 at the start of the crisis differed in their projective stories compared to the newer entrants of the FTSE post the crisis who were not tainted by the negative elements of the intertextual linkages of the sectors.

The themes with associated words like values and responsible and pairings like values, trust and performance we found were similar to the intertextual linkages in that they were common in the stories of the firms within the sectors and in certain instances across the sectors. Within the sectors upon which we focused, we noticed such common themes of *Reassurance* in the bank sector and *Investor Involvement* in the GF sector, and evident across all sectors were such common themes as *CSR* and *Transparency in Communications*.

In addition, we discovered that the process of "replotting" and reconfiguring intertextual links in the case of mature firms operating in an environment of uncertainty and probably even for entrepreneurial ventures is not a straightforward or linear process and is or can be executed incorrectly given a number of different factors affecting the sources of uncertainty. Our analysis manifests the propositions around managerial cognitive capability of TMT in language, communications and storytelling skills (Peteraff & Helfat, 2015), when tested in post 2007 as firms in our study responded to stakeholder legitimacy concerns as they navigated the series of events producing uncertainty.

Our second finding pertains to vocabulary and vocabulary structures (Loewenstein et al., 2012) in communicating collective meaning, where our analysis revealed common narrative themes (CSR, Concern, Contrition and Acceptance in old banks) and unique ones (Welcome for newer banks), similar in nature to the intertextual linkages in projective stories (Garud et al., 2014; Wry et al., 2011). These linkages being shared stories of firms within a sectors which draw on experts and regulations to provide credibility and believability. The stories included narrative elements (Fenton & Langley, 2011) such as values, strategy and mission in the themes of the ARs in addressing the cognitive expectations and legitimacy (Suchman, 1995) concerns of the stakeholders.

Our third findings results from our testing of “leader sensegiving” (Fiss & Zajac, 2006) and “complex sensemaking environments,” “sensegiving trigger” proposition, following the call for a study of it in business setting (Maitlis & Lawrence, 2007). Here we found instances of these narratives across the variety participants across the different years, sources of uncertainty, and variety of stakeholders to which they needed to respond.

The fourth finding, revealed in our second level of analysis, is the extent to which the EIF sector influenced the narratives in the stories of other sectors as shown with the *Investor Involvement* theme through such narrative elements as *values, goals and CSR*. This influence by outside stakeholders on firms’ business, strategic statements and narratives are in line with findings on mission statements (Bartkus & Glassman, 2008). We know that private equity funds have been shown to exert undue influence on the strategy and operations of public companies (Barber & Goold, 2007) and our findings also find the same for the public versions of these companies. By testing and extending the theories above in real-life we added depth to them by revealing another level of consideration, namely the factors affecting the narrative process involved in replotting and intertextual linkages which we now explore.

Decision making and Judgement

One of the most important elements constructing the narrative of the story in this study are the plotting and replotting decisions of the TMT. This involves characteristics of the source of the uncertainty; how they affect the firm; and the narrative and frame that the firm used to communicate those facts. Those help to maintain the confidence and trust of stakeholders in their strategies' and expected performance. Judgements are important in the decision making steps involved in constructing the narrative in the stories Bazerman and Moore (2012). The judgement and decisions made by the individual firms' TMTs and the sectors as a whole affect the themes and sensegiving aspects of the narratives. These observations are particularly clear in the GF and EIF sectors. The investment manager's reports were wide ranging and comprehensive weaving in the political, business, regulatory and sector specific information to bring a rich picture to the stories they told their customers.

Legitimacy - Trust vs. Confidence and Inter-organizational Relationships

The period under examination had the narrative of the repairing of trust and confidence running through it, from the crisis, to scandals from risky and illegal behaviour of employees, to doubt about firm's survival and performance, to perceptions of corporate governance inadequacies. When trust is broken, stakeholders require signals from the firm that lessons have been learnt, the organization has changed and rules have been introduced or strengthened to prevent new violations (Eberl, Geiger, & Aßländerr, 2015; Gillespie & Dietz (2009). However, we know from the narrative on executive remunerations over the period that new rules and behaviour can bring opposite reactions from internal and external stakeholders (Eberl et al., 2015). Another distinction is one of trust versus confidence. Earle (2009) notes that during the financial crisis, trust and confidence were used interchangeably by experts and firms however a distinction must be made when using each since they require different narrative strategies to explicate the loss of each. “While trust is social and relational, confidence is instrumental and calculative" (Earle, 2009) and miscalculation in the use of these in the firm's projective stories, sensegiving and narrative creates incorrect perceptions in the minds of stakeholders.

Finally, on the issue of trust, is the firm's need to consider the understanding of the types, nature, needs and expectations of the stakeholder which would affect narrative of the replotting in their projective stories. As shown in our study, trust was broken by the behaviour of the firms, especially the banks in causing the crisis and then in subsequent scandals. Bachmann and Inkpen (2011) have argued that understanding the mechanism and process by which inter-organizational trust involving such different stakeholders is important in the ongoing relationships of the firm especially when there is a crisis of trust. Firms had to consider the various important stakeholders like regulators, government bodies, customers and civil society to build what was intricate patchwork of threads of narrative needed to rebuild and manage these trust relationships.

Power, Politics and the Environment

In storytelling, the associated element of sensemaking and therefore sensegiving is (Colville, Brown, & Pye, 2012) linked to power, politics and legitimacy in its many forms and contexts. This study shows that power had an impact on the responses of the firms to the legitimacy crises arising from the crisis. The power of the firm in particular to their dependence on their external stakeholders dictated their response i.e. what the firm needed to do to respond, and the strength of this response. While the banks were at pains to link performance with values, the same was not evident for other sectors. Even within the bank sector, banks which required more bailout money pursued this narrative line with more intensity compared with others who hadn't required government assistance. In addition, many of the uncertainties the firm faced were beyond their control since those uncertainties involved national and international politics such as the Scottish referendum, EU leave referendum, EU politics etc.

Identity, Strategy and Performance

Uncertainty generates questions over a firm’s identity, strategy and performance. These questions leaves a space for others including stakeholders to give their interpretations and meaning to the firm. Organizational identity has been described as “contested and negotiated through iterative interaction’ between various stakeholders (Scott & Lane, 2000). Firms can responds by a) redefining themselves to meet the requirements of the new environment or b) re-establish and re-connect with the values vision and purposed when the crisis of legitimacy stems from controversy and scandals. Czarniawska (1997) describes the firm’s organizational identity as a narrative negotiation and interplay between its many stakeholders. However, there must a balance between how firms frame their response (Gioia and Chittipeddi, 1991) to show they are listening and acting on the concerns of the stakeholders and following solutions that is right for them. Either way may mean they lose the focus and identity. This is typified by the distinctive difference in narrative treatment of Barclays and HSBC to the same scandals. Their narrative around values was distinctly different in volume and intensity.

CONCLUSIONS

This study took up the call of Garud et al. (2014) to test in a longitudinal examination, projective stories and their elements of replotting to address cognitive and pragmatic expectations and reconfiguring intertextual linkages. It also responded to Maitlis & Lawrence (2007), to test the proposition of sensegiving trigger of uncertainty and complex stakeholders in a business setting. Finally directed by Loewenstein et al. (2012), the study explored the much neglected vocabulary and vocabulary structures in narratives in environments of change and uncertainty, especially where meaning and sensemaking is crucial in communicating to stakeholders.

Theoretical contribution

As a result, our first contribution is the testing of the theoretical frameworks related to TMT in projective stories (Garud et al., 2014) and sensegiving triggers (Maitlis & Lawrence, 2007) and their extensions outlined above with a real life study in a business setting with mature firms facing uncertainty, all things that had not previously been done. The implementation of theories and frameworks in real life context has been seen as important in general (Nilsen, 2015) and in CEO studies (Busenbark, Krause, Boivie, & Graffin, 2016). We identified that with mature companies and also we believe for entrepreneurial ventures, additional factors needs to be considered for the replotting of stories and reconfiguring of intertextual linkages to be successful.

Our second contribution comes from our examination of narratives in practice to reveal the use of vocabulary and vocabulary structures as we found with the themes as vehicles of communicating change, responses to crises of legitimacy both individually and collective meaning making in longitudinal real life study. The unique themes of particular firms which reframed a group narrative theme within the same sector also reflects the strategy of reconfiguring intertextual linkages (Garud et al., 2014) and also an individual firms' reaction to a group-wide loss of legitimacy (Devers, Dewett, Mishina, & Belsito, 2009). Public language is important as a strategic tool when engaging with stakeholders especially with companies in sectors responding to legitimacy crises (Desai, 2011) that are financial, entrepreneurial and competitive in nature (Gao et al., 2016). Extending this finding we find from our second level of analysis, what we term the "web of stories". This "web of stories" was revealed from the observation of the interconnectedness of the themes and vocabulary of different sectors through the fulcrum of the EIF (with theme Investor Involvement), and borne out by the extent of the similarity between the themes (CSR, Responsible Remuneration) among firms across all the investigated sectors.

Our third contribution, results from our testing of "leader sensegiving and complex sensemaking environments" sensegiving trigger" proposition and the call for a study of it in a business setting (Maitlis and Lawrence, 2007)' and the testing of the managerial cognitive capability (Helfat & Peteraff, 2015) of storytelling of TMTs in an environment of uncertainty. We saw the process of sensegiving changing over the different years of the period as TMTs constructed through antenarratives (Boje, Haley, and Saylors, 2016) future grand narratives to respond to the changes and doubts of their stakeholders. We note that these sensegiving narratives contain dual goals of promoting change and stability in the face of uncertainty (Farjoun, 2010). The complexity of the uncertain environment post 2007 and the resulting diversity of stakeholders (government, public, investors and regulators) which had to be reassured and persuaded required TMT in the firms to indulge in sensegiving over the different years of the period. This became even more crucial and tested their storytelling skills with the unfolding of increasingly new sources of uncertainty (Riaz et al., 2016). While there were similarities in the use of the narrative elements in firms' storytelling, the sensegiving narratives regarding the same sources of uncertainty varied within sectors, across sectors and across the eight-year period investigated. In addition, we also revealed how these narratives are connected to power, politics and legitimacy (Brown, Colville, & Pye, 2015) as found with the uncertainty influences of national, EU and international politics on the performance of the firms. The firms in the banking and finance sectors had to address the triggers of the complexities of stakeholders' interests (regulators, investors (GF and EIFs), politicians and the general public) and firms' leaders having to address external perceptions, which were detrimental to them.

In making these contributions we also provide an understanding of how organizational narratives and stories are changed by events which produce uncertainty and last over a long period. This will add an insight of how critical events can produce similar and different variations of the narratives in firms of different sizes, ages, and across the banking and finance sectors. In addition, we show cause and effect explanations and variations in the use of vocabulary, narrative and storytelling to address real life situations of loss of legitimacy from different examples of sources of uncertainty.

Managerial implications

This study also offers managerial implications for the field. First of all, firms' managers and leaders outside the banking and finance sectors and outside the FTSE 350 can learn through the narrative and storytelling strategies identified in this study during periods of uncertainty, taking into account the source of uncertainty to respond to the legitimacy concerns of their stakeholders. Second, the use of a "web of stories" can help firms increase interconnectedness of corporate stories in the globalized world to pursue a systems thinking approach in their communication when experiencing periods of environmental jolts and legitimacy crises. Third, we highlight the importance of TMT's spending time, judgement and analysis in the development of their storytelling with their ARs. With the increase regulatory and market emphasis of the strategic review section of the AR narratives here will be scrutinise more and their believability and credibility questioned by stakeholders. Finally, our work provides further evidence that, even in the face of uncertainty, firms must focus on maintaining and communicating strong corporate statements of vision, values, mission, goals and performance to their stakeholders in order to sustain the trust of the stakeholders.

Limitations and future agenda

Our study suffers from two limitations. First, the use of ARs might be considered as being a "constructed reality" and "retrospective sense-making" (Hines, 1988; Merkl-Davies et al., 2011). However, with the use of longitudinal data, these limitations have been converted into strengths to increase the reliability and validity of the study. In addition, with the added regulatory requirement for the review section of the AR to answer criticism of lack of transparency and inadequate information for stakeholder to assess risks we believe that this assessment of ARs will change in the future. The second limitation concerns our use of the sociology of expectation theory in our study. While the theory outlines two processes the pre legitimacy loss and post i.e. in plotting and intertextual linkage and post replotting and reconfiguration of intertextual linkages we have focussed only on the post process. We however suggest that with our extension of the theory with mature companies and the theory's focus on legitimacy that this does not take away from the strength of our findings and contributions.

In terms of future research, we suggest that researchers should further explore the themes and narrative elements with individual firms and their stakeholders in real time rather than retrospectively to test the real-time impact of the stories on the stakeholders. The impact and consistency of the stories and narratives in the ARs may be tested by triangulating the data with the firm's internal data like management reports and meeting minutes to show their effectiveness in believability in addressing the expectations of stakeholders. Researchers should also explore in more detail the factors affecting the narrative process involved in replotting and intertextual linkages. Also future research may investigate the new regulations over a longer time period to see if it our storytelling and sensegiving findings and contributions sustains in the level of sophistication of the theories in practice. Finally, to improve the generalizability of this study, researchers may want to test the anticipated theories within different sectors which have high uncertainty profiles and in different country contexts. The narrative within the AR is full of causal relationships between actions and events that may require "an attitude of epistemological modesty" (Runde & de Rond, 2010, p. 433).

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Figure 1: The keywords used and their relationship between the theoretical framework and literature review

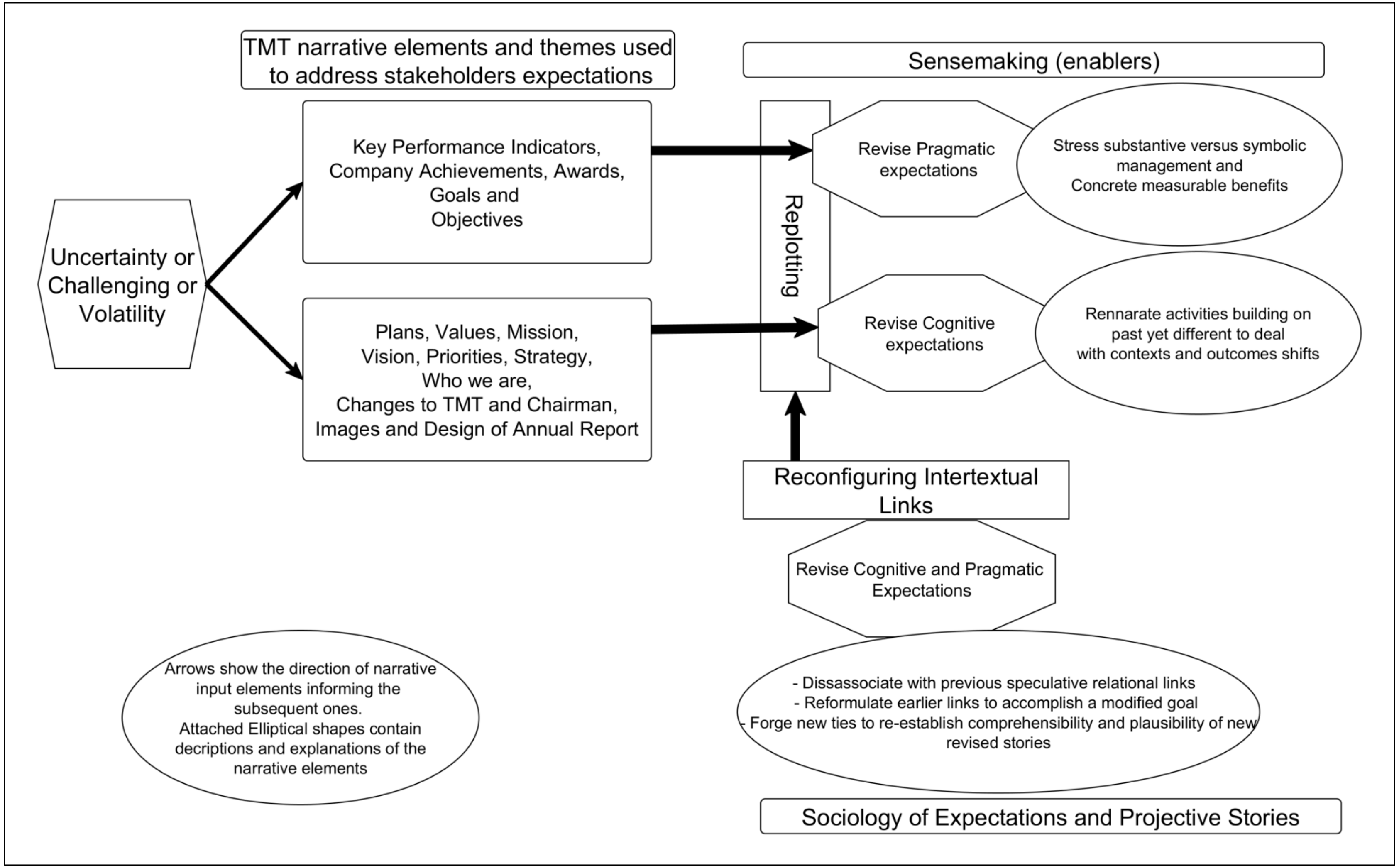

Figure 2: The coding and analysis process and components

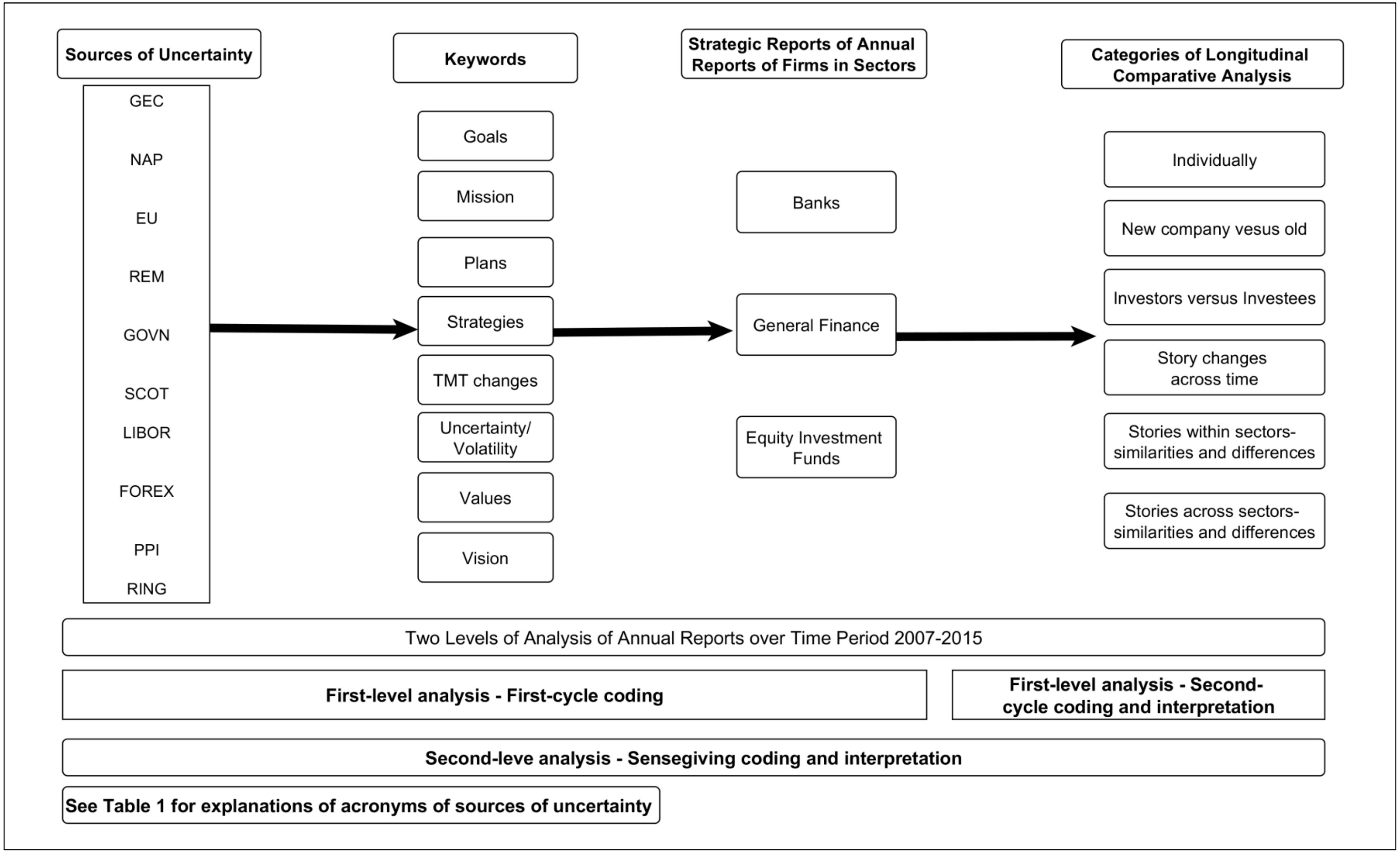

Table 1: Examples of sources of uncertainties, crises and developments informing the narratives of the annual reports of the companies in the banking and finance sectors

Sector	**Legend**	**Source of Uncertainty/Crisis**
Across all Sectors	GEC	1. The global economic and financial crash: 2007 – 2009
	NAP	2. National austerity programs in countries: 2007 to present
	EU	3. Eurozone debt crisis: 2009 to present
	REM	4. Government and public outcry on high remuneration to executives post 2007 crisis
	GOVN	5. Loss of legitimacy, reputation and credibility around corporate governance post 2007 crisis
	SCOT	6. Scottish Independence and EU In/Out Referendums
	REV	7. The introduction of best practice in the strategic review section to the annual reports
Banks	LIBOR	1. LIBOR scandal: 2011 to present
	FOREX	2. Forex scandal: 2013 to 2015
	PPI	3. Payment Protection Insurance (PPI) miss-selling scandal, post 2004 in the UK
	RING	4. Regulatory pressures to change the structures and services of banks (“ring-fencing”)
General Finance & EIFs	INVA	1. The rise of investor activism and government regulations on issues of sustainability, high executive pay and corporate governance

Table 2: Characteristics of the sample of FTSE 350 companies as at 30th October 2015

Sector (Number of companies) - Companies in Sectors, (Year of recent entries floated on the LSE) and Companies in the FTSE 100 (FT)
Banks (9) - Aldermore Group **(2015)**, Barclays **(FT)**, Bank of Georgia Hldgs **(2012)**, HSBC Hldgs **(FT)**, Lloyds Banking Group, Royal Bank of Scotland Group **(FT)**, Standard Chartered **(FT)**, Shawbrook Group, Virgin Money Hldgs (UK) **(2014)**
General Finance (25) - 3i Group **(FT)**, Aberdeen Asset Management **(FT)**, Allied Minds Ltd **(2014)**, Ashmore Group, Brewin Dolphin Hldgs Close Bros Group, Hargreaves Lansdown **(2007) (FT)**, Henderson Group, ICAP, IG Group Hldgs, Intermediate Capital Group, International Personal Finance **(2007)**, Investec, IP Group, John Laing Group **(2015)**, Jupiter Fund Management, London Stock Exchange Group **(FT)**, Man Group **(2012)**, OneSavings Bank **(2014)**, Paragon Group of Companies, Provident Financial, Rathbone Bros, Schroders **(FT)**, SVG Capital, Tullett Prebon
Equity Investment Funds (39) - 3i Infrastructure **(2007)**, Aberforth Smaller Companies Trust, Alliance Trust, Bankers Investment Trust, BH Macro Ltd **(2007)**, Bluecrest AllBlue Fund Ltd **(2008)**, British Empire Sec & General Trust, Caledonia Investments, City of London Investment Trust, Edinburgh Investment Trust, Electra Private Equity, Fidelity China Special Situations **(2010)**, Fidelity European Values, Finsbury Growth & Income Trust, Foreign & Col Investm Trust, GCP Infrastructure Investments Ltd **(2010)**, Genesis Emerging Markets Fund, HICL Infrastructure Co Ltd, International Public Partnership, John Laing Infrastructure Fund Ltd **(2010)**, JP Morgan American IT **(2014)**, JP Morgan Emerging Mkts Inv Trust, Mercantile Investment Trust (The), Monks Investment Trust, Murray International Trust, Nb Global Floating Rate Inc Fd Ltd **(2011)**, P2p Global Investments **(2014)**, Perpetual Income & Growth Investm Trust, Polar Capital Technology Trust, RIT Capital Partners, Riverstone Energy Ltd **(2013)**, Scottish Investment Trust, Scottish Mortgage Investment Tst, Temple Bar Investment Trust**,** Templeton Emerg Mark Investm Trust, TR Property Investment Trust, Witan Investment Trust, Woodford Patient Capital Trust **(2015**), Worldwide Healthcare Trust

Table 3: Uncertainty sources, themes and narrative elements, & explanatory evidence

Uncertainty sources - Themes (and narrative element used**)**

Financial crash of 2007 and subsequent crisis - **Reassurance** (performance & values); **CSR** (values); **Employee Behaviour & Risk** (values, vision, mission & strategy)

Explanatory evidence: Post the crisis, banking and finance firms strove to regain trust from their stakeholders. Contrition for past illegal and bad practices. CSR to show strong financial results was compatible with CSR. Prudence to show a return to strong risk management and responsible behaviour of their employees.

Ring-fencing and scandals created by illegal practices by banks - **Concern, Contrition & Acceptance** (values, uncertainty, performance /delivery); **Welcome** (performance/compete)

Explanatory evidence: With the threat of ring-fencing by national regulators, banks were concerned about the level of regulation and its impact on profits and returns. Over time there is acceptance of heavy regulations, with mixed feelings of its impact. Contrition for the wrongdoings, and the acceptance of the legal and financial penalties that resulted. Newer FTSE banks, welcomed the ring-fencing which differentiated them as being just retail banks without investment activities.

Investor activism, government scrutiny, impact of EIFs and GF firms. - **Investor Involvement** (values, goals, CSR, performance)

Explanatory evidence: Investor involvement started with increased in activism about climate change and the environment. With the rising power of GF and EIFs, the financial performance of the firms they invested in came under increased scrutiny.

Government & public outcry on high remuneration to executives by firms - **Responsible Remuneration** (mission, objectives, investor involvement, strategy, values, risk); **Remuneration Fightback** (responsible remuneration, CSR, performance)

Explanatory evidence: The public, government and investors voiced anger over large executive remunerations by firms. The firms communicated their responsible remuneration practices. As anger diminished, remuneration fightback occurred with the argument of attracting and maintaining high-level employees generates outstanding performance and competitive world-class remunerations were needed.

Best practice reporting - **Transparency in Communication** (strategic review of AR)

Explanatory evidence: The financial crash was partly caused by the incomplete information firms provided in relations to their operations, risk and strategies. A regulatory outcome was for firms to include narrative descriptions as part of the strategic review in ARs to enhance transparency in their communications.