Persuading analysts about the appropriateness of the explorative activities of newly-public high-technology firms: A model of strategic communication and legitimation

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Declaration

I declare that the work presented in this thesis is my own and has not been submitted for the award of a higher degree elsewhere. Other people's work and materials have been fully acknowledged.

Konstantina Papadopoulou

Dedication

To my dad, Vasilis Papadopoulos: It may have been over 20 years since I lost you, but the memory of who you were and what you taught me never went away. I will always remember the story of the poor kid who came to the big city without shoes on his feet, the poor kid who would have loved nothing more than to have a university education, but had to work day and night to provide for himself and his loved ones. That kid grew up to be the greatest dad I could hope for, the dad who teared up every time I handed him one of my drawings, the dad who patiently held my history book while I was reciting next day's lesson from memory, the dad who inspired my love for education, but also taught me that education is nothing without character. I hope you are watching from somewhere, with a proud smile on your face.

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Dissemination

Parts of the work presented in this thesis have been disseminated through the following conference presentations:

1. Papadopoulou, K. 'Corporate strategy and communication in the context of capital markets', *White Rose DTC Pathway Conference: "Managing in Turbulent Times",* 2017

2. Papadopoulou, K. 'Communication of corporate strategy in the context of capital markets', *SUMS Inaugural Annual Doctoral Conference,* 2017

3. Papadopoulou, K. 'Defending Strategy to Analysts: Argumentation in Earnings Conference Calls of High-Tech Firms', *SMP Pathway Conference,* 2018

4. Papadopoulou, K. 'Defending Strategy to Analysts: Argumentation in Earnings Conference Calls of High-Tech Firms', *SUMS 2nd Annual Doctoral Conference,* 2018

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Abstract

This research project focuses on an important but underexplored aspect of strategic communication and legitimacy. In particular, it examines the purposeful use of communication when executives of newly-public high-technology firms engage in conversations about their new explorative activities during ECCs to proactively defend, maintain and extend their legitimacy with analysts. Prior work in this context appears to have not adequately considered the potential for firms to not only maintain their legitimacy through substantive actions that compromise their long-term sustainability, but also extend it to new domains of activity through symbolic management. Considering how vital explorative activities are for firms' long-term sustainability, this is an important gap in knowledge that this research project attempts to address.

Employing a mix of analytical tools, I attempt to identify the ways analysts guide their ECC conversations with executives, the communication strategies used by executives in these conversations, and the difference between those strategies that are successful in persuading analysts about the appropriateness of firms' explorative activities and those that lead to legitimacy contestation. I apply these analytical tools to ECC transcripts and corresponding analyst reports of three firms. My findings suggest that analysts are willing to approve of firms' explorative activities, as long as executives communicate purposefully with them and offer signals of conformity to the shareholder-value principle. Furthermore, my empirical work results in my Communication Process Model which outlines 6 alternative pathways to legitimacy extension, maintenance or contestation.

My study makes a number of contributions to theory, methods and practice. Regarding theory, my study adds to existing research on strategic communication and legitimacy. With regard to methods, my study adds to conversation analysis, argumentation analysis, and the operationalization of legitimacy. Last, my findings hopefully encourage executives to engage in more exploration, and provide them with a comprehensive communication guide to assist their efforts.

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List of Abbreviations and Acronyms

AIMR: Association of Investment Management and Research

B: Backing

C: Claim

CA: Counterargument

CEO: Chief Executive Officer

CFO: Chief Financial Officer

CIC: Corporate Information Committee

CO: Counteroffer

COO: Chief Operating Officer

ELAB: Elaboration

ECC: Earnings Conference Call

G: Grounds

W: Warrant

IPO: Initial Public Offering

IR: Investor Relations

KC: Key Claim

NPV: Net Present Value

Q: Qualifier

R: Rebuttal

REIT: Reiteration

RMG: Real Money Gaming

ROA: Return on Assets

ROE: Return on Equity

ROI: Return on Investment

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Chapter 1 – Introduction

1.1 Introduction

In today's complex world, a number of stakeholders (e.g., customers, employees, suppliers, financial-market stakeholders, communities, etc.) can affect a firm's ability to fulfill their strategic goals. Consequently, conversations with such stakeholders are of strategic significance, and as such firms devote substantial amounts of time and resources to communicate purposefully with them. With this in mind, it is only natural that researchers and practitioners are becoming increasingly interested in the area of strategic communication, which is concerned with "the purposeful use of communication by an entity to engage in conversations of strategic significance to its goals" (Zerfass et al., 2018, p. 493). Strategic communication is inextricably linked to the body of work on strategy and leadership, as well as a number of communication-focused subject areas within the field of management such as organizational communication, business communication skills, corporate communication, and marketing, advertising and public relations (Hallahan *et al.*, 2007). This study, which is positioned within strategic communication, draws from such areas but maintains a clear focus on communication with strategic intent.

Researchers in strategic communication, and other related areas, examine the purposeful use of communication in relation to specific goals such as competitive advantage (e.g., Nadkarni, Pan and Chen, 2019; Prabhu and Stewart, 2001; Rindova, Becerra and Contardo, 2004; Vaara, Kleymann and Seristö, 2004), stakeholder support (e.g., Allee and DeAngelis, 2015; Carter and Deephouse, 1999; Garud, Schildt and Lant, 2014; Zajac and Westphal, 1995), positive analyst appraisals and/or following (e.g., Agarwal *et al.*, 2016; Asay, Elliott and Rennekamp, 2017; Healy, Hutton and Palepu, 1999; Westphal and Graebner, 2010), resource acquisition (e.g., Lounsbury and Glynn, 2001; Martens, Jennings and Jennings, 2007; Petkova, 2014; Zott and Huy, 2007), and legitimacy (e.g., Garud, Schildt and Lant, 2014; Lounsbury and Glynn, 2001; Vaara, Kleymann and Seristö, 2004; Westphal and Graebner, 2010). This research project focuses on an important but underexplored aspect of strategic communication in relation to one of these goals, namely the goal of legitimacy. In particular, it examines the purposeful use of communication when executives of newly-public high-technology firms engage in conversations about their new explorative activities during earnings conference calls (henceforth ECCs) to proactively defend, maintain and extend their legitimacy with sell-side financial analysts (henceforth analysts). This research context is discussed in greater detail in the next section.

1.2 Research Context

Adopting a legitimation as process perspective, even after reaching an initial legitimacy threshold (see Rutherford and Buller, 2007), firms' legitimacy is constantly re-evaluated by various actors who have different assumptions of appropriateness (Suddaby, Bitektine and Haack, 2017). Ashforth and Gibbs (1990) argue that firm executives are called to maintain legitimacy by anticipating and preventing challenges through substantive and/or symbolic management. As they explain, substantive management may require firms to change their goals in order to maintain their legitimacy, but communication may be able to provide the necessary symbolic assurances that a firm continues to perform well without having to compromise its goals. In my context, when firms get involved in new explorative activities, financial-market stakeholders such as analysts - who are important gatekeepers in the legitimation process (Navis and Glynn, 2010; Zuckerman, 1999) - make judgements of appropriateness based on the shareholder-value principle (Shin and You, 2017) and might contest their legitimacy. Having this knowledge (see Kraus and Strömsten, 2012), managers often attempt to proactively defend their legitimacy by changing their goals (substantive management) and avoiding engaging in explorative activities altogether (e.g., Benner and Tushman, 2003; Chen, 2017; Es-Sajjade, Pandza and Volberda, 2020; Gupta, Smith and Shalley, 2006; Henderson and Clark, 1990; Levinthal and March, 1993; Wang *et al.*, 2019). However, this form of substantive management may have detrimental consequences to firms' long-term sustainability. As such, I argue that through strategic communication (symbolic management) executives can proactively persuade analysts about the appropriateness of their explorative activities without having to compromise them, and consequently extend their legitimacy to these new domains of activity.

While there is a substantial body of work about the role of communication in establishing the legitimacy of new ventures (e.g., Cornelissen and Clarke, 2010; Fisher *et al.*, 2017; Garud, Schildt and Lant, 2014; Golant and Sillince, 2007; Lounsbury and Glynn, 2001; Martens, Jennings and Jennings, 2007; Nagy *et al.*, 2012; Parhankangas and Ehrlich, 2014; van Werven, Bouwmeester and Cornelissen, 2015), in repairing the legitimacy of established firms when it is challenged or lost due to unforeseen crises (e.g., Elsbach, 1994; Garud, Schildt and Lant, 2014; Matejek and Gössling, 2014; Stone, Erickson and Weber, 2012), and extending the legitimacy of established firms to new territory (e.g., Landau, Drori and Terjesen, 2014; Thurlow and Mills, 2015; Vaara and Monin, 2010; Vaara and Tienari, 2011), less is known about the role of communication in proactively defending and maintaining established firms' legitimacy (e.g., Deegan, Rankin and Tobin, 2002; O'Donovan, 2002; Samkin and Schneider, 2010). This study, is among the few that examine the role of communication in maintaining established firms' legitimacy as part of their symbolic management, which are currently mainly in the area of accounting and corporate social responsibility. Furthermore, to the best of my knowledge, this study is the first to examine the role of strategic communication in maintaining and extending established firms' legitimacy by proactively persuading analysts about the appropriateness of their new explorative activities. Last, this study is also the first to identify the role of strategic communication in contesting and repairing established firms' legitimacy within the aforementioned context.

In the next sub-sections, I examine (i) the concept of ambidexterity in order to establish why explorative activities are critical for firms' long-term sustainability, and therefore why it is important to learn more about strategic communication as part of firms' legitimation efforts in this context, and (ii) the important role of ECCs in the purposeful communication of such issues of strategic significance.

1.2.1 Ambidexterity: The Balancing Act between Exploitation and Exploration

O' Reilly III and Tushman (2008) explain that exploitation refers to the effective short-term competition in existing markets/technologies and calls for increased efficiency, productivity, control, and certainty, while exploration refers to the long-term adaptation to new markets/technologies and requires search, discovery, autonomy, and embracing innovation. According to the same authors, ambidexterity is the dynamic capability[1] that enables the firm to simultaneously exploit and explore, and in turn adapt and survive in the face of change. He and Wong (2004) find a positive association between simultaneously pursuing exploitation and exploration, and firm performance. Smith and Tushman (2005) explore how the firm can effectively exploit and explore, arguing that paradoxical thinking can help the firm simultaneously achieve operational efficiencies and long-term sustainability. Andriopoulos and Lewis (2009) show how differentiation and integration tactics can help manage innovation

[1] Dynamic capabilities refer to "the firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments" (Teece, Pisano and Shuen, 1997, p. 516).

paradoxes and spur virtuous cycles of ambidexterity that facilitate both short-term success and long-term survival. Smith, Binns and Tushman (2010) discuss contextual ambidexterity (i.e., seeking for a solution that accommodates opposing poles simultaneously), explaining that it presents executives with the advantage of embracing complexity in its wholeness, achieving synergies and reaching overarching solutions. In the same vein, Pertusa-Ortega and Molina-Azorin (2018) show how structural differentiation and decentralization, along with enabling formalization, can help manage the tensions that hinder ambidexterity and achieve superior performance.

Despite the above-described benefits of ambidexterity, executives often lean toward exploitation and neglect exploration (e.g., Benner and Tushman, 2003; Chen, 2017; Es-Sajjade, Pandza and Volberda, 2020; Gupta, Smith and Shalley, 2006; Henderson and Clark, 1990; Levinthal and March, 1993; Wang *et al.*, 2019). Subsequently, their firms are successful in the short run, but gradually become obsolete and die out (March, 2003). Among other reasons, this occurs because of the challenges certain stakeholders in a firm's environment may pose. Specifically, as mentioned earlier, firms' legitimacy is constantly re-evaluated by various actors who have different assumptions of appropriateness (Suddaby, Bitektine and Haack, 2017). An important such actor are analysts (Navis and Glynn, 2010; Zuckerman, 1999) who make judgements of appropriateness based on the shareholder-value principle (Shin and You, 2017). New explorative activities represent investments with a long-term horizon. In particular, Flammer and Bansal (2017) have shown that seizing investment opportunities with a long-term horizon may lead to a temporary decrease in measures of operating performance such as return on assets (ROA), net profit margins and sales growth, which indicates that it takes time for them to manifest into profits. As such, new explorative activities may become a point of scrutiny by analysts.

Research suggests that when it comes to maintaining their legitimacy, firms attempt to prevent any challenges they anticipate by either engaging in substantive management and essentially changing their goals or engaging in symbolic management and providing the necessary assurances through communication (Ashforth and Gibbs, 1990). Indeed, in this context, firm executives are aware that their firms' new explorative activities may become a point of scrutiny by analysts and consequently a potential challenge to their legitimacy. With this in mind, existing research has given considerable attention to how firms attempt to manage this challenge, but has done so from a substantive management perspective. In particular, the broader literature on managerial short-termism reports that firms hold back from valuable investment opportunities with a long-term horizon such as explorative activities because they believe that analysts and other financial-market stakeholders make judgements of appropriateness based on indicators of short-term financial performance (e.g., Davies *et al.*, 2014; DesJardine and Bansal, 2019; Graham, Harvey and Rajgopal, 2005; Keum, 2020; Kraus and Strömsten, 2012; Laverty, 1996; Nikolov, 2018; Porter, 1992; Sampson and Shi, 2020). This, of course, does not mean that firms do not engage in explorative activities at all. However, it highlights an important challenge that must be overcome. To the best of my knowledge, existing research has not examined how firms might attempt to manage any challenges analysts may pose to their new explorative activities from a strategic communication (symbolic management) perspective. Considering how vital explorative activities are for firms' long-term sustainability, this is an important gap in knowledge. Strategic communication could prove to be a means through which firms get to maintain their legitimacy with analysts and extend it to new domains of activity, without having to compromise their long-term sustainability.

1.2.1.1 The Context of Newly-Public High-Technology Firms

The aforementioned already important gap in knowledge, becomes of increased importance when it comes to newly-public high-technology firms. In the paragraphs below, I explain why I have decided to focus on them in my endeavor to examine the purposeful use of communication when firm executives engage in conversations about their new explorative activities to proactively defend, maintain and extend their legitimacy with analysts.

Initial Public Offering (IPO) is the process whereby a firm issues stock and makes it available for purchase to the public. Fisher (2020) argues that this process comes with a unique set of challenges. Specifically, he explains that going through an IPO may mean that firms have reached an initial legitimacy threshold, but at the same time they get introduced to the scrutiny of an array of new stakeholder groups (i.e., regulatory bodies and financial-market stakeholders). According to Fischer and Pollock (2004), these stakeholder groups all have their own expectations and demands. Financial-market stakeholders, in particular, appear to exert increased pressures for short-term performance. In line with this, in their examination of firms going through an IPO, Kraus and Strömsten (2012) find that, getting introduced to a powerful new stakeholder group (i.e., financial-market stakeholders), executives experience a significant shift in the dynamics and the interaction with this group leads them to hold back from investment opportunities with a long-term horizon. Holcomb (2014) reports similar findings and furthermore suggests that due to the more fragile state newly-public firms' legitimacy is still at, the tendency to hold back from such opportunities may be heightened during the immediate post-IPO period. In summary, in the context of newly-public firms (i) existing legitimacy is still at a fragile state and suddenly depends on the expectations and demands of a larger number of stakeholder groups, and (ii) in order to maintain this rather fragile legitimacy, firms are more likely to succumb to any pressures and hold back from explorative activities (substantive management). Therefore, learning more about the purposeful use of communication in this context becomes of increased importance, as it can potentially provide newly-public firms with the necessary confidence and guidance to proactively defend, maintain and extend their legitimacy to new domains of activity, without compromising the explorative activities that are necessary for their long-term sustainability.

According to Statista (2021), 13% of the world's top 100 firms in terms of revenue are high-technology firms, which indicates how valuable they are to the global economy. At the same time, however, they operate in knowledge-based industries and face the challenges of the information era, while having to manage continuous changes in product designs, market dynamics and competitive positions (Bahrami, 1992). The technological and market turbulences as well as the competitive volatility in high-technology firms' environment, make them rather complex (e.g., de Ruyter, Moorman and Lemmink, 2001; de Ruyter, Keeling and Cox, 2019; Heide and Weiss, 1995; Moriarty and Kosnik, 1989), which in turn calls for flexibility in order for them to survive and succeed (Bahrami, 1992; Kouropalatis, Hughes and Morgan, 2012). In fact, the surrounding rapid technological developments and changing customer preferences lead to shorter product life cycles and significant first-mover advantages (e.g., Bahrami and Evans, 1989; Dutta, Narasimhan and Rajiv, 1999; Jean, Sinkovics and Kim, 2017; Narasimhan, Rajiv and Dutta, 2006). As a result, early success does not guarantee survival in the long run as pioneering incumbents might be overtaken by other current incumbents or new entrants and their breakthroughs, which makes essential that high-technology firms quickly capitalize on market opportunities, continuously introduce new products, and respond to competitive and market challenges (e.g., Bahrami, 1992; Benner, 2007; Benner, 2010; Benner and Ranganathan, 2012; Kouropalatis, Hughes and Morgan, 2012). Therefore, investing in new explorative opportunities is essential for high-technology firms. Consequently, as in the case of newly-public firms, learning more about the purposeful use of communication in this context becomes of increased importance.

1.2.2 Earnings Conference Calls: An Important Form of Strategic Communication

Firms use various forms of communication to engage in conversations of strategic significance to their goals with financial-market stakeholders such as analysts. However, evidence in the literature suggests that not all of these forms of communication are of equal importance. On one hand, researchers have found that annual reports are of low relevance to the capital markets (Barker, 1998). Quarterly disclosures, on the other hand, seem to be among the most relied-on sources of information (Barker, 1998; Brown, Hillegeist and Lo, 2004; Hollander, Pronk and Roelofsen, 2010; Landsman and Maydew, 2002) as they provide shareholders and other financial-market stakeholders with more timely information (Leftwich, Watts and Zimmerman, 1981). ECCs, are a form of quarterly disclosure, wherein executives present their current and future strategies and directly converse with financial-market stakeholders, that is becoming increasingly popular (Jancenelle, Storrud-Barnes and Javalgi, 2017; Matsumoto, Pronk and Roelofsen, 2011; Palmieri, Rocci and Kudrautsava, 2015; Price *et al.*, 2012). In fact, after press releases, ECCs are the most popular means of disseminating firm information to the investment community (NIRI, 2004). In summary, in the context of ECCs, firms are highly likely to engage in conversations about their explorative activities and, at the same time, financial-market stakeholders are more likely to pay greater attention to firms' efforts. Therefore, ECCs offer a useful platform to examine the purposeful communication of explorative activities, and for this reason I decided to focus on them.

1.3 Research Aim and Objectives

Following on from the above discussion, this research project aims to examine the purposeful use of communication when executives of newly-public high-technology firms engage in conversations about their new explorative activities during ECCs to proactively defend, maintain and extend their legitimacy with analysts. In particular, this study focuses on identifying:

1. The ways analysts guide their ECC conversations with executives in order to perform their due diligence and find out more about their firms' explorative activities, while also ensuring they maintain a good relationship with firm executives.

2. The specific communication strategies used by executives in their ECC conversations with analysts in the selected context.

3. Given analysts' assumptions of desirability/appropriateness, which communication strategies are successful in persuading them and which are likely to lead them to contest firms' legitimacy.

1.4 Overview of Empirical Work

In my endeavor to pursue the research aim and objectives outlined in the previous sub-section I focus on three NASDAQ-listed high-technology firms, namely Facebook, Zynga and Splunk. In particular, I first examine ECC transcript excerpts where analysts raise questions about these firms' explorative activities and executives answer these questions. In my analysis of these, I employ a number of tools, each serving a different purpose and complementing one another. Specifically, I employ (i) conversation analysis (e.g., Hutchby and Wooffitt, 2008; Sacks, 1992), (ii) argumentation analysis (e.g., Fletcher and Huff, 1990; Toulmin, 1958), and (iii) cognitive linguistics (e.g., Evans and Green, 2006; Langacker, 1987). In turn, I examine the relationships between the codes and categories that emerge from this analyses, and identify the communication strategies analysts use, shedding important light on how these two parties interact with and affect each other.

Here, it is important to note that ECCs are synchrono-asynchronous, meaning that during these calls analysts are asking questions to perform their due diligence and are not yet contesting the activities discussed. This happens both because of the strict format these calls have, but also because analysts are motivated to maintain a good relationship with firms to keep getting provided with quality information (de Oliveira and Pereira, 2018). As such, analysts are essentially creating opportunities for executives to (proactively) persuade them about the appropriateness of their explorative activities, and in turn maintain and extend their firms' legitimacy to new domains of activity. If executives fail, their explorative activities and legitimacy will mainly get contested in analyst reports. As such, to decide whether communication has been successful (or unsuccessful), and in turn identify the communication strategies that are the most (and least effective), I perform interpretive content analysis of corresponding analyst report excerpts.

With regard to the communication strategies employed by analysts, my findings suggest that in most cases, analysts' need to maintain a good relationship with executives dominates. As such, they *make polite openings and closings*, *enumerate their questions in a neutral tone* *accompanied with downtoners, make their assertions and questions in a neutral tone, use opinion assertions accompanied with amplifiers for positive statements, and factual assertions attributed to external sources accompanied with downtoners for negative statements,* to make executives feel the least pressured/threatened possible, and subsequently remain in their good graces. Moving on to the communication strategies employed by executives, the ones that appear to not only maintain but also extend firms' legitimacy to new domains of activity are (i) *addressing analysts' questions with a relevant answer*, (ii) *making a commitment about the future*, (iii) *providing appropriate support for the commitment(s) made*, and (iv) *advancing refutational preemptions about analysts' known and potential concerns*. Overall, my findings highlight that analysts are interested in firms' explorative activities and the various aspects of them. As long as executives communicate purposefully with them and offer signals of conformity to the shareholder-value principle, analysts are willing to look beyond short-term financial performance indicators, and newly-public high-technology firms do not have to resort to substantive management that would compromise their long-term sustainability.

1.5 Overview of Contributions

Through the empirical work outlined in the previous sub-section, I was able to pursue my research aim and objectives, and make a number of contributions to theory, methodology and practice. Beginning with my contributions to theory and the literature on legitimacy, prior work in this context appears to have not adequately considered the potential for firms to not only maintain their legitimacy through substantive actions that compromise their long-term growth and sustainability, but also extend it to new domains of activity with the assistance of symbolic management. Considering how vital explorative activities are for firms' long-term sustainability, this is an important gap in knowledge. My empirical findings indicate that through strategic communication (symbolic management) executives can proactively persuade analysts about the appropriateness of their explorative activities without having to compromise them, and consequently extend their legitimacy to these new domains of activity. As such my work contributes to existing research on legitimacy extension (e.g., Landau, Drori and Terjesen, 2014; Thurlow and Mills, 2015; Vaara and Monin, 2010; Vaara and Tienari, 2011), maintenance (e.g., Deegan, Rankin and Tobin, 2002; O'Donovan, 2002; Samkin and Schneider, 2010) and contestation (e.g., Elsbach, 1994; Garud, Schildt and Lant, 2014; Matejek and Gössling, 2014; Stone, Erickson and Weber, 2012), and hopefully initiates further discussion in the area from a new perspective. In particular, the present study, is among the few that examine the role of communication in maintaining established firms' legitimacy as part of their symbolic management, which are currently mainly in the area of accounting and corporate social responsibility. Furthermore, to the best of my knowledge, this study is the first to examine the role of strategic communication in maintaining and extending established firms' legitimacy by proactively persuading analysts about the appropriateness of their new explorative activities. Last, this study is also the first to identify the role of strategic communication in contesting and repairing established firms' legitimacy within the aforementioned context.

While there is an overlap with the literature on legitimacy, the present study also contributes to the literature on strategic communication more broadly. Specifically, prior work appears to have focused on aspects of communication such as the quality of corporate disclosures (e.g., Agarwal *et al.*, 2016; Asay, Elliott and Rennekamp, 2017; Healy, Hutton and Palepu, 1999), metaphors and analogies (e.g., Cornelissen and Clarke, 2010; Rindova, Becerra and Contardo, 2004), argumentation and rhetoric (e.g., Harmon, Green and Goodnight, 2015; van Werven, Bouwmeester and Cornelissen, 2015), impression management and framing (e.g., Carter and Deephouse, 1999; Elsbach, 1994; Fisher, Kotha and Lahiri, 2016; Nadkarni, Pan and Chen, 2019; Nagy *et al.*, 2012; Parhankangas and Ehrlich, 2014; Westphal and Graebner, 2010; Zajac and Westphal, 1995), and narratives (e.g., Allee and DeAngelis, 2015; Garud, Schildt and Lant, 2014; Golant and Sillince, 2007; Landau, Drori and Terjesen, 2014; Lounsbury and Glynn, 2001; Martens, Jennings and Jennings, 2007; Matejek and Gössling, 2014; Thurlow and Mills, 2015; Vaara and Monin, 2010; Vaara and Tienari, 2011). While these studies have been particularly insightful on the purposeful use of communication in relation to legitimacy and other strategic goals, they do not fully account for the elements of communication that make my research context unique. Employing a mix of analytical tools (i.e., conversation analysis, argumentation analysis, cognitive linguistics and interpretive content analysis), I was able to better capture the distinctive elements of my research context and generate rich insights.

At the same time, through my empirical work I was able to identify a number of communication strategies employed by analysts and executives. These communication strategies add to existing knowledge on (i) the way analysts choose to communicate with firm executives and keep a balance between their need for timely and quality information and their need to maintain a good relationship with firm executives (e.g., de Oliveira and Pereira, 2018; Palmieri, Rocci and Kudrautsava, 2015), (ii) withholding and/or sharing vague information (e.g., Goodwin and Heritage, 1990; Hollander, Pronk and Roelofsen, 2010; Laney *et al.*, 2008; Nagar, Nanda and Wysocki, 2003; Verrecchia, 2001), (iii) making commitments (e.g., Borup *et al.*, 2006; Brown, 2000; Garud, Schildt and Lant, 2014; van Lente, 2012) and setting expectations for plausible future benefits (e.g., Garud, Schildt and Lant, 2014; Thurlow and Mills, 2015), and (iv) inoculating communication efforts against potential attacks (e.g., Compton, 2012; McGuire, 1964). Last, my study contributes to existing work on strategic communication and ECCs. In particular, while offering valuable insights, existing work either has a quantitative focus and neglects context (e.g., Doran, Peterson and Price, 2012; Jancenelle, Storrud-Barnes and Javalgi, 2017; Lee, 2015; Price *et al.*, 2012) or does not examine the effectiveness of firms' communication efforts (e.g., Crawford Camiciottoli, 2010; de Oliveira and Pereira, 2018; Palmieri, Rocci and Kudrautsava, 2015). The present study adds to this body of work by (i) addressing my research aim and objectives in an in-depth manner that takes context into consideration, and (ii) looking into the result of communication and attributing different market reactions to different sets of communication strategies.

Moving on, my study makes a number of methodological contributions. First, it contributes to conversation analysis by showcasing how it can be applied to this formal-type context with a stricter pre-allocated format (see Nevile, 2012; Robinson and Heritage, 2005; Whalen and Zimmerman, 2005). Furthermore, it showcases how it can be applied when there is no audio at an analyst's disposal (cf. Jefferson, 2004). Additionally, the present study contributes to argumentation analysis by adapting Toulmin's (1958) argumentation framework to fit better into the context of spoken strategic communication. Last, my study contributes to the operationalization of legitimacy extension, maintenance and contestation by bringing further attention to the content analysis of stakeholders' communications in response to firms' legitimation efforts as an appropriate method to operationalize such concepts. In fact, considering that prior relevant research has primarily focused on the media (e.g., Vaara and Monin, 2010; Vaara and Tienari, 2011), my examination of analyst reports showcases that this way of operationalizing legitimacy can have wider applications.

Last, my study has important implications for practice. As mentioned earlier, a number of studies report that managers tend to proactively defend their legitimacy by changing their goals (substantive management) and avoiding engaging in explorative activities altogether (e.g., Benner and Tushman, 2003; Chen, 2017; Es-Sajjade, Pandza and Volberda, 2020; Gupta, Smith and Shalley, 2006; Henderson and Clark, 1990; Levinthal and March, 1993; Wang *et* *al.*, 2019). In doing so, managers seem to operate under the assumption that analysts and other financial-market stakeholders make judgements of appropriateness based on indicators of short-term financial performance (see Kraus and Strömsten, 2012). The present study hopefully helps managers regain their confidence, and encourages them to engage in exploration. Additionally, my empirical findings provide executives and the IR teams surrounding them with a clear recipe for success, a comprehensive communication guide with all the steps they must follow to extend their legitimacy to new domains of activity or at least maintain it by postponing analysts' commentary for future quarters, in case the explorative activity is still at a very early stage and they wish to be protected against potential litigation and/or proprietary costs. In fact, my empirical findings cannot only help executives and their IR teams in their preparation for ECCs, but also in potentially repairing legitimacy. Last, my study will hopefully help executives think more strategically in their future explorative endeavors.

Chapter 2 – Literature Review

2.1 Introduction

In the previous chapter I explained that this research project is positioned within the area of strategic communication, and justified my decision to examine the purposeful use of communication when executives of newly-public high-technology firms engage in conversations about their new explorative activities during ECCs to proactively defend, maintain and extend their legitimacy with henceforth analysts. Additionally, I set my research aim and objectives, and presented a brief overview of my empirical work and contributions. In this chapter, I delve deeper into the literature and attempt to offer a better insight into the existing research and debates that are relevant to my area. In particular, I begin by examining the literature on strategic communication in relation to a number of strategic goals. In turn, I move to legitimacy, which according to Falkheimer (2014) is the driving force behind strategic communication. After establishing the importance of legitimacy and explicating the perspective I adopt (i.e., legitimation as process), I discuss the literature on the purposeful use of communication and its role in establishing, repairing, maintaining and extending firms' legitimacy. Last, I examine the role of analysts as an important gatekeeper in firms' legitimation efforts.

2.2 Communication

Communication, which Griffin, Ledbetter and Sparks (2019, p. 6) define as "the relational process of creating and interpreting messages that elicit a response", is admittedly the cornerstone of social interaction and as such it has attracted the attention of numerous philosophers and scholars over the course of history. In particular, the study of communication traces back to ancient times where Greek and Roman philosophers such as Aristotle and Cicero engaged in the study of rhetoric, and then more recently to the first half of the 20th century where scholars such as Dewey, Schramm and Habermas embarked on an endeavor to systematically examine communication phenomena and develop relevant theories. Today, its study spans from journalism and education to medicine and military. Communication holds a prominent place in the field of business as well, with researchers acknowledging that it is "absolutely essential to organization" from quite early on (e.g., Simon, 1947, p. 211). In fact, researchers such as Shelby (1993) and Hallahan and colleagues (2007) identify a number of communication-focused subject areas within the field of business (e.g., business communication, management communication, organizational communication, corporate communication, strategic communication, marketing, advertising and public relations).

Researchers identify three major models of communication, namely the transmission, interactive and transactional model. In particular, Shannon and Weaver (1949) view communication as a one-way process, wherein information gets transmitted from a sender to a receiver, with little to no feedback. The interactive model, which has its roots in the works of Wiener (1948), as well as Blumer (1969) and Mead (1934), offers a more dynamic view of the communication process wherein the receiver provides the sender with feedback. However, the interactive model still assumes a significant asymmetry between the sender and the receiver. On the other hand, the transactional model does not acknowledge senders and receivers, but communicators who co-create the communication process (see Bauer, 1964).

As explained in the introductory chapter, this research project is positioned within the area of strategic communication and examines the purposeful use of communication when executives of newly-public high-technology firms engage in conversations about their new explorative activities during ECCs to proactively defend and maintain their legitimacy with analysts. While this context entails some asymmetry, with firm executives seemingly having the upper hand, analysts are not mere receivers of their communication efforts. Specifically, not only do they retrospectively evaluate these efforts and send executives relevant feedback, but analysts also guide the communication process by asking questions in order to perform their due diligence and find out more about their firms' explorative activities. These questions create opportunities for executives to proactively persuade them about the appropriateness of their explorative activities and maintain their firms' legitimacy. For these reasons, my perspective on communication in this study lies on the middle ground between the interactive and the transactional model. As such, I do not only focus on the specific strategies executives use to communicate purposefully with analysts, but also on the way analysts guide their conversations with executives and react on the communication strategies employed by them.

2.2.1 Strategic Communication

Researchers in strategic communication, and other related areas, examine how executives communicate purposefully with stakeholders in relation to a number of goals. The relevant literature is reviewed in the next sub-sections.

2.2.1.1 The Purposeful Use of Communication in Achieving a Competitive Advantage

Achieving an advantage over competitors sits at the heart of strategic management (Porter, 1980; Porter, 1985). Among others, researchers in the area of strategic communication examine how the use of signals, metaphors, discursive practices, and framing can help firms defend or even improve their position in the market. By doing so they emphasize the importance of the purposeful use of communication in shaping the competitive environment a firm operates in, and ultimately achieving an advantage over its rivals.

Prabhu and Steward (2001) examine the effectiveness of signalling strategies used by competitors in various market contexts. Their findings suggest that the focus (i.e., internal vs. external) and strength (i.e., weak vs. strong) of competitor signals in a market influence perceptions of reputation and competitor responses, but do so differently depending on the context as well as on the receivers' prior beliefs. At the same time, Nadkarni, Pan and Chen (2019) examine the temporal framing in the press releases of duopoly firms, and find that temporal vagueness, temporal distance and frequency influence competitor responses. Specifically, their findings indicate that temporally vague and distally framed announcements lead to delayed competitor responses, with increased frequency of vagueness positively moderating this effect. The findings of both these studies emphasize the importance of signals and framing in communicating with key stakeholders and achieving strategic goals such as competitive advantage. Nevertheless, their findings also highlight the influential role of context and audiences in this process. In particular, Prabhu and Steward (2001) report different findings for different contexts and audiences. Furthermore, while Nadkarni, Pan and Chen (2019) find that vagueness works to firms' advantage with competitors, but as they also explain it is highly unlikely that this holds true for stakeholders such as investors and analysts[2]. Therefore, the characteristics that make each audience unique, must be considered by scholars and practitioners alike.

[2] My empirical findings provide support for this argument. Analysts in my corpus, would indeed treat vague/evasive answers to their questions with skepticism. As mentioned earlier in this chapter, audiences such as analysts are not passive receivers of firms' communication efforts. They shape them. Therefore, depending on their priorities, firms might have to make trade-offs and employ different communication strategies to elicit different responses from the various audiences in their environment.

Rindova, Becerra and Contardo (2004) focus on linguistic and other practices amongst competitors, and form a relevant integrative model. According to this model, the use of war metaphors shapes competitive reality and is closely intertwined with developing and sustaining a competitive advantage. At the same time, Vaara, Kleymann and Seristö (2004) perform critical discourse analysis of strategic communication related to airline alliances. Their analysis reveals the use of five discursive practices by smaller airline companies, namely problematization of traditional strategies, rationalization, objectification and factualization of alliance benefits, fixation of ambiguous independence concerns, reframing of cooperation problems, and naturalization of alliance strategies. As the authors explain, these discursive practices are an integral part of these companies' efforts to form an alliance in an attempt to gain competitive advantage over larger carriers. The findings of both these studies are of particular importance, not only because they shed light on additional aspects of language that are decisive in achieving strategic goals, but also because they highlight that language can play a decisive role in shaping environments and even shaping strategy itself.

2.2.1.2 The Purposeful Use of Communication in Achieving Stakeholder Support

Choi and Shepherd (2005, p. 576) define stakeholder support as "the likelihood that the stakeholder will commit to a long-term relationship with the organization". As they explain, the higher their support, the more likely stakeholders are to provide firms with the resources they need, and to do so in a way that has lower transaction costs over a longer period of time. Therefore, stakeholder support is instrumental to firms' long-term success. Researchers in the area of strategic communication examine how this can be achieved through the use of impression management and framing, as well as storytelling and tone. By doing so, they emphasize the notable role of the purposeful use of communication in managing firms' relationships with key stakeholders in their environment and in gaining and/or maintaining this very much needed support from them.

Zajac and Westphal (1995) examine how boards communicate and justify a controversial policy, namely the adoption long-term incentive plans, to shareholders. In particular, they examine how boards frame their long-term incentive plan announcements, and find that agency-based and HR-based explanations are used, under different conditions each, to maintain shareholder support. At the same time, in their single case study, Carter and Deephouse (1999) draw from impression management, stakeholder and game theories to get a better understanding of how Wal-Mart maintains a dual reputation. Specifically, their findings indicate that Wal-Mart employs tough-talk to maintain a tough-to-suppliers reputation. However, this elicits negative reactions, and Wal-Mart relies on soothing speech to maintain customer support. The findings of both these studies emphasize the importance of framing and impression management in communicating with key stakeholders and achieving strategic goals such as stakeholder support. Furthermore, similar to the studies of Prabhu and Steward (2001) and Nadkarni, Pan and Chen (2019) discussed in the previous section, they both highlight the influential role of context and audiences in this process. Specifically, Zajac and Westphal (1995) show that different frames are effective under different conditions. Moreover, the study of Carter and Deephouse (1999), wherein the impression management techniques that are effective with suppliers do not elicit equally favorable results with customers, once again highlights the influential role of audiences in the communication process, and the importance of considering the characteristics that make them unique.

Garud, Schildt and Lant (2014) focus on entrepreneurial stories. Their study suggests that entrepreneurs use projective stories to set expectations about the future. In image-threatening settings, where the expectations set have potentially not been met, entrepreneurs revise these stories to maintain or regain stakeholder support. At the same time, Allee and DeAngelis (2015) examine tone dispersion in executive narratives during ECCs. Their findings indicate that the degree to which tone words are spread evenly within a narrative is associated with financial-market stakeholder support. The findings of both these studies are representative of the influential role developing and sharing compelling stories can play in firms' communications with stakeholders, and in achieving their strategic goals.

2.2.1.3 The Purposeful Use of Communication in Achieving Positive Analyst Appraisals and Following

Analysts are important information intermediaries whose work outputs (i.e., earnings forecasts, target price forecasts, stock recommendations, and conceptual reports) are highly influential over other financial-market stakeholders' decisions (Fogarty and Rogers, 2005). As such, positive analyst appraisals and following are highly sought after by firms, which devote substantial amounts of time and resources to communicate purposefully with them. Researchers in the area of strategic communication examine how financial-market communications quality, symbolic actions, as well as verbal impression management can help firms in this direction. By doing so they emphasize the of the importance of the purposeful use of communication in securing positive analyst appraisals and following.

Healy, Hutton and Palepu (1999) focus on voluntary disclosures and monitor changes in disclosure quality in the Association of Investment Management and Research (AIMR) Corporate Information Committee (CIC) reports over an 11-year period. Their findings indicate that when firms improve the quality of their disclosures (e.g., through discussions on operations and/or financials, discussions of strategies and segments, segment disclosures, etc.), their analyst following increases as the improvement in their disclosure quality signals credibility. In a similar vein, Agarwal and colleagues (2016) focus on public firms in all major U.S. stock exchanges, and examine the quality of their financial-market communications proxied by IR magazine award nominations. Their findings suggest that higher quality financial-market communications are accompanied by both increased analyst following and positive appraisals. Furthermore, Asay, Elliott and Rennekamp (2017) examine the effect of the readability of corporate disclosures on analyst appraisals. Employing an experimental design, they find that more readable disclosures lead analysts to rely more on information shared by the firm itself for their appraisals, whereas less readable ones lead them to rely more on outside information that is not in the firm's control. The findings of all these three studies emphasize the importance of financial-market communications quality in communicating with the relevant stakeholders and achieving strategic goals such as positive analyst appraisals and following. Moreover, the study of Asay, Elliott and Rennekamp (2017) highlights the trade-offs firms might have to make, depending on the audiences they are interested in. Linking back to the study of Nadkarni, Pan and Chen (2019) discussed earlier, vagueness may appear to work to firms' advantage with competitors, but it could also result in analysts relying on information outside of firms' control for their appraisals.

Unlike the previous three studies, which examine financial-market communications quality, Westphal and Graebner (2010) examine different aspects of firms' communication with financial-market stakeholders. In particular, they focus on archival and survey data of U.S. public firms, and find that negative analyst appraisals may lead CEOs to engage in impression management in their communications with analysts. In turn, if the symbolic actions and verbal impression management CEOs engage in, convey that their firms' boards actively and independently control management decision making, then subsequent analyst appraisals might be favorable. Similar to Carter and Deephouse (1999), the findings of this study emphasize the importance of impression management in communicating with key stakeholders and achieving strategic goals such as analyst appraisals and following. Furthermore, Westphal and Graebner

(2010) reinforces the idea that key stakeholders in firms' environment such as analysts, are not passive receivers of firms' communication efforts. On the contrary, they play a notable role in shaping them.

2.2.1.4 The Purposeful Use of Communication in Achieving Resource Acquisition

Resource acquisition refers to the acquisition of financial and other resources that are of vital importance to firms' survival and growth (Yin, Hughes and Hu, 2021). Researchers in the area of strategic communication examine how the use symbolic actions and stories can help firms, and especially new ventures, acquire such resources and therefore secure their survival and growth. In particular, due to their lack of resources, new ventures are dependent on a number of stakeholders who have access to them (Wiesenberg *et al.*, 2020). As such, communication with them becomes of strategic importance.

Zott and Huy (2007) examine how entrepreneurs communicate through their symbolic actions. Specifically, examining the behaviors of entrepreneurs going through the very early stages of their ventures, they find that signalling personal credibility, organizational achievement, professional organizing, and high-quality stakeholder relationships, can be decisive in obtaining resources. Similarly, Petkova (2014) focuses on young entrepreneurial firms and finds that media reputation has a positive effect on funding because it signals positive future prospects. While the majority of the studies discussed throughout this section on strategic communication focus on verbal communication, the findings of these two studies indicate how powerful symbolic actions can also be in communicating with key stakeholders and achieving strategic goals such as resource acquisition.

At the same time, other relevant studies focus on communicating with stakeholders to achieve resource acquisition from the perspective of verbal communication and language. For instance, Lounsbury and Glynn (2001) examine anecdotal entrepreneurial stories and report that storytelling can help entrepreneurs create an identity for their new venture, and therefore make the unfamiliar familiar. By doing so, entrepreneurs gain access to valuable resources. In a similar vein, Martens, Jennings and Jennings (2007) examine the IPO prospectuses of firms that filed for IPO and find that, through storytelling, entrepreneurs can create a comprehensible identity and present the use of the resources they are asking for as a means to exploit valuable opportunities. Consequently, their stories grant them access to these very much needed resources. The findings of both these studies suggest that it is important for entrepreneurs to be skilled communicators that will be able to develop and share compelling stories about how any resources they will acquire will lead to future benefits for the interested parties.

The studies discussed in the previous paragraphs offer a brief overview of the area of strategic communication. The aim of this overview was to (i) emphasize the importance of the purposeful use of communication in achieving goals of strategic importance, (ii) consider the multiple facets of communication and language, and (iii) highlight the influential role of audiences in the communication process, as well as the importance of considering the characteristics that make them unique. However, while a number of strategic goals was examined, one remains to be discussed. This goal is the establishment and maintenance of legitimacy, which according to Falkheimer (2014) is the driving force behind strategic communication. The concept of legitimacy, along with the role of strategic communication in the legitimation processes, are examined in detail in the next sections.

2.3 Legitimacy

Suchman (1995, p. 574) defines legitimacy as a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions. Researchers in the area have been taking different perspectives on legitimacy. However, they all seem to concur on how vital legitimacy is to firm survival and growth. According to Brown (1998, p. 38) "legitimate status is a *sine qua non* for easy access to resources, unrestricted access to markets, and long term survival". In a similar vein, Deephouse and colleagues (2017) identify a number of reasons as to why legitimacy is so important to firms. In particular, they explain that firms with a legitimate status are (i) less likely to be questioned or challenged on their activities, (ii) more likely to engage with key stakeholders in their environment, as the latter tend to avoid transactions with entities that are considered illegitimate (iii) more likely to survive, and (iv) more likely to thrive as legitimacy has been associated with higher IPO values, stock prices and stakeholder support, as well as with lower financial-market risk.

In line with the above, the strategic goals and relevant studies discussed in the previous section are closely interrelated with the concept of legitimacy. For example, Vaara, Kleymann and Seristö (2004) explain that the discursive practices identified in their study were able to help firms in their sample legitimate their strategic efforts to form an alliance, and consequently allowed them to gain a competitive advantage. Furthermore, Garud, Schildt and Lant (2014) present stakeholder support as a consequence of legitimacy. The entrepreneurial stories examined in their study can help firms establish or regain legitimacy, and subsequently secure stakeholder support. Moreover, the symbolic actions and verbal impression management discussed in the study of Westphal and Graebner (2010) signal legitimacy, and as such lead to favorable analyst appraisals. Last, Lounsbury and Glynn (2001) present the entrepreneurial stories examined in their study as a means to establish legitimacy for new ventures, and consequently secure the resources necessary for their survival and growth.

Having established the importance and ubiquity of legitimacy, one can understand why Falkheimer (2014) contends that it is the driving force behind strategic communication. However, as mentioned earlier, not all researchers in the area share the same perspective on legitimacy. In particular, in their review of the relevant literature, Suddaby, Bitektine and Haack (2017) identify three different views on what legitimacy is, namely legitimacy as property, legitimacy as perception, and legitimation as process. Specifically, they explain that studies adopting the legitimacy as property perspective (e.g., Aldrich and Fiol, 1994; Certo, 2003; Gardberg and Fombrun, 2006; George *et al.*, 2006; Pfarrer *et al.*, 2008), view legitimacy as “a property, a resource, or a capacity of an entity”(Suddaby, Bitektine and Haack, 2017, p. 451). At the same time, those adopting the legitimacy as perception view (e.g., Bitektine, 2011; Bitektine and Haack, 2015; Tost, 2011), treat legitimacy as “a form of sociocognitive perception or evaluation” (Suddaby, Bitektine and Haack, 2017, p. 451). Last, studies adopting the legitimation as process perspective (e.g., Hallström and Boström, 2010; Human and Provan, 2000; Suddaby and Greenwood, 2005; Fisher, Kotha and Lahiri, 2016; Maguire and Hardy, 2009), view legitimacy as “a structured set or sets of formal or emergent activities that describe how an actor acquires affiliation with an existing social order or category” (Suddaby, Bitektine and Haack, 2017, p. 462).

In this study, I adopt the legitimation as process perspective. From this perspective, legitimacy is essentially in a constant state of flux, continually negotiated and re-evaluated, by various actors who have different assumptions of appropriateness. In fact, this constant state of flux is why the term legitimation is considered more appropriate, and therefore used in place for legitimacy. This can perhaps be better understood by introducing and discussing the concept of legitimacy threshold. Specifically, Rutherford and Buller (2007, p. 78) define legitimacy threshold as “the point at which, from the entrepreneur’s perception, the organization moves from an untenable collection of resources to a potentially sustainable enterprise”. From a legitimacy as property point of view, reaching this threshold could be considered as a "made it" moment. However, in practice, things do not seem to be so straightforward. First, as argued by Fisher, Kotha and Lahiri (2016), new ventures do not have to reach a single legitimacy threshold but multiple ones, as the different audiences in their environment have their own expectations that need to be satisfied. Second, as new ventures become more established, these expectations become more complex (Fisher, 2020). In particular, Tracey, Dalpiaz and Phillips (2018) explain that as ventures go through different stages of their life cycle, stakeholder expectations evolve as well. For this reason, instead of a binary concept of legitimacy (i.e., legitimate vs. not legitimate), they propose a gradated concept of legitimation where ventures can become more or less legitimate over time.

In line with the above, Ashforth and Gibbs (1990) identify four phases in the legitimation process. Specifically, legitimation begins with new ventures establishing legitimacy/reaching an initial legitimacy threshold. Firms that have established legitimacy, might have to repair it if it is challenged or lost due to unforeseen crises. In order to be proactive and avoid such a development, firms that have already established legitimacy, must maintain it by (i) providing substantive and symbolic assurances that the organization continues to perform well, and (ii) attempting to anticipate and prevent challenges. Furthermore, when firms have already established legitimacy but want to enter new uncharted territory, they must extend their legitimacy to this new territory. At the same time, Suddaby, Bitektine and Haack (2017) identify three key processes by which legitimation occurs, namely communication, theorization and identification/categorization. The following sub-sections will examine the four phases of legitimation identified by Ashforth and Gibbs (1990), and will discuss the relevant literature on the legitimation processes occurring at each of these four phases. Given that this research project focuses on strategic communication, emphasis will be placed on the literature around the purposeful use of communication and its role in establishing, repairing, maintaining and extending firms' legitimacy.

2.3.1 Establishing Legitimacy

As mentioned earlier, legitimation begins with new ventures reaching an initial legitimacy threshold (or thresholds for the different stakeholders in a firm's environment; see Fisher, Kotha and Lahiri, 2016). At this early stage, firms are particularly vulnerable as they are called to overcome the liability of newness, which refers to their higher propensity to die out due to their inability to connect with key stakeholders in their environment and establish legitimacy with them (Singh, Tucker and House, 1986). As such, it does not come as a surprise that scholars in the area of legitimacy have primarily focused on establishing new venture legitimacy. Extant research examines a number of means through which new venture legitimacy can be established, some of which are storytelling, impression management and framing, as well as argumentation.

Storytelling appeared to play a prominent role in achieving other strategic goals examined earlier in this chapter. The same applies to legitimacy, as appears to have attracted most of researchers' attention in examining how new venture legitimacy can be achieved. In their seminal work, Lounsbury and Glynn (2001) focus on anecdotal entrepreneurial stories and investigate how new ventures can establish legitimacy with a number of stakeholders, including investors, consumers and competitors. Their findings suggest that successful stories (i) make the unfamiliar, familiar, understandable, and therefore acceptable, (ii) construct an identity that is characterized by narrative fidelity and aligns with he interests of key stakeholders, (iii) construct an identity that aligns with what stakeholders expect from ventures in a particular industry, but is also distinct enough to indicate a potential competitive advantage, and (iv) signal credibility through connections to tangible and intangible resource capital. Furthermore, they consider a new venture's legitimacy established through proxies such as capital acquisition, market value and speculations in the media. At the same time, Martens, Jennings and Jennings (2007) examine the stories shared in the IPO prospectuses of firms that filed for IPO. They find that successful stories (i) create comprehensible identity, (ii) present both familiar and unfamiliar elements, and (iii) provide a rationale behind any actions taken. Similar to Lounsbury and Glynn (2001), their proxy for legitimacy is resource acquisition. In their single case study, Golant and Sillince (2007), focus on the storytelling founding of an HIV/AIDS organization. Using organizational documentation along with supplementary interview transcripts the authors are able to construct a descriptive case study, which involves storytelling episodes followed by certain events. Their findings indicate that the desirability of these events (e.g., resource acquisition) depends on the persuasiveness and the presence of taken-for-granted elements in the stories shared.

While focusing on different contexts, there appears to be a common thread connecting the studies discussed above. Specifically, with regard to content, authors seem to concur that entrepreneurial stories must (i) create comprehensible identities, (ii) have elements of both distinctiveness and familiarity, (iii) present stakeholders with benefits that are relevant to them, and (iv) justify any actions taken. Furthermore, they all seem to infer that legitimacy has been successfully established using certain proxies such as resource and capital acquisition, market value, and speculations in the media. The above, appear to be in line with the conceptual work of Garud, Schildt and Lant (2014). In particular, their study draws from the literature on the sociology of expectations (see Borup *et al.*, 2006; Brown, Rappert and Webster, 2000; van Lente, 2012), according to which initiatives that involve future goals, require that the parties involved to expect that any benefits will be meaningful to them. Additionally, stakeholders must be provided with adequate evidence that these benefits are also plausible. As such, Garud, Schildt and Lant (2014) argue that entrepreneurial stories must create the expectation that buying into the new venture involves benefits that are meaningful to the stakeholders involved, and that these benefits are well-justified and therefore plausible.

Moving on, impression management and framing were another aspect of communication that was frequently discussed earlier in this chapter as it appeared to play a notable role in achieving other strategic goals. This also seems to be the case with regard to legitimacy. Nagy and colleagues (2012) perform an experiment with investment and financial professionals. Their findings indicate that entrepreneurs' credentials, as well as impression management strategies such as ingratiation, self-promotion and exemplification act as signals for new ventures' future performance, and can therefore help them establish legitimacy. Consistent with the relevant literature on storytelling that revolves around future expectations, the authors' proxy for legitimacy is a 3-item measure on expectations about (i) future high-profile endorsements, (ii)future favorable press coverage, and (iii) having a top-management team that will benefit the organization. In a similar vein, Parhankangas and Ehrlich (2014) examine the impression management strategies employed in the investment proposals of new ventures that seek for business angel funding. In line with the self-promotion strategy outlined in Nagy and colleagues (2012) the authors find that positive language creates expectations for future benefits. However, too much of it can be perceived as dishonest. Furthermore, they find that moderate levels of innovation promotion strike the right balance between distinctiveness and familiarity, which was a key concept in the relevant literature on storytelling discussed earlier. Additionally, consistent with Nagy and colleagues (2012), they find that acts of ingratiation such as opinion conformity can evoke likeability. Last, moderate levels of supplication (i.e., showing they are in need of resources and other assistance) and blasting competition, also appear to contribute to establishing legitimacy. Their proxy for legitimacy, is once again capital acquisition.

The impression management studies discussed in the previous paragraph appear to concur on the use of self-promotion and evoking likeability as potential avenues to establish new venture legitimacy with particular audiences. At the same time, in their conceptual study, Fisher and colleagues (2016) focus on establishing new venture legitimacy with multiple and diverse audiences. As they explain, new ventures have to deal with a number of audiences each of which make their own judgements of appropriateness based on different institutional logics (e.g., government agencies and state logic, angel investors and market logic, etc.). As such, the authors propose that entrepreneurs use emphasis framing which is based on the idea of highlighting particular elements of communication to make the same message appealing to different audiences. Furthermore, they also refer to resource acquisition as a proxy for legitimacy.

Last, rhetoric and argumentation appear to have also captured researchers' attention in their effort to better understand how the purposeful use of communication can help establish new venture legitimacy. In their conceptual work, Cornelissen and Clarke (2010) examine the use of analogies and metaphors as means to build credible arguments and justify a new venture. In particular, they propose that experienced entrepreneurs are more likely to use analogies from their experience to point our relations between the industries they have already worked in and the industry the new venture is in. On the other hand, novice entrepreneurs are more likely to rely on metaphors to justify their arguments. Adding to this study, van Werven, Bouwmeester and Cornelissen (2015) develop a typology of arguments besides analogies. Specifically, depending on the nature of the business context, they propose that entrepreneurs might advance arguments by analogy, classification, generalization, cause, sign and from authority to claim distinctiveness and/or familiarity for the new venture. As such, despite looking into communication and language from a different perspective, this study ties into the broader body of work on establishing new venture legitimacy, wherein striking the right balance between distinctiveness and familiarity is of vital importance. Furthermore, both these studies highlight the influential role of context in the communication process.

2.3.2 Repairing Legitimacy

As mentioned earlier, firms that have established legitimacy, might have to repair it if it is challenged or lost due to unforeseen crises. Here, it is worth mentioning that while Ashforth and Gibbs (1990) use the term defend, I prefer Suchman's (1995) use of the term repair. In particular, I believe the use of the term defend blurs the boundaries between what is actually repair where legitimacy is reactively defended, and maintenance where legitimacy is proactively defended. With that having been said, when legitimacy is lost, repairing it might appear seemingly similar to gaining it. Nevertheless, as Suchman (1995, p. 597) explains, due to repair's reactive nature "familiar legitimation strategies and familiar legitimacy claims may already be discredited". As such, he argues that it is not an easy task, and views denials, excuses, justifications and explanations are the only feasible communication strategies for firms to attempt to regain their lost legitimacy. Extant research examines a number of means through which legitimacy can be repaired, some of which are impression management and storytelling.

Beginning with impression management and one of the earliest relevant studies in the area, Elsbach (1994) focuses on the California cattle industry. In particular, she conducts interviews with industry spokespeople who share how they employed impression management to manage perceptions ensuing controversial events their organizations were involved in. Her findings indicate that in order to repair the legitimacy of their respective organizations, the spokespeople involved employed denials, acknowledgements, references to institutionalized characteristics (i.e., socially endorsed organizational practices), references to technical characteristics (i.e., signals of efficiency and effectiveness), as well as combinations between them. At the same time, however, the impression management strategies identified, do not share the same effectiveness. Acknowledgements (as opposed to denials), references to institutionalized characteristics (as opposed to technical characteristics), as well as the combination of the two appear to have been the most effective in the spokespeople endeavors. Acknowledgements' superiority over denials is in line with Suchman (1995) who suggests that denials can only work if they are sincere. Furthermore, the effectiveness of references to institutionalized characteristics is consistent with the concept of familiarity and taken-for-grantedness discussed previously in this chapter. In further agreement with the above, Stone, Erickson and Weber (2012) focus on the case of Merck and its efforts to repair its legitimacy after the recall of the Vioxx drug. Employing Benoit's (1995) typology of image restoration, they find that Merck's use of defensive strategies such as denial, evasion of responsibility and reducing the offensive act has failed to repair its legitimacy, and has had a negative effect on its stock performance.

Moving on to storytelling and the study of Garud, Schildt and Lant (2014), which was also discussed in the sub-sections on resource acquisition and legitimacy establishment, it appears that stories which contribute to establishing new venture legitimacy, might not be as effective when it comes to repairing. Specifically, the authors center their argument around the sociology of expectations, and explain that the stories employed to establish legitimacy create certain expectations. If the expectations created are later on not met, then these stories need to be revised in order to repair legitimacy. This is also in line with Suchman's (1995) suggestion that elements of a venture's earlier story, might no longer have the same effect on the interested audiences. This idea that revisions to entrepreneurial stories are necessary when legitimacy is lost or challenged, also has a direct application on the case study examined by Matejek and Gössling (2014). In particular, the authors investigate BP's efforts to repair its legitimacy following the Deepwater Horizon catastrophe. As they explain, the firm had to change its narrative and go through a rebranding that communicated a "green" image. Furthermore, the authors find that when such endeavors evoke widely established narratives (in this case this was the green narrative), firms are held to a higher standard of expectations, which in turn may spur new cycles of legitimacy loss.

2.3.3 Maintaining and Extending Legitimacy

For the purpose of this research project, maintaining and extending legitimacy can be best understood viewed in conjunction with one another. As such this sub-section, will focus on both of them. To begin with, the previous sub-section examined how firms can retrospectively repair their legitimacy if it is challenged or lost due to unforeseen crises. The relevant discussion highlighted that legitimacy repair is not an easy task, and the results are often not guaranteed. In order to be proactive and avoid this development, firms must make sure to maintain their legitimacy. Ashforth and Gibbs (1990) explain that this can be achieved by (i) providing substantive and symbolic assurances that the organization continues to perform well, and (ii) attempting to anticipate and prevent challenges. Quite interestingly, however, while these authors present the above as a routine and almost mindless procedure, Suchman (1995) contradicts their view and contends the opposite. In particular, as it has already been established in the previous sub-sections, familiarity and taken-for-grantedness have a notable influence over firms' legitimacy. Consequently, Suchman (1995) explains that in fear of contradicting the expectations of key audiences, firms might stop innovating in response to shifts in their environment. In turn, this substantive approach compromises their growth.

An alternative to the above is transitioning to the next phase and extending firms' legitimacy to new territories. In particular, Ashforth and Gibbs (1990) explain that firms which have already reached an initial legitimacy threshold and are in the process of becoming further established, entering a new domain of activity or utilizing new structures or processes, have to extend their legitimacy. The authors argue that, similar to maintaining legitimacy, firms have the alternative to engage in either substantive or symbolic management. Specifically, they explain that firms have to be proactive as interested stakeholders might get concerned and scrutinize moves into new territories, especially if the firm (i) lacks the necessary knowledge, (ii) employs means or ends that can be disputed, (iii) lacks the necessary connections to traditions and norms (see familiarity and taken-for-grantedness), (iv) makes a move that involves substantial risk, and (v) is expected to have a long-term involvement with the interested parties. According to Pfeffer and Salancik (1978), the greater the firm's dependence on the interested stakeholders, the greater the likelihood the firm to succumb to their pressures for a substantive response. Consequently, key stakeholders who have reasons to be concerned and scrutinize firms' moves into new territories, might force firm management to comply with their expectations in a substantive manner.

From the above, it can be inferred that maintaining and extending legitimacy are interrelated to a certain extend. Before discussing how this applies to my context, the paragraphs below examine prior research on how legitimacy can be maintained and extended from a communication (symbolic management) perspective. Here, it is important to mention that, with the exception of legitimacy establishment, the boundaries between repair, maintenance and extension are often blurry in the relevant literature, and researchers might use the same terms to describe different phases of legitimacy. For this reason, for maintenance and extension, I considered studies where the purposeful use of communication has a proactive character (i.e., legitimacy has not been challenged or lost). The discussion begins with the few relevant studies on legitimacy maintenance that primarily come from the area of accounting and corporate social responsibility. These studies, examine how firms anticipate threats in their environment, and communicate purposefully to proactively defend and maintain their legitimacy with key stakeholders. In turn, the discussion moves on to legitimacy extension. Quite interestingly, the majority of studies on extending legitimacy either focus on entire industries instead of single firms (e.g., Lee and Paruchuri, 2008; Suddaby and Greenwood, 2005) and/or examine how the relevant events were discussed in the media instead of company communications (e.g., Vaara, Tienari and Laurila, 2006). In this sub-section I will focus on the few studies the examine the purposeful use of communication by single firms aiming to extend their legitimacy to new domains of activity.

Beginning with the literature on legitimacy maintenance, Deegan, Rankin and Tobin (2002) focus on an Australian public firm and examine how it discloses its social and environmental information in response to social expectations that change over time. In particular, examining the firm's social and environmental disclosures, they identify four key themes that are commonly discussed, namely environment, energy, human resources and community involvement. Furthermore, they find that the information disclosed can indicate a positive, negative or neutral impact. While they do not directly examine the impact these disclosures have on legitmacy, they analyse media content and find that the strategies employed by the firm can lead to favorable, unfavorable or other media response. In a similar vein, O'Donovan (2002, p. 344) argues that "in order to continue operating successfully, corporations must act within the bounds of what society identifies as socially acceptable behaviour". As such, he focuses on environmental disclosures as part of firms' efforts to gain, maintain or repair their legitimacy. Specifically, he adopts a quasi-experimental design and conducts semi-structured interviews with executives from three Australian public firms. While once again the effectiveness of the communication strategies identified is not examined, he finds that in response to environmental issues, firms would pursue to maintain their legitimacy by attempting to alter audiences' perceptions of the corporation and/or social values. Last, Samkin and Schneider (2010) focus on the efforts of a public benefit entity in New Zealand to gain, maintain and repair its legitimacy. In their longitudinal study, they examine the narratives shared in the entity's annual reports. Their findings reveal the use of assertive, self-promotion and self enhancement impression management strategies, aiming to manipulate stakeholder perceptions and alter external performance expectations in order to maintain the entity's legitimacy. The effectiveness of these strategies is not explored by the authors.

Coming from an accounting background, the studies presented in the previous paragraph are not as rich in qualitative information as the work of other scholars discussed in this chapter. Harmon and colleagues, offer a more in-depth perspective. However, their work focuses on the maintenance of institutions in general rather than the maintenance of individual firms' legitimacy in particular. Specifically, Harmon, Green and Goodnight (2015, p. 79) discuss the concept of intrafield rhetoric, which is based on the idea of familiarity and taken-for-grantedness. As they explain, the use of the intrafield rhetoric, whereby the parties involved argue about ideas and issues within an agreed upon argument field or backing (as opposed to between argument fields or backings), can contribute to institutional maintenance.

Moving on to the relevant literature on legitimacy extension, Vaara and colleagues have examined mergers and acquisitions and how the firms involved have attempted to extend their legitimacy to new structures from a number of different angles. First, Vaara and Monin (2010) focus on the merger between two French pharmaceutical firms, which were specializing in therapeutics and diagnostics respectively. The merger was discussed extensively internally and externally, with both legitimation and delegitimation processes taking place. The authors follow a multimethod approach, analysing multiple sources of internal and external data. My focus here is on the purposeful use of communication by the firms themselves in order to extend their legitimacy to the new structure. Specifically, the authors report that the two companies developed and shared a synergy narrative that intented to justify the merger based on the benefits of theranostics (i.e., the combination of therapeutic and diagnostics). The particular discursive strategies used to legitimate the union of the two firms included naturalization, rationalization, exemplification, authorization and moralization. Vaara and Tienari (2011) also focus on a merger, this time between a number of European corporations leading to the development of the Nordea financial services group. Similar to Vaara and Monin (2010) they examine both the legitimation and delegitimation processes taking place, following a multimethod approach. Once again, my focus here is on the purposeful use of communication by the firms themselves in order to extend their legitimacy to the new structure. While this time they examine antenarratives and find that globalist, nationalist and nordic storytelling influenced the legitmation process, there is still an interesting common thread between the two studies. This common thread relates to the emphasis placed on synergies.

The findings of these two studies are not only important because they bring further attention to the influential role developing and sharing compelling stories, but also because they once again highlight the importance of expectations and context. In this context, where the union between two or more firms needs to be legitimated, claiming synergies between them appears to be a meaningful way to create expectations about future benefits. Furthermore, the two studies seem to share another similarity. In particular, they both examine whether firms' legitimacy has extended to their union by looking into how key internal and external stakeholders talk about the merger in their own communications (e.g., media coverage). In fact, they find that stakeholders do not only demonstrate their own approval (or disapproval) of the mergers in their own communications, but stakeholders such as journalists also shape the legitimation processes by circulating their own narratives that would sometimes match the ones shared by the firms themselves. This links back to the argument reinforces the idea that key stakeholders in firms' environment such as analysts, are not passive receivers of firms' communication efforts. On the contrary, they play a notable role in shaping them. In fact, certain stakeholder groups who have the power to influence others (e.g., media) can act as gatekeepers in the legitimation process.

Aprart from the work of Vaara and colleagues on mergers and acquisitions, a few more scholars have examined how legitmacy is extended when firms go through organizational change. For example, Landau, Drori and Terjesen (2014) focus on a firm going through a planned change (details about the firm and type of change are not disclosed by the authors). Employing a participant observation design, they examine how legitimacy is constructed through narratives that evolve while the change is taking place. While they identify different types of narratives used in this process, they find that narratives of survival are the ones that can effectively extend the firm's legitimacy to the new domain as they present the change taking place as a necessity to its survival. This finding is consistent with the naturalization narrative discussed inVaara and Monin (2010) which positively contibutes to legitimacy extension by conveying the necessity of the change taking place. At the same time, Thurlow and Mills (2015) focus on a community college going through an identity change and transitioning into a new market. Their study examines the narratives developed and shared while the change was taking place. Performing critical discourse analysis of interviews with the college's employees to understand how they made sense of this change, they find that employees accepted the narratives of change as plausible when they were communicated by individuals who posessed legitimacy within the organization. This is in line with Garud Schildt and Lant (2014) who, as discussed earlier in this chapter, highlight the importance of conveying plausibility to establish legitimacy, as well as with van Werven, Bouwmeester and Cornelissen (2015) who suggest that arguments from authority can also be effective in this respect by signaling credibility.

2.4 Analysts: An Important Gatekeeper in Firms' Legitimation Efforts

Up to this point, the discussion in this chapter has hopefully established (i) the importance of strategic communication and how influential the purpose of communication can be in achieving goals of strategic significance, and (ii) the importance and ubiquity of legitimacy. Furthermore, it has attempted to highlight a number of different approaches to communication and language (e.g., impression management, storytelling, argumentation, etc.), as well as number of communication strategies firms and their executives employ in their effort to establish, repair, maintain and extend their legitimacy alongside other goals of strategic significance. By doing so, it has also brought two key considerations to the reader's attention. First, the discussion in the previous sections has emphasized the notable role of context in the communication and legitimation processes. For example, as explained in the relevant sub-sections, the communication strategies that work in establishing legitimacy, are not as effective in repairing it. Second, this discussion has also stressed out the gravity of audiences in these processes. In particular, comparing studies such as those of Asay, Elliott and Rennekamp (2017) and Nadkarni, Pan and Chen (2019), one can understand that, due to their different needs and motivations, not all audiences react the same to the communication strategies employed by firms. Moreover, studies such as the ones of Vaara and Monin (2010) and Vaara and Tienari (2011) serve as proof that audiences are not passive receivers of firms' communication efforts. On the contrary, they play a substantial role in shaping them.

Following on from the above, one can infer that identifying the key audiences in a firm's environment and understanding what motivates their behavior and reactions to its communication efforts in different contexts, must be considered by scholars and practitioners alike. Within the context of this research project, an important such audience are analysts, who researchers as well as practitioners seem to consider one of the most, if not the most, influential groups in the stock market. Specifically, analysts act as information intermediaries, relying on various sources of information/inputs such as SEC filings, industry reports, ECCs, and other management communications, to produce certain outputs such as earnings forecasts, target price forecasts, stock recommendations, and conceptual reports, and subsequently assist investors in making financial decisions (Ramnath, Rock and Shane, 2008). Through this process, analysts translate intellectual capital into an economic one, reducing investors' perceived risks (Fogarty and Rogers, 2005). Even though analysts are not the only group of financial-market stakeholders performing such tasks, their access to private information and unique insights give them substantial power, with many considering them capable of moving markets (Byrnes and Laderman, 1998). In fact, researchers suggest that investors might solely rely on analyst reports, and adjust their behavior accordingly, without even conducting their own research (Doran, Fodor and Krieger, 2010; Fogarty and Rogers, 2005; Krishnan and Booker, 2002). At the same time, researchers such as Schipper (1991) and Bouwman, Frishkoff and Frishkoff (1995) argue that even buy-side analysts[3] use sell-side analysts' reports as inputs in their work. Due to this notable influence analysts have on investors and other key financial-market stakeholders, I have decided to focus on them for research project.

Given financial-market stakeholders' dependence on their opinion, it is only reasonable that analysts continuously re-evaluate firms' legitimacy in order to perform their due diligence. As such, firms' moves are under analysts' constant scrutiny, who make judgements of appropriateness based on the shareholder-value principle. In particular, Shin and You (2017) explain that the share-holder value principle is based on the idea that public firms' ultimate goal is supposed to be the maximization of shareholder value. Furthermore, they argue that financial-market stakeholders (analysts included) make judgements of appropriateness based on this principle. From this perspective, analysts continuously evaluate firms' moves to ensure that they maximize net present value (NPV), and therefore conform to the shareholder-value principle. As discussed in the previous chapter, new explorative activities represent investments with a long-term horizon that may lead to a temporary decrease in measures of operating performance and take time to manifest into profits (Flammer and Bansal, 2017). Consequently, executives expect that their firms' potential involvement into new explorative activities may become a point of scrutiny by analysts and consequently a potential challenge to their legitimacy. Moreover, executives appear to operate under the assumption that analysts and other financial-market stakeholders make judgements of appropriateness based on indicators of short-term financial performance (see Kraus and Strömsten, 2012). Considering analysts' substantial influence over firms' legitimation efforts (see Navis and Glynn, 2010; Zuckerman, 1999), executives end up holding back from valuable investment opportunities with a long-term horizon such as explorative activities in order to maintain their legitimacy (e.g., Davies *et al.*, 2014; DesJardine and Bansal, 2019; Graham, Harvey and Rajgopal, 2005; Keum, 2020; Kraus and Strömsten, 2012; Laverty, 1996; Nikolov, 2018; Porter, 1992; Sampson and Shi, 2020).

The above is in line with Pfeffer and Salancik (1978) who suggest that the greater the firm's dependence on the interested stakeholders, the greater the likelihood for the firm to succumb to their pressures for a substantive response. Additionally, it is consistent with

[3] Their main difference from sell-side analysts is that they produce reports that are private, based on a smaller number of information sources (Groysberg, Healy & Chapman, 2008).

Suchman's (1995) argument that, in fear of contradicting the expectations of key audiences, firms might stop innovating in response to shifts in their environment. Linking back to the discussion on maintaining and extending legitimacy in the previous section, what appears to have not been equally considered by the existing literature, is the potential for firms to not only maintain their legitimacy through substantive actions that compromise their long-term growth and sustainability, but also extend it to new domains of activity with the assistance of symbolic management. In support of this argument, Shin and You's (2017) study on the use of shareholder-value language in letters to shareholders, provides evidence that financial-market stakeholders are responsive to symbolic management as long as it signals conformity to their own assumptions of appropriateness (i.e., shareholder-value principle). For this reason, I decided to focus on the purposeful use of communication when executives of newly-public high-technology firms engage in conversations about their new explorative activities during ECCs to proactively defend, maintain and extend their legitimacy with analysts.

Chapter 3 – Methodology

3.1 Introduction

In the previous chapters, I explained that this research project examines the purposeful use of communication when executives of newly-public high-technology firms engage in conversations about their new explorative activities during ECCs to proactively defend, maintain and extend their legitimacy with analysts. In particular, I explained that this study focuses on identifying:

1. The ways analysts guide their ECC conversations with executives in order to perform their due diligence and find out more about their firms' explorative activities, while also ensuring they maintain a good relationship with firm executives.

2. The specific communication strategies used by executives in their ECC conversations with analysts in the selected context.

3. Given analysts' assumptions of desirability/appropriateness, which communication strategies are successful in persuading them and which are likely to lead them to contest firms' legitimacy.

In this chapter, which is organized in two main sections, I outline the methodological steps followed to pursue my overall aim and objectives. Specifically, I begin by presenting my ontological, epistemological and methodological assumptions (Section 3.2). In turn, I present my research design (Section 3.3), where I discuss the data types and sources, sampling strategies and methods of analysis I employed. In particular, this section is comprised by two main sub-sections, namely data collection and data analysis.

In data collection (Section 3.3.1), I discuss the rationale behind my data collection, and in turn the process I followed to collect the necessary data. In particular, in data collection rationale (Section 3.3.1.1), I discuss the decision to focus on the high-technology firm and its interactions with analysts during ECCs from a methodological perspective. Moreover, I explain why an additional type of data, apart from ECC transcripts, was needed (i.e., be in a position to classify cases into successful and unsuccessful in persuading analysts about the appropriateness of firms' explorative activities, and draw comparisons between them), and present the rationale behind selecting analyst reports for this purpose. In turn, in data collection process (Section 3.3.1.2), I give a step-by-step presentation of my sampling process, which was guided by the principle of purposeful sampling. Specifically, I (i) present the rationale behind selecting NASDAQ to identify firms to be included in my study, and Bloomberg Terminals to find and collect the necessary transcripts and reports, and (ii) showcase how my sampling process resulted in me analyzing the first four post-IPO quarters of three high-technology NASDAQ-listed firms.

In data analysis (Section 3.3.2), I present the rationale behind selecting the particular mix of analytical tools I used and explain how I employed each. Specifically, I present the rationale behind using conversation analysis (Section 3.3.2.1) and argumentation analysis (Section 3.3.2.2) to analyze ECC transcripts, and explain how they were applied to my corpus. Moreover, I discuss how the preliminary analysis of a sub-sample of relevant data highlighted the need to also employ cognitive linguistics (Section 3.3.2.3) for the analysis of ECC transcripts, and explain how they were applied to my corpus. Last, I explain how legitimacy extension, maintenance and contestation were operationalized (Section 3.3.2.4) by performing interpretive content analysis of analyst reports in order to be in a position to classify cases in successful and unsuccessful ones and draw comparisons between them.

3.2 Ontological, Epistemological and Methodological Assumptions

As explained earlier, this research project examines the purposeful use of communication when executives of newly-public high-technology firms engage in conversations about their new explorative activities during ECCs. In particular, it focuses on identifying the ways analysts guide their ECC conversations with executives, the specific communication strategies used by executives in these ECC conversations, and distinguishing between those strategies that are successful in persuading analysts about the appropriateness of firms' explorative activities and those that are likely to lead them to contest firms' legitimacy. To do so, I adopt the subjectivist ontology and interpretivist epistemology discussed in the study of Cunliffe (2011), with their respective assumptions guiding my selection of appropriate research methods.

Having its roots in the works of Goffman (1956), Sacks (1963) and Garfinkel (1967), the core ontological assumption underpinning the subjectivist problematic - and by extension of this research project - is that reality is symbolically constructed. In particular, Cunliffe

(2011) explains that from a subjectivist perspective reality is contextualized in a social site, wherein the actors involved chose linguistic resources, manage impressions and make relevant interpretations. Furthermore, despite its subjectivity, social reality has a degree of commonality and stability through routines, language, discursive practices, and stories. Following on from the above, in this research project, I assume that executives and analysts use language, symbols and texts to construct meaning and manage impressions; the meaning constructed is specific to the exchange between them, and it can have a degree of stability as they get involved in established routines, interactions and linguistic practices. Moreover, I assume that knowledge lies in how social actors interpret and make sense of reality, is situated in the micro-level, naturally occurring actions, interactions and conversations of individuals, and has a contextual validity.

In line with other researchers adopting an interpretivist epistemology (e.g., Steuer and Wood, 2008; Watson, 2009), I follow an abductive approach, moving between theory and practice, with each informing the other. Specifically, abduction, whose father is American philosopher Charles Sanders Peirce (1878), is the form of reasoning whereby a researcher begins with a number of alternative rules and an observation, and infers an explanation by evaluating these rules in light of the observation. Abduction has received considerable attention in the field of management in the recent years (e.g., Bamberger, 2018; Folger and Stein, 2017; Mueller, 2018), with researchers arguing that it is "an inseparable, indispensable, and valuable approach linking the development of explanation and the testing of resulting hypotheses to advance theory" (Behfar and Okhuysen, 2018, p. 2). In agreement with Timmermans and Tavory (2012), instead of engaging with the literature toward the end of the research project (inductive approach) or attempting to verify, falsify or modify an existing theory (deductive approach), I started this research project by becoming familiar with existing theories and being professionally positioned, and continued with being open to empirical evidence that goes beyond the scope of what was expected to find, with each stage of my work involving a continuous movement between theory and practice. The result of this abductive approach was my explanatory model, presented in my results chapter (see page 116).

In line with Cunliffe (2011), who suggests that researchers adopting similar ontological and epistemological assumptions to mine employ qualitative analysis for their research, I perform qualitative analyses on sources of data where executives and analysts interact and converse with one another about explorative activities. In particular, for reasons explained in detail in the next section, I focus on analyzing ECC transcript excerpts where analysts raise questions about firms' explorative activities and executives answer these questions. Moreover, as analysts do not usually have the opportunity to respond after executives answer their questions, the results of executives' answers are not directly visible in ECCs. Consequently, to be able to compare cases and identify the communication strategies that are the most and least effective in persuading analysts about the appropriateness of firms' explorative activities, I also examine sources that can provide information on analysts' approval or disapproval of these activities. Specifically, for reasons also reviewed in greater detail in the next section, I focus on examining analyst conceptual report excerpts where analysts elaborate on their judgements of appropriateness of the explorative activities in question.

To sum up, I focus on the interactions and conversations of executives and analysts to identify patterns. I use my knowledge of existing theories to interpret these patterns and infer explanations. Both the patterns identified and their interpretation are influenced to some extent by my personal values and idiosyncratic cognition, and are considered as valid in the particular context studied.

3.3 Research Design

3.3.1 Data Collection

In my introductory chapter, I presented the context within which my study takes place and explained the reasons behind my decision to focus on newly-public high-technology firms and their interactions with analysts during ECCs. In particular, I explained that I focus on newly-public high-technology firms because engaging in explorative activities is of increased importance but, at the same time, more challenging for them. Moreover, I explained that I focus on ECCs because they offer a context wherein firms are highly likely to engage in conversations about their explorative activities and, at the same time, financial-market stakeholders are more likely to pay greater attention to firms' efforts. Apart from the aforementioned reasons, however, there is also methodological merit to these decisions. In this sub-section, I discuss this merit, and in turn present the process I followed to collect the necessary data.

3.3.1.1 Data Collection Rationale

High-Technology Firms

High-technology firms share a common characteristic, namely greater uncertainty, which makes them harder to manage and assess. Bahrami and Evans (1989, p. 107) argue that "Their environment is subjected to a frenzied pace of change due to the confluence of technological uncertainty (affecting both product designs and manufacturing processes), market uncertainty (in relation to end-user preferences and evolving distribution channels), competitive uncertainty (due to information spinoffs and strategic alliances) and arena uncertainty (such as emergence of new industry standards and converging industry boundaries). Market opportunities are typically short-lived and technological breakthroughs can quickly eradicate incumbent pioneers." Similarly, Dyer, Furr and Lefrandt (2014) rank industries by their level of uncertainty and suggest that high-technology industries such as computers and computer software are in the top 10 of the most uncertain, having a high score on both primary types of uncertainty they identify, namely demand uncertainty (i.e., uncertainty that refers to whether customers will buy a firm's products and stems from unknown factors such as hidden customer preferences) and technology uncertainty (i.e., uncertainty that refers to whether a firm can offer a desirable solution stems from unknown factors regarding technologies might emerge or be combined for new solutions). The increased uncertainty surrounding them has also been found to make financial-market stakeholders rely more heavily on non-financial, qualitative information (Orens and Lybaert, 2010). Therefore, high-technology firms offer a rich context to study, wherein the interplay between the firm's need for explorative activities and its interactions with financial-market stakeholders will be more salient.

Earnings Conference Calls

ECCs are a form of voluntary disclosure that usually takes place a few hours after the release of a firm's earnings report (Graaf, 2013; Jancenelle, Storrud-Barnes and Javalgi, 2017; Palmieri, Rocci and Kudrautsava, 2015). ECCs' participants are: (i) firm representatives such as the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Operating Officer (COO) and the Head of the IR department, (ii) financial-market stakeholders such as analysts, institutional and professional investors, and (iii) an operator who coordinates the process (Jancenelle, Storrud-Barnes and Javalgi, 2017; Palmieri, Rocci and Kudrautsava, 2015). Customarily, ECCs consist of two parts, which are: (i) a presentation part where firm representatives rely on prepared remarks to elaborate on the past quarter's performance and the firm’s future plans, and (ii) a discussion part where analysts have the opportunity to raise questions and receive immediate answers (Crawford Camiciottoli, 2010; Jancenelle, Storrud-Barnes and Javalgi, 2017; Palmieri, Rocci and Kudrautsava, 2015).

Researchers concur that ECCs offer useful incremental information that reduces the information asymmetry between the firm and financial-market stakeholders (Doran, Peterson and Price, 2012; Frankel, Johnson and Skinner, 1999; Jancenelle, Storrud-Barnes and Javalgi, 2017; Matsumoto, Pronk and Roelofsen, 2011; Palmieri, Rocci and Kudrautsava, 2015; Price *et al.*, 2012). This incremental information has been attributed to various factors that are not necessarily mutually exclusive. For instance, Frankel, Johnson and Skinner (1999) argue that compared to written forms of corporate disclosure, ECCs are less formal and are subject to lower legal liabilities, which might make executives speak more freely and provide additional information. The less formal nature of ECCs as well as the presence of audio and in some cases video, might also provide call participants with incremental information through verbal (Doran, Peterson and Price, 2012; Mayew and Venkatachalam, 2012; Price *et al.*, 2012) and non-verbal cues (Hobson, Mayew and Venkatachalam, 2012; Mayew and Venkatachalam, 2012; Mehrabian, 1971; Mehrabian, 1972; Price, Seiler and Shen, 2017). The final and, most likely, most important source of incremental information identified in the literature, are analysts and the questions they raise during the discussion part (Mayew and Venkatachalam, 2012; Matsumoto, Pronk and Roelofsen, 2011; Price *et al.*, 2012; Price, Seiler and Shen, 2017). The latter is in line with arguments that ECCs’ discussion part is of greater informational value (Doran, Peterson and Price, 2012; Price *et al.*, 2012), as the presentation part simply echoes the content of the earnings report (Kimbrough, 2005; Matsumoto, Pronk and Roelofsen, 2007).

Existing literature summarizes ECCs’ purpose in two key objectives, which are: (i) an informational objective to satisfy the demands of financial-market stakeholders for more and better quality information, and (ii) a rhetorical objective to persuade the investment community to generate a positive evaluation of the firm performance (Crawford Camiciottoli, 2010; Palmieri, Rocci and Kudrautsava, 2015). Having demonstrated their importance in the exchange between the firm, analysts and other financial-market stakeholders, ECCs and especially the discussion part of ECCs can serve as a useful platform to examine the purposeful use of communication and its effectiveness in persuading analysts about the appropriateness of firms’ explorative activities, and in turn maintaining and/or extending their legitimacy to new domains of activity. For this reason, I focus on analyzing ECC transcript excerpts where analysts raise questions about firms' explorative activities and executives answer these questions.

Analyst Reports

Since analysts do not usually have the opportunity to respond at length after executives answer their questions, the results of executives' answers are not directly visible in ECCs. Consequently, to be able to compare cases and identify the communication strategies that are the most and least effective in persuading analysts about the appropriateness of firms' explorative activities, I also examine sources that can provide information on analysts' approval or disapproval of these activities. Analysts express their expert opinions about a firm as whole as well as about particular matters (e.g., explorative activities), through a number of work outputs such as earnings forecasts, target price forecasts, stock recommendations, and conceptual reports, and subsequently assist investors in making financial decisions through them (Ramnath, Rock and Shane, 2006). Among these, I focus on analyst reports for two reasons. First, analyst commentary in conceptual reports can be more easily attributed to particular explorative activities compared to forecasts, target price forecasts and stock recommendations that relate to the firm as a whole. Second, the analyst profession is associated with certain biases, explained in the paragraphs below, which their conceptual reports are not as heavily subjected to.

Analysts are often accused of optimistic tendencies and other biases that seem to influence their accuracy. The general consensus among researchers is that forecasts and recommendations rely heavily on analysts' economic incentives (Asquith, Mikhail and Au, 2005; Fogarty and Rogers, 2005; Michaely and Womack, 1999; Ramnath, Rock and Shane, 2006) and career concerns (Hong and Kubik, 2003; Hong, Kubik and Solomon, 2000). Given that their income and career prospects are linked to underwriting and transaction fees generated by their forecasts and recommendations, analysts are more likely to be favorable in them (Asquith, Mikhail and Au, 2005; Hong and Kubik, 2003; Michaely and Womack, 1999). At the same time, analysts depend on firm management for information, and are thus motivated to maintain a good relationship with them, which might again be reflected in their forecasts and recommendations (Asquith, Mikhail and Au, 2005; Fogarty and Rogers, 2005; Lim, 2001).

Asquith, Mikhail and Au (2005) suggest that target price forecasts and report contents can help overcome the difficulties posed by analysts' optimistic tendencies, characterizing stock ratings and target prices as the “skin and bones’ in analyst research and the analysis, detail and tone in conceptual reports as the “meat”. Specifically, other information in analyst reports such as the arguments in support the recommendations and forecasts offer significant information. In fact, the authors present evidence that the stronger these arguments are the stronger the stock market’s reaction will be. Moreover, they find that in the presence of analyst justifications, market reaction to stock recommendations and earnings forecasts becomes less significant, while reaction to target price forecasts remains strong. With these findings, the authors suggest that knowing analysts’ optimistic tendencies, investors place greater reliance on analyst justifications and target price forecasts, and, in fact, use the qualitative information in their reports. Interestingly, Ramnath, Rock and Shane (2008) offer an additional/alternative explanation which is that analyst arguments and target price forecasts reflect analysts’ unique insights into the market, whereas their forecasts and recommendations are more likely to resemble those of other analysts. For these reasons, I focus on also analyzing analyst report excerpts corresponding to the ECC transcript excerpts where analysts raise questions about firms’ explorative activities and executives answer these questions.

3.3.1.2 Data Collection Process

As explained earlier in this chapter, an integral part of my ontological and epistemological assumptions is that reality and knowledge are contextual. Given that case studies are considered ideal for “developing theory by utilizing in-depth insights of empirical phenomena and their contexts” (Dubois and Gadde, 2002, p. 555), I follow a case study approach. Interestingly, however, researchers often criticise case studies for lacking rigor and stress the importance of case selection in qualitative inquiry (Flyvbjerg, 2006). For this reason, I employed the principle of *purposeful sampling*, whereby the researcher selects “information-rich cases to study, cases that by their nature and substance will illuminate the inquiry question being investigated” (Patton, 2014, p. 570). In the paragraphs below, I discuss my *purposeful* data collection process in detail, beginning by defining my units of analyses.

Given that this research project examines the purposeful use of communication when executives of newly-public high-technology firms engage in conversations about their new explorative activities during ECCs, my units of analyses were explorative activities. Specifically, each unit of analysis was comprised by: (i) ECC transcript excerpts where analysts would raise questions about a particular explorative activity and executives would answer these questions, and (ii) their corresponding analyst report excerpts. To decide whether an activity is indeed explorative, I relied on the items found in the studies of He and Wong (2004) and Jansen, Van Den Bosch and Volberda (2006). In particular, explorative were considered activities that were introducing new products/services, extending product ranges, and entering new technology fields, markets, and/or distribution channels.

For the selection of the particular cases that would comprise my corpus I *combined* a number of sampling strategies, which is recommended for studies where the researcher is aiming to satisfy multiple needs (Patton, 2014). For reasons explained in my introductory chapter, as well as earlier in this chapter, I decided that my corpus would consist of ECC transcript excerpts (and corresponding analyst report excerpts) of high-technology firms. In particular, the firms whose ECC transcript excerpts (and corresponding analyst report excerpts) comprised my corpus were drawn from the NASDAQ Company List, which can be found at: http://www.nasdaq.com/screening/company-list.aspx. The rationale behind this, was that exchanges have certain characteristics (e.g., rules and regulations) that may affect both how the firm communicates and how analysts react. These characteristics are homogeneous for firms within the same exchange and heterogeneous between firms in different exchanges. Therefore, focusing on a single exchange ensures that the rules and regulations that apply are uniform. Such a *homogeneous sampling frame* allows for more in-depth information to be elicited (Patton, 2014). At the same time, NASDAQ is considered a technology-heavy market (e.g., D'Avolio, Gildor & Shleifer, 2001), and therefore high-technology firms are well represented there. As such, NASDAQ represents an *intensity sampling frame* that consists of information-rich cases (Patton, 2014).

After deciding to focus on high-technology NASDAQ-listed firms, I needed to start having access to ECC transcripts and corresponding analyst reports to be assisted in the remaining of my sampling process, and ensure I make informed decisions. After the passage of Regulation FD in 2000, the content of ECCs held by publicly traded U.S. firms is available to the public, and transcripts can be found online at: https://seekingalpha.com/earnings/earnings-call-transcripts. ECC transcripts are also available at the Bloomberg Terminals at the Sheffield University Management School's Trading Room. In fact, the Bloomberg Terminals offer a more research-appropriate environment (e.g., ECC transcripts can be downloaded and preserved, should there be a need to demonstrate the validity of the data), and for this reason I preferred them over Seeking Alpha's website. I also used the Bloomberg Terminals to gain access to (and later gather) the corresponding analyst reports.

Based on Kile and Philips's (2009) relevant study, a firm is considered as high-technology when it has any of the following three-digit SIC codes: 283, 357, 366, 367, 382, 384, 481, 482, 489, 737 and 873. Searching for these SIC codes in NASDAQ's list resulted in 996 firms. A preliminary contact with relevant ECC transcripts from all 11 sub-sectors, revealed that firms within the same sub-sector (e.g., communication equipment) have similar dialectical styles during ECCs, while firms from different sub-sectors (e.g., communication equipment and communication services) differ in their use of words, tone, etc. Additionally, firms within the same sub-sector operate in similar environments, and have a similar analyst following[4]. Given the homogeneity within and the heterogeneity between sub-sectors, I deemed appropriate to focus on one of the 11 groups, as this would allow a deeper understanding of the selected sub-sector and its particularities (see *homogeneous sampling* above).

To decide which sub-sector I would focus on, I used a number of criteria. As explained in my introductory chapter, this study focuses on newly-public firms because engaging in explorative activities is more challenging for them. As such, I first wanted to ensure that data on each firm would be systematically available from its first post-IPO quarter onward (see *intensity sampling* above). While the passage of Regulation FD made the content of ECCs held by publicly traded U.S. firms available to the public from 2000 onward, ECC transcripts along with their corresponding analyst reports appeared to be systematically available from the first post-IPO quarter onward for firms with an IPO 2010 onward. As a result, to ensure the availability of necessary data, a sub-sector was considered eligible for selection when it included firms with an IPO from 2010 onward. At the same time, I wanted to ensure that there would be enough data for *theoretical saturation* to be reached. The rationale behind *theoretical saturation* is sampling until "(a) no new or relevant data seem to be emerging regarding a category, (b) the category is well developed in terms of its properties and dimensions demonstrating variation, and (c) the relationships among categories are well established and validated" (Strauss and Corbin, 1998, p. 212). For this purpose, I aimed to have at least 5 years' worth of data on each firm and considered a sub-sector eligible for selection when it included

[4] Analysts usually cover only one sub-sector within an industry (Groysberg, Healy & Chapman, 2008).

firms with an IPO between 2010 and 2012 (my data collection was made in the beginning of 2018).

From the 11 sub-sectors and 996 firms in my initial sampling frame, 6 sub-sectors and 55 firms met these criteria. Next, wanting to ensure that findings would not be biased toward a particular type of firm and that both successful and unsuccessful communication examples would be available, I followed a *quota sampling* approach (Patton, 2014). In particular, I adopted a rationale similar to the study of Palmieri, Rocci and Kudrautsava (2015) and split the 55 firms in three groups depending on their performance. Since stock-market performance is a focal point of my study, the metric I used to form the three groups was their stock-price trajectory, namely ascending, descending and fluctuating. I aimed to have at least one firm representing each of the three groups, which was a criterion met by 2 of the previously 6 sub-sectors. From the remaining 2, I *randomly* selected 1 using a virtual coin-flipper (Haahr, 2018). The sub-sector selected was 737 – "Computer Programming, Data Processing, etc.", including 21 firms with an IPO between 2010 and 2012 and with a market capitalization ranging from $436,410,000,000 to $5,320,000.

From the aforementioned 21 firms, only the ECC transcripts and corresponding analyst reports of 6 were systematically available. However, I had to eliminate 2 of the 6 for reasons relating to the country of origin of the firm. Specifically, the first of the 2 eliminated firms was based in Russia (Yandex) and the second was based in China (21Vianet). The rationale behind this decision, was that these 2 firms operated in different markets, and were therefore potentially affected by external forces not present in the markets of the remaining firms. Furthermore, they were represented by spokespeople who come from different cultures and who are not native English speakers. Therefore their communication with analysts would be affected by factors not pertinent to the other 4 firms. As such, these 2 firms failed to meet the *homogeneity* criterion mentioned earlier and were eliminated.

The elimination of these 2 firms resulted in having 2 firms with ascending stock-price performance (Facebook and Qualys), 1 with descending (Zynga) and 1 with fluctuating (Splunk). Wanting to have equal representation from the three types of firms (i.e., ascending, descending and fluctuating stock-price performance; see *quota sampling* above), I decided to eliminate 1 of the 2 firms with ascending stock-price. Staying true to the principle of purposeful sampling, I eliminated the case which appeared to be the least information-rich. Specifically, I examined the available ECC transcripts from both firms. The talk about explorative activities in Qualys's transcripts was not as rich compared to Facebook's transcripts. As such, I eliminated Qualys.

My analysis focused on ECC transcript excerpts where analysts would raise questions about the remaining 3 firms' explorative activities and executives would answer these questions (and their corresponding analyst report excerpts) until *theoretical saturation* was reached. In particular, *theoretical saturation* was reached within the first four post-IPO quarters.

3.3.2 Data Analysis

For my analysis, I employed a number of tools, each serving a different purpose and complementing one another. In this sub-section, I discuss these tools in detail. Specifically, I present the rationale behind using conversation analysis and argumentation analysis to analyze ECC transcripts, and explain how they were applied to my corpus. Moreover, I discuss how the preliminary analysis of a sub-sample of relevant data highlighted the need to also employ cognitive linguistics for the analysis of ECC transcripts, and explain how they were applied to my corpus. Last, I explain how legitimacy extension, maintenance and contestation were operationalized by performing interpretive content analysis of analyst reports in order to be in a position to classify cases in successful and unsuccessful ones and draw comparisons between them.

It is important to note that while these analytical tools are presented separately here, they were all used in a complementary to one another manner. Specifically, I initiated my analysis by employing these tools separately, coding the data with the assistance of the Qualitative Analysis Software NVivo. However, as I began to get a better understanding of each analytical tool and the codes emerging from them, I started employing them all simultaneously. My overall approach was similar to the repetitive cycle of analysis (i.e., describe, compare and relate) recommended by Bazeley (2013). In particular, I would often pause my coding, taking a step back to reflect and write memos, in order to be able to move forward. Through this process I was able to refine my codes and organize them in categories. Moreover, after several iterations, I was able to identify patterns of association (i.e., codes that co-occur) between codes within my cases (relational analysis). Some of these patterns would hold true across all cases, while others would only hold true for either successful or unsuccessful cases[5](comparative analysis). Eventually, a point of saturation was reached, where the different patterns got well established and formed a coherent explanatory model.

3.3.2.1 Conversation Analysis

As Hutchby (2017) explains conversation is a speech exchange system and *talk in interaction,* which is at the heart of conversation analysis, is the fundamental medium for establishing and maintaining interpersonal relations for exchanging information and conducting social affairs. Conversation analysis, whose father is American sociologist Harvey Sacks (1992), has its roots in the sociology of everyday life and interpersonal behaviour (Goffman, 1956) and ethnomethodology (Garfinkel, 1967). Along with narrative analysis (Riessman, 1993) and discourse analysis (Fairclough, 1992), conversation analysis represents one of the most powerful qualitative approaches for analysing talk (Bischoping and Gazso, 2015) and is often employed by interpretivists to assist them in explicating how social actors coordinate their talk in interaction (Cunliffe, 2011). Therefore, conversation analysis is in line with the philosophical underpinnings and context of this research project, and can be a useful analytical tool in the endeavour to get a better understanding of the exchange between analysts and executives when they engage in conversations about firms' new explorative activities during ECCs, as well as to identify the communication strategies that would be the most and least effective in persuading analysts about the appropriateness of these explorative activities, and in turn maintaining and/or extending firms' legitimacy to new domains of activity.

Conversational turns are the focal point of conversation analysis, with researchers focusing on identifying the rules that govern turn taking and understanding what they reveal about a particular social context. In other words, in conversation analysis turns are not serially, but sequentially ordered (Goodwin and Heritage, 1990; Hutchby and Wooffitt, 2008). However, turn taking in this research project departs from turn taking in other forms of conversation, in the sense that this is a formal-type context with a stricter pre-allocated format of question-and-answer chains. Certain aspects that are unique to this context are asymmetry and power/authority. Specifically, there is an asymmetry in the interactions between executives and analysts (status and role, discursive rights and obligations; Drew and Heritage, 1992). Analysts are the ones determining the topics of conversation through their questions, while

[5] As I will explain in greater detail later in the legitimacy extension, maintenance and contestation section, cases were considered successful when analyst reaction was positive. On the other hand, cases were considered unsuccessful when analyst reaction was negative.

executives demonstrate their orientation by answering or withholding information. This asymmetry essentially relates to power/authority relations between the two parties. In particular, as explained earlier, analysts may seem to have the upper hand as they are the ones asking the questions and their work outputs decide the firm's stock-market performance, but at the same time they need executives for the information they can provide them with and it is in their best interests to maintain a good relationship with them.

A common critique against conversation analysis is that it appears reluctant to engage with such sociological concepts (i.e., asymmetry, power/authority, etc.). However, conversation analysis highlights interlocutors' understanding of such concepts by the way they design their talk (e.g., demonstrating authority by asking questions or withholding information; Hutchby, 2017). Therefore, while this is a formal-type context where interactions aim at carrying out official tasks instead of simply performing everyday talk, employing conversational analysis while taking into consideration conventional knowledge around the different categories of speakers (i.e., executives and analysts) is deemed appropriate for the purpose of this research project. Conventional knowledge around executives and analysts has already been discussed in previous sections. de Oliveira and Pereira (2018), who employ conversation analysis on ECC transcripts, offer an overview of the most relevant to conversation analysis knowledge. Specifically, they explain that in the prepared remarks section of ECCs the firm has greater control over the information shared, while in the discussion section, which is the focal point of this research project, control is negotiated with analysts. Moreover, analysts need to balance their need for accurate information with appearing non-threatening to executives so that they receive more airtime during ECCs and keep getting supplied with information.

For the conversation analysis to be performed, I identified ECC transcript excerpts where analysts raise questions about firms' explorative activities and executives answer these questions, and grouped them per activity per quarter. In regular everyday conversations, utterances are generally tantamount to turns. As such, in conversation analysis, talk is typically broken down into utterances, each representing a turn. However, in this formal-type context, conversations do not follow the typical format. On the contrary, each party's turn is considerably lengthier and consists of several utterances. Suchman and Jordan (1990) make a similar distinction between interview-like and regular everyday conversations, acknowledging that each turn may have the form of an *anecdote* or *narrative* and consist of several *clauses*.

While, Suchman and Jordan (1990) do not break each party's turn down into smaller units, researchers like de Oliveira and Pereira (2018), whose work is in the same context as mine (i.e., ECCs), do. The difference between de Oliveira and Pereira's (2018) study and mine is that they had audio at their disposal, and were able to use Jefferson's (2004) method to transcribe the calls, utilizing pauses to break each party's turn down into utterances. Since ECCs were already transcribed in my case[6], I treated each party's turn as *narratives* and used Labov and Waletzky's (1997) method to split them into *independent clauses*[7] instead of utterances. In turn, I analyzed clauses based on the 3-step process for large collections found in Hutchby and Woofit (2008): (i) scanning for potentially interesting phenomena (e.g., item or sequence), (ii) after collecting a number of instances describing particular occurrences formally, focusing on its sequential context (i.e., turns before and after it), and (iii) returning to data to see if other instances can be described in terms of this account. Consequently, I refined descriptions and developed formal accounts, always consulting relevant theory as well as relying on my common sense knowledge and intuition.

3.3.2.2 Argumentation Analysis

While conversation analysis focuses on the rules that govern turn taking and can be particularly insightful about a specific social context, it overlooks the underlying structure of talk. Interestingly, underlying structure is one of the most overlooked aspects of communication in the field of management, yet it remains critical for comprehending social action (Harmon, Green and Goodnight, 2015). In particular, argumentation plays a prominent role in persuading stakeholders (see Palmieri, Rocci and Kudrautsava, 2015). In this respect, analysing argument structure is of particular importance, since determining the structural elements of an argument is a prerequisite for evaluating its acceptability (Govier, 2013), and consequently its ability to persuade. Utilizing argumentation frameworks such as the seminal work of Toulmin (1958) can help identify the structural elements of strategic communication, and uncover structural differences between different cases where executives communicate with analysts about their explorative activities. As such, any structural differences in communication can help identify the argumentation strategies necessary to persuade analysts about the appropriateness of firms'

[6] The lack of audio is a limitation of my study as it not only prohibits me from using Jefferson's (2004) method, but also prohibits me from analysing non-verbal cues, which typically are an integral part of conversation analysis and generate rich insights.

[7] An independent clause must meet three conditions: contain a finite verb, not follow a subordinating conjunction (while, when, after, before, because, since, though, about, that, which, who, as, etc.; but can follow other non-subordinating conjunctions such as and, or, but, so, then, for), and not be introduced by a verb of quotation (said, goes, yelled, is like, cried, etc.).

explorative activities, and in turn maintaining and/or extending firms' legitimacy to new domains of activity. For these reasons, I decided to employ argumentation analysis complementary to conversation analysis.

"An argument is a spoken discourse or written text whose author (the arguer) seeks to persuade an intended audience or readership (the Other or the Others) to accept a thesis by producing reasons in support of it" (Hitchcock, 2002, p. 289). Gasper and George (1998) acknowledge that Toulmin's framework makes multiple contributions to the study of arguments as it establishes that arguments have structures, and are comprised by components that serve different functionalities which decide how the components interconnect. In his original work The Uses of Argument, Toulmin (1958) presents arguments as consisting of six components (see Figure 3.1): (i) the claim (C) which is the conclusion the argument attempts to establish, (ii) the grounds[8] (originally called data[9]) (G) which is the evidence in support of the claim, (iii) the warrant (W) which is the principle that authorizes the step from the grounds to the claim, (iv) the backing (B) which is the premise the warrant is accepted upon, (v) the qualifier (Q) that indicates the strength with which the claim is made, and (vi) the rebuttal (R) that indicates the circumstances that make the warrant contestable.

[8] Toulmin (1958), as well as other researchers after him (e.g., Gasper and George, 1998; Harmon, Green and Goodnight, 2015; Simosi, 2003), emphasize that the nature of grounds, warrants and other argument components that can support a claim in a convincing manner varies between fields, which is coined as field-dependency. This further validates the decision to select and focus on one segment of the high-technology industry.

[9] Gasper and George (1998) point out that Toulmin had originally used the term data, but because it suggested that the basis of an argument is purely factual, he replaced it with the term grounds which permits a broader array of potential bases.

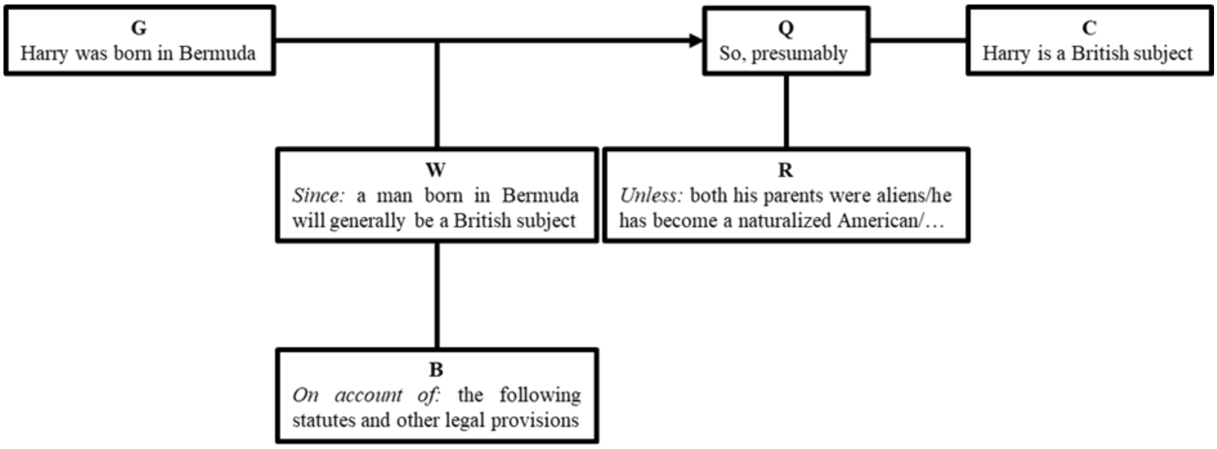

Figure 3.1: Example of main components of Toulmin's (1958, p. 104-105) argumentation framework

Despite its multiple contributions, though, researchers like Gasper and George (1998) and Simosi (2003) identify some common pitfalls that can lead to the misuse of the framework. Specifically, they agree that researchers might often: (i) try to fit everything into one diagram, (ii) try to not deviate from the original layout, (iii) find it difficult to identify each component as they might spread across multiple pages of text, in a not necessarily logical/convenient sequence, and (iv) find it difficult to visually represent components and their interconnections. To avoid the wrongful application of the framework, Gasper and George (1998) propose a number of considerations that have informed the present study: (i) the original diagram merely showcases the presence and functionality of different components which means that there may be more than one claims (more than one linked diagrams), more than one grounds supporting a claim, grounds supporting other grounds, etc., (ii) claims and grounds are the only components that are always required, while others can either be explicit, implicit or unnecessary, (iii) the context and the functionality/purpose of each component must always be taken into consideration before identifying them in a particular argument, (iv) diagrams must showcase the functionality of each component, as well as their interconnections using arrows instead of vertical and horizontal lines.

Ever since its original publication in 1958, Toulmin's framework has been used in various contexts and been adapted accordingly. In fact, Fletcher and Huff (1990) have applied Toulmin's framework to strategic communication, and identified seven components of strategic arguments: (i) a key claim, (ii) subclaims which are claims whose acceptance is contingent on the context of the key claim, (iii) grounds which might often also play the role of backings, (iv) warrants, (v) qualifiers, (vi) elaborations which are statements providing further information about any of the other components, and (vii) reiterations which are statements repeating information about any of the other components. Despite having been adapted to fit into a strategic context, though, Fletcher and Huff's (1990) adapted framework is intended for written communication. ECCs are a form of spoken strategic communication, and there is no evidence in the literature of adapting Toulmin's framework to this context. Therefore, an adapted framework that captures both the strategic and the dialogic aspect of ECCs was necessary for the post hoc analysis of arguments made in this context. Drawing from Toulmin (1958), as well as Fletcher and Huff (1990), I made the required adaptations to the framework and in turn employed it to uncover the argumentation strategies necessary to persuade analysts about the appropriateness of firms' explorative activities, and in turn maintaining and/or extending firms' legitimacy to new domains of activity.

3.3.2.3 Cognitive Linguistics

My next analytical tool is rather unconventional for an interpretivist study. Specifically, preliminary analysis of a sub-sample of ECC transcript excerpts revealed linguistic patterns that went beyond turn taking (conversation analysis) and structure (argumentation analysis). As such, I also employed cognitive linguistics. However, cognitive linguistics are often pictured as not being compatible with interpretivisms' focus on context and relativity. Instead, I adopt Evans and Green's (2006) encyclopaedic view of meaning, whereby meaning is fundamentally guided by context. Consequently, I employed cognitive linguistics to generate richer insights and be assisted in theory building (i.e., interpretive content analysis), as opposed to their conventional use (i.e., quantitative content analysis for theory testing; for a comparison between the two types of content analysis see Bryman and Bell, 2015). In particular, I examined the aspects of language discussed below (i.e., tone, intensifiers, modality and time signatures), being continuously guided by context in my interpretation of them.

Tone

Prior studies involving ECCs have showcased the informative role of linguistic tone/sentiment (e.g., Davis *et al.*, 2015; Doran, Peterson and Price, 2012; Price *et al.*, 2012). The preliminary analysis of the sub-sample of ECC transcript excerpts revealed that linguistic tone (positive, neutral and negative) was associated with various codes in the data, generating indeed rich insights. While previous researchers have resorted to linguistic analysis software packages (e.g., LIWC) and neglected context, I focused on identifying words with positive, neutral and negative valence in my corpus, and decided the overall tone of each clause depending on the context. Linguistic tone was then examined in relation to other codes in the data to identify patterns of association within and across cases.

Intensifiers

It is not uncommon for researchers examining linguistic tone/sentiment to also examine semantic intensity (e.g., Aung and Myo, 2017; Ngoc and Yoo, 2014), which encapsulates the intensity of meaning. In fact, it is common practice in the field of sentiment analysis/opinion mining, where tone essentially captures polarity and semantic intensity captures strength (Liu, 2020; Taboada *et al.*, 2011). The preliminary analysis of the sub-sample of ECC transcript excerpts revealed the frequent use of intensifiers, which in combination with tone and other codes in the data were generating rich insights. Quirk and colleagues (2010) classify intensifiers to amplifiers which increase semantic intensity, and downtoners which decrease it. While there are no exhaustive lists of intensifiers in the literature, Taboada and colleagues (2011) explain that adverbs, adjectives and quantifiers can all serve as intensifiers, with context being of decisive importance. With this in mind, I identified all adverbs, adjectives and quantifiers in my corpus, and took context into consideration to decide whether they alter semantic intensity and should be coded as either amplifiers or downtoners. In turn, I viewed them in combination with other codes identified in the data to uncover patterns of association both within and across cases.

Modality

Modality can be divided into two categories: (i) epistemic which refers to a speaker's confidence in the possibility, likelihood or certainty of their statement (will, can, might), and (ii) deontic which refers to a speaker's judgement relating to a particular obligation, permission or prohibition (must, should) (Evans and Green, 2006). Must, will and can are strong (encode a projected reality), while should, would and could are weak (encode a potential reality). Given the strong presence of such epistemic modality indicators in the sub-sample of ECC transcript excerpts preliminary analysed, I identified all relevant modal verbs in my corpus, and took context into consideration to decide whether they should be coded as indicators of likelihood/certainty. As in the previous case, I then examined indicators of certainty in relation to other codes in the data to identify patterns of association within and across cases.

Time Signatures

Time constitutes a fundamental domain of human experience (Evans and Green, 2006). In fact, researchers have shown that the way time is expressed linguistically reflects the speakers' thoughts and affects their behavior (Crilly, 2017). Given the strong presence of time references in the sub-sample of ECC transcript excerpts preliminary analysed, I coded all clauses in my corpus for time-related lexical concepts. In turn, I viewed them in combination with other codes identified in the data to uncover patterns of association both within and across cases.

3.3.2.4 Legitimacy Extension, Maintenance and Contestation

After coding ECC transcript excerpts where analysts raise questions about firms' explorative activities and executives answer these questions, I focused on analysing the corresponding analyst report excerpts to identify in which cases communication has been successful and in which unsuccessful. By doing so, I was able to draw comparisons, identify patterns of association that would only hold true for either successful or unsuccessful cases, and in turn identify the communication strategies that are the most and least effective in persuading analysts about the appropriateness of firms' explorative activities.

In the literature review chapter, I examined a number of studies that investigate the effectiveness of firms' legitimation efforts in various ways. For instance, Lounsbury and Glynn (2001) consider a new venture's legitimacy established based on proxies such as capital acquisition and market value. Parhankangas and Elrich's (2014) proxy for legitimacy is also capital acquisition. In a similar vein, a number of other studies rely on resource acquisition (e.g., Fisher, Kotha and Lahiri, 2016; Golant and Sillince, 2007; Martens, Jennings and Jennings, 2007). While the aforementioned studies examine the effectiveness of firms' legitimation efforts based on specific outcomes, Nagy and colleagues (2012) do the same by employing a 3-item measure on stakeholders' future expectations. At the same time, scholars pay close attention to stakeholders' communications in response to firms' legitimation efforts. For example, apart from capital acquisition and market value, Lounsbury and Glynn (2001) also consider speculations in the media. In particular, they argue that content analyses of relevant media can help operationalize legitimacy, with positive media coverage being an indicator of successful legitimation efforts. Furthermore, they highlight the ability of media coverage to influence others, as media are an important gatekeeper in the legitimation process.

Vaara and colleagues also examine media coverage. Specifically, Vaara and Monin (2010) perform content analysis of the media coverage surrounding the merger they focus. Apart from key themes in media talk, the authors examine whether media sentiment is positive or negative and use this as an indicator of success. Similarly, Vaara and Tienari (2011) examine antenarratives, as well as sentiment in media coverage.

Following on from the above, scholars appear to operationalize legitimacy in three key ways, namely by (i) measuring outcomes, (ii) identifying stakeholder expectations through surveys, and (iii) examining the content of stakeholders' communications in response to firms' legitimation efforts Furthermore, researchers examining the content of stakeholders' communications appear to agree that such communications are not only in a position to indicate whether firms' legitimation efforts have been successful or not, but - when it comes to the communications of important gatekeepers in the legitimation process - they can also influence others. As such, to decide whether communication has been successful (or unsuccessful), I analyzed the relevant analyst report excerpts in my corpus by performing interpretive content analysis. In particular, I focused on identifying words with positive, neutral and negative valence, and decided the overall tone of each relevant excerpt depending on the context. In cases where the overall tone was positive, legitimacy was considered extended to the new domain of activity. On the other hand, in cases where the overall tone was negative, legitimacy was considered contested. At the same time, there were a few cases, where analyst reaction was both positive and negative. These cases were coded as mixed, but because the positive and negative analyst comments were pertinent to different aspects of the explorative activity in question, through my comparative analysis, I was still able to attribute legitimacy extension and contestation to different communication strategies. Last, in cases where analysts would exhibit interest in the explorative activity during the ECC and ask questions about it, but they would then make no relevant comments in their respective analyst reports, legitimacy was considered maintained.

4.1 Introduction

As explained in the previous chapters, this research project examines the purposeful use of communication when executives of newly-public high-technology firms engage in conversations about their new explorative activities during ECCs. In particular, it focuses on identifying the ways analysts guide their ECC conversations with executives, the specific communication strategies used by executives in these ECC conversations, and distinguishing between those strategies that are successful in persuading analysts about the appropriateness of firms' explorative activities and those that are likely to lead them to contest firms' legitimacy. As such, I essentially focus on a cause and effect relationship, namely the relationship between strategic communication and legitimacy. In particular, based on my understanding of the relevant literature, I make the a priori assumption that this relationship exists, and attempt to deepen this understanding and build theory around the ways in which communication can lead to legitimacy extension, maintenance or contestation in my context.

In this endeavor, I focused on three NASDAQ-listed high-technology firms, namely Facebook, Zynga and Splunk. My units of analyses were the explorative activities[10] of those firms. For communication, I examined ECC transcript excerpts where analysts would raise questions about these firms' explorative activities and executives would answer these questions. In my analysis of these, I employed a number of tools, each serving a different purpose and complementing one another. In particular, as explained in my methodology chapter, I employed (i) conversation analysis (e.g., Hutchby and Wooffitt, 2008; Sacks, 1992), (ii) argumentation analysis (e.g., Fletcher and Huff, 1990; Toulmin, 1958), and (iii) cognitive linguistics (e.g., Evans and Green, 2006; Langacker, 1987). Furthermore, to decide whether communication has been successful (or unsuccessful), and in turn identify the communication strategies that are the most (and least effective), I performed interpretive content analysis of corresponding analyst report excerpts.

[10] As it has already been noted, to decide whether an activity is indeed explorative, I relied on the items found in the studies of He and Wong (2004) and Jansen, Van Den Bosch and Volberda (2006). In particular, explorative were considered activities that were introducing new products/services, extending product ranges, and entering new technology fields, markets, and/or distribution channels.

In this chapter, I walk the reader through the various stages of my analysis and present the insights generated. Consistent with my abductive approach, I did not perform the different types of analysis in isolation from one another. On the contrary, I performed them in a complementary manner, constantly informing one with the other. However, I take a step-by-step approach and organize the remaining of this chapter in three sections to better showcase the depth of my work and enhance readability.

In coding (Section 4.2) I examine the codes and categories that emerged from each type of analysis performed (for a complete list of the codes and categories that emerged see codebook in appendix). In particular, I present the codes and categories that emerged from applying conversation analysis (Section 4.2.1) to analyst and executive turns in ECC transcripts. Moreover, I discuss how I adapted Toulmin's (1958) framework to better fit into a spoken strategic communication context and present the codes that emerged from applying argumentation analysis (Section 4.2.2) to executive turns in ECC transcripts. Additionally, I present the codes and categories that emerged from applying cognitive linguistics (Section 4.2.3) to analyst and executive turns in ECC transcripts. Furthermore, I discuss how I performed interpretive content analysis of analyst reports and present the codes that emerged from examining analyst reactions (Section 4.2.4) in them.

In relational and comparative analyses (Section 4.3), I examine the relationships between the codes and categories presented in the previous section (relational analysis) and compare the patterns of association identified across cases (comparative analysis). Specifically, I identify and present patterns of association that held true across all cases, and patterns of association that held true for either successful or unsuccessful cases[11]. These patterns of association essentially represent communication strategies analysts and executives use, shedding important light on how these two parties interact with and affect each other. In fact, patterns of association that only held true for either successful or unsuccessful cases represent the communication strategies that lead to analysts' approval or disapproval, and subsequently to legitimacy extension, maintenance or contestation. As such, they represent the building blocks of my explanatory model. In particular, in analyst turns (Section 4.3.1) I examine the communication strategies (patterns of association) that occurred in analyst turns in my corpus.

[11] As it has been previously noted, cases were considered successful when analyst reaction was positive. On the other hand, cases were considered unsuccessful when analyst reaction was negative.

Moving on, in executive turns and explanatory model (Section 4.3.2) I (i) examine the relationships between the codes and categories that emerged from applying conversation analysis, argumentation analysis and cognitive linguistics to executive turns, (ii) compare the communication strategies (patterns of association) identified across cases depending on their success with analysts (i.e., legitimacy extension, maintenance or contestation), and (iii) present them in the form of an explanatory model. Last, I conclude this chapter by presenting a summary of my main findings (Section 4.4).

4.2 Coding

4.2.1 Conversation Analysis

As explained in my methodology chapter, I employed conversation analysis as it is one of the most powerful qualitative approaches for analysing talk (Bischoping and Gazso, 2015) and is often employed by interpretivists to assist them in explicating how social actors coordinate their talk in interaction (Cunliffe, 2011). For this aspect of my analysis to be performed, I identified ECC transcript excerpts where analysts raise questions about firms' explorative activities and executives answer these questions, and grouped them per activity per quarter. In turn, for reasons explained in my methodology chapter (see pages 49-50), I split sentences in independent clauses per Labov and Waletzky's (1997) method. I then analyzed clauses based on the 3-step process for large collections found in Hutchby and Woofit (2008): (i) scanned for potentially interesting phenomena (e.g., item or sequence), (ii) after collecting a number of instances describing particular occurrences formally, focused on its sequential context (i.e., turns before and after it), and (iii) returned to data to see if other instances can be described in terms of this account.

At this point, it is important to reiterate that this research project aims to identify both the ways analysts guide their ECC conversations with executives, and the specific communication strategies used by executives in these ECC conversations. For this reason, I examined both analyst questions (and follow-up questions) and executive answers, and focused on identifying the rules that govern turn taking in my particular context and understanding what they reveal about it. Coding was the first step toward this direction. Some of the codes that emerged from it were specific to either analyst or executive turns, while others were met in both. I organize these codes into two sections, namely analyst turns and executive turns, and present them using relevant examples from my corpus. A summary of these codes, along with the categories I organized them into, can also be found in Table 4.1.

Table 4.1: Codes and categories that emerged from conversation analysis

<table>
<tr><td rowspan="5">Analyst Turns</td><td><u>Openings</u>
Greeting
Thanking
Enumerating questions</td></tr>
<tr><td><u>Assertions</u>
Factual
Opinion
Attribution to external sources</td></tr>
<tr><td><u>Questions</u>
Customer benefits
Strategic fit
Indicators performance is judged on
Customer feedback
Progress made since last checkpoint
Short-term financial performance
Future outlook
Alternative potential answers</td></tr>
<tr><td><u>Closings</u>
Thanking
Summarizing</td></tr>
<tr><td><u>Exertion of control</u>
Assigning answers to executives
Follow-up question</td></tr>
<tr><td rowspan="4">Executive Turns</td><td><u>Openings</u>
Accepting question
Reiterating/summarizing analyst questions</td></tr>
<tr><td><u>Assertions</u>
Factual
Referencing credible/expert sources
Addressing faulty analyst statements
Intention
Opinion</td></tr>
<tr><td><u>Closings</u>
Summarizing
Asking operator to move on to next question</td></tr>
<tr><td><u>Exertion of control</u>
Adding to a previous answer
Assigning answers to executives
Refusing to provide an answer
Noticeably absent/red herrings</td></tr>
</table>

4.2.1.1 Analyst Turns

Coding analyst turns in my corpus resulted in a number of codes that I organized in five categories, namely openings, assertions, questions, closings and exertion of control. These categories represent the key components of analysts' talk during their turns, and each serves different interactional functions. These categories, along with the codes comprising them, are discussed below.

Openings

In most of the cases examined, analysts would make an opening whereby they would *politely greet* the executive team and *thank them for taking their question* as in the following excerpt about Facebook's Open Graph Network from the firm's Q3 2012 ECC.

1 Yes, good afternoon.
2 Thanks for taking my call.

[…]

Conversational openings have been receiving significant attention since (Schegloff, 1968). In the excerpts examined openings appear to fulfill two important interactional functions, namely signifying the beginning of a new question/series of questions and establishing/maintaining rapport with executives, which is in line with research in other contexts and types of discourse (e.g., Ädel, 2011). Specifically, ECC coordinators are tasked with coordinating the overall process and assigning turns to analysts. By greeting the executive team and thanking them for taking their question, analysts acknowledge that it is their turn and signify that a new question or series of questions about one or more firm activities is about to begin. Furthermore, such polite openings help establish and/or maintain rapport with the executive team. At this point, it is important to reiterate that analysts need executives for the information they can provide them with, and it is in their best interests to maintain a good relationship with them. Therefore, such conversational turns aiming at establishing and/or maintaining rapport with executives are in analysts' best interests.

In some of the cases examined, analysts would not only make an opening whereby they would politely greet the executive team and thank them for taking their question, but they would also *enumerate the questions they would like to make* as in the following excerpt about Facebook's Sponsored Stories from the firm's Q2 2012 ECC.

1 Great.
2 Thanks for taking the question.
3 Just wanted to ask two things.

[…]

For reasons explained in greater detail in the relational and comparative analyses section, enumerating the questions they would like to make appears to intend to neutralize the challenging nature of any questions that will follow which could potentially compromise analysts' relations with executives.

Last, as explained in my methodology chapter (see page 49), this is a formal-type context with a stricter pre-allocated format of question-and-answer chains. For this reason, unlike other contexts of spoken communication, such as everyday telephone conversations where the interlocutor would return the greeting right away, here executives have to wait. Specifically, analysts' openings are followed by their own statements and questions, and, as I will explain below, executives will only greet them back after their closings.

Assertions

In most of the cases examined, after openings and in-between questions, analysts would make assertions about *already known information*, and in a few cases their *own opinions*, as in the following excerpt about Facebook's Mobile from the firm's Q4 2012 ECC.

[…]

3 It definitely seems the mobile ramp kind of slowed as the quarter progressed,
4 obviously good numbers versus last quarter.

[…]

While discussing assertions in the relational and comparative analyses section, where their relations to other codes are examined, is far more insightful, it is important to note that they appear to fulfill three important interactional functions. Specifically, by making assertions, analysts signify that questions are coming up. Moreover, assertions' content indicates which activities the questions are going to be about, while also offering a brief summary of already known information about these activities. These are in line with prior research suggesting assertions can serve as question prefaces in interview-like settings (e.g., Clayman and Heritage, 2002; Rendle-Short, 2007) and transmit knowledge (e.g., Turri, 2010; Turri, 2016). In fact, Palmieri, Rocci and Kudrautsava (2015) suggest that analysts use such question prefaces to constrain and frame an issue, and consequently orient executives' argumentation.

Quite often, the analyst assertions would be *attributed to sources* other than analysts themselves as in the following excerpt about Zynga's OMGPOP from the firm's Q1 2012 ECC.

[…]

5 As you mentioned, it looks like that the flow-through on the bookings guidance increase to EBITDA was maybe not as great as implied in just the core business margins, you talked about offsets in sales and marketing and R&D.

[…]

While this will be further discussed in combination with other codes in the relational and comparative analyses section, it is important to mention that such attributions to external sources intend to fulfil an important interactional function. Specifically, by attributing their assertions to others, analysts distance themselves from them (see markers of modalization; Fairclough, 2003) and, by extension, from any negative connotations they may have. As a result, regardless of what they may insinuate about the firm, their assertions appear to be factual rather than opinion statements, and as such are less likely to compromise their relations with executives.

Questions

The focal point of each of the analyst turns examined were the questions asked. After openings and in-between assertions, analysts would raise one or more questions about one or more activities. While all questions raised had the same goal, namely to elicit information from executives, they appeared to be aiming for different types of information as in the following examples.

i)Customer benefits

[…]

5 I'm wondering, is there also an opportunity for Atlas to improve or standardize measurement for impression based ads?

[…]

(Excerpt about Facebook's Atlas from the firm's Q1 2013 ECC)

ii)Strategic fit

[…]

4 And how do Home and maybe your Mobile Open Graph kind of tie into that strategy?

[…]

(Excerpt about Facebook's Atlas from the firm's Q1 2013 ECC)

iii)Indicators performance is judged on

[…]

5 I mean, what type of feedback are you looking for from people to know that maybe you're showing them too many in News Feed or that you have the ability to maybe put the foot on the gas pedal a little bit more?

[…]

(Excerpt about Facebook's Sponsored Stories from the firm's Q2 2012)

iv)Customer feedback

[…]

3 What are you hearing from customers about sort of this vision of being a unified platform for both real-time and batch processing and really trying to get across sort of just multiple data repositories?

[…]

(Excerpt about Splunk's Hadoop partnership from the firm's Q3 2012 ECC)

v)Progress made since last checkpoint

[…]

6 I also wanted to know if these are rolled out globally at this point so to everybody?

[…]

(Excerpt about Facebook's Sponsored Stories from the firm's Q2 2012 ECC)

vi)Short-term financial performance

[…]

2 And, David, can you just quantify the contribution of Instagram in the quarter, both top and bottom line, if possible?

[…]

(Excerpt about Facebook's Instagram from the firm's Q3 2012 ECC)

vii)Future outlook

[…]

4 What will be your expectation and what is bwin looking forward in this partnership from Zynga?

[…]

(Excerpt about Zynga's bwin partnership from the firm's Q3 2012 ECC)

Looking at the different types of information the questions I examined were aiming at, it is important to note that analysts were not solely interested in short-term financial performance indicators. Even though they raised several questions about them, analysts in my corpus seemed equally interested in other, more qualitative information. Considering this study argues that through strategic communication (symbolic management) executives can proactively persuade analysts about the appropriateness of their explorative activities without having to compromise them, this insight is of particular importance. While I acknowledge that this is not a hypothesis-testing study, finding evidence that analysts are interested in firms' explorative activities and the various aspects of them, provides further support to the argument that analysts are looking for signals of conformity to the shareholder-value principle, and can therefore look beyond short-term financial performance indicators.

Apart from the different types of questions presented above, which are classified based on the kind of information they were aiming at, another special case of questions was met in my corpus. Specifically, in some of the cases examined, analysts would raise their questions in the form of *alternative potential answers* as in the following excerpt from Zynga's Q4 2011 ECC about Z Platform.

[…]

16 And, this – on the Project Z, John, so is the opportunity – is it more about attracting a new audience,

17 or is it more about getting the same audience but engaging them better,

18 or is it more about using it as a platform destination where you might be sharing some revenue from third party?

[…]

Questions formulated in this particular manner appear to fulfill one important interactional function. Specifically, by raising their questions in the form of alternative potential answers, analysts neutralize the challenging nature open-ended questions can have, which could potentially compromise their relations with executives. This is in line with prior research suggesting that a greater degree of specificity can make analyst questions less threatening toward executives, and thus assist them in maintaining a good relationship with them (de Oliveira and Pereira, 2018).

Closings

In most of the cases examined, after raising their questions, analysts would make a closing whereby they would *politely thank* the executive team as in the following excerpt about Zynga's Z Platform from the firm's Q4 2011 ECC.

[…]

27 Perfect.
28 Thank you.

[…]

Conversational closings have been receiving significant attention since (Schegloff and Sacks, 1973). Similar to openings, closings in the excerpts examined appear to fulfill two important interactional functions, namely signifying executives' turn to speak and establishing/maintaining rapport with executives, which is in line with research in other contexts and types of discourse (e.g., Ädel, 2011). Specifically, by thanking executives, analysts indicate that they have completed their turn and now expect executives to continue and answer their questions. Furthermore, similar to openings, such polite closings are in analysts' best interests as they help them establish and/or maintain rapport with the executive team.

In some of the cases examined, instead of a closing whereby they would politely thank the executive team, analysts would *summarize* the information they expect to receive as in the following excerpt about Zynga's OMGPOP from the firm's Q2 2012 ECC.

[…]

6 I just want to understand outside of Draw Something what the trends were for monthly unique players?

[…]

From a first look, it may seem that such closings neither provide a clear signal that executives' turn is next, nor do they help establish/maintain rapport with executives. However, it is important to take two points into consideration. First, as mentioned in my methodology chapter, I did not have audio at my disposal which is a limitation of my study. A pause in their voice, even as short as a few tenths of a second, could equally indicate that the analysts have completed their turn and expect executives to answer their questions (e.g., Hutchby, 2017). Second, the lack of conventionalized politeness may not necessarily be threatening to compromise the relationship between the two parties, but may instead indicate familiarity and some already existing degree of rapport (Brown and Levinson, 1987). Last, such closings fulfill two important functions, namely remind executives of the key points in analysts' questions and provide them with a digest version that is easier to understand, and subsequently answer.

Exertion of Control

As explained in my methodology chapter (see page 49), in the discussion section of ECCs, control is negotiated between executives and analysts. Coding analyst turns in my corpus resulted in two codes, namely *assigning answers to executives* and *follow-up questions*, which are both a demonstration of analysts' attempt to exert greater control over the call.

The first of the two codes is *assigning answers to particular executives*. Quite often, analysts would not merely ask their questions, but at some point within their turn they would mention which executive they expect an answer from as in the following excerpt about Facebook's News Feed from the firm's Q1 2013 ECC.

[…]

2 Two questions, maybe one for Sheryl and one for Mark.

[…]

At this point, it is important to explain that in the ECCs examined, firms would usually be represented by their CEOs, COOs and CFOs, each of whom are responsible for different aspects of the business. While other possibilities cannot be ruled out (e.g., wanting to test executives' knowledge of the firm as a whole, executive team alignment, etc.), it seems that analysts are using their pre-existing knowledge of the type of information each executive is best equipped to provide to control the discussion and receive the most and best quality information possible.

The second of the two codes is *asking follow-up questions*. In some of the cases examined, analysts would not be satisfied with the answer provided by executives to either other analysts' or their own questions, and would come up with follow-up questions as in the following about Zynga's OMGPOP from the firm's Q1 2012 ECC.

First analyst

[…]

4 Maybe if you could provide a bit more color.
5 As you mentioned, it looks like that the flow-through on the bookings guidance increase to EBITDA was maybe not as great as implied in just the core business margins, you talked about offsets in sales and marketing and R&D.
6 My assumption is that the OMGPOP business is highly profitable.
7 So the question is how much are you assuming from contribution from OMGPOP on a bookings and EBITDA basis?

[…]

Second analyst

[…]

16 Could you just – when you talked about guidance, would guidance have been unchanged, raised or lowered, if you had not actually made the OMGPOP acquisition?

[…]

While this will be further discussed in combination with other codes in the relational and comparative analyses section, it is important to mention that by asking follow-up questions, analysts intend to fulfil two important interactional functions, namely signify they are dissatisfied with the amount and/or quality of information received and, by extension, signify their expectation to receive more. de Oliveira and Pereira (2018), whose study is also in the context of ECCs, arrive to similar conclusions. In fact, follow-up questions constitute one of the most fascinating aspects of the power play between executives and analysts. Specifically, while executives show their orientation by not providing the expected information, analysts return to the topic in an attempt to regain control of the discussion.

Example

Having discussed all codes occurring in analyst turns, I find it helpful to present one complete example and discuss the various codes in it. The following excerpt is about Zynga's CityVille and is from the firm's Q4 2011 ECC. Executive turns have been omitted in order for the focus to remain on the analyst turns

1	Okay. Thank you.	*Opening*
2		
3	I was wondering if you can talk about the trajectory of CityVille,	*Question*
4	I know you mentioned that one as doing well,	*Assertion*
5	and how that compares to FarmVille, for which I know you mentioned that in your slide presentation during the road show.	*Question; Assertion*

6	Just wondering, because we noted that the DAU trends are a little different from a trajectory standpoint,	*Assertion*	*Closing*
7	so just wondering how that translates into monetization?	*Question*	
8	Are you monetizing that sooner or you think that it's going to follow the same pattern?		

[…]

21	But I guess, how do we project what CityVille is going to do –	*Follow-up question*
22	what is it doing today versus where FarmVille was,	
23	is there a way to think about that?	

[…]

In lines 1-2 the analyst is making an opening, acknowledging his turn and thanking the executive team for taking his question. By doing so, he signifies the beginning of a new series of questions, while also maintaining rapport with the executive team. In line 3 he begins his question which has the form of an assertion. Having made known he is interested in the short-term financial performance of CityVille, he proceeds to make an assertion about what he already knows and attributes the information to the executives themselves in line 4. Line 5 is a combination of a question and an assertion. Specifically, in the first half he further elaborates on the kind of information he needs, and in the second half once again explains what he already knows and attributes it to the executives. In lines 6-8, which will be interesting to return to in the relational and comparative analyses section and further discuss the various patterns in them, he moves toward the closing of his turn, summarizing the kind of information he needs. In fact, in line 6 he also presents information he has to justify making this question. While not the typical polite closing met in other analyst turns, the lack of audio prevents me from drawing further conclusions. Having not been satisfied by the executives' answers he attempts to regain control of the discussion. In lines 21-23 he makes a follow-up question, elaborating more on the type of information he needs. His elaboration appears to be an indication that while he wants to remain in control, he still wants to be helpful to the executive team as by doing so he increases his chances of receiving more/better quality information.

4.2.1.2 Executive Turns

Coding executive turns in my corpus resulted in a number of codes that I organized in four categories, namely openings, assertions, closings and exertion of control. These categories represent the key components of executives' talk during their turns, and each serves different interactional functions. These categories, along with the codes comprising them, are discussed below.

Openings

Unlike analysts' polite openings, in most of executives' openings examined, they would simply *accept taking the question* as in the following excerpt about Facebook's Mobile from the firm's Q3 2012 ECC.

> […]
>
> 10 Sure.
> 11 I can take both those questions.
>
> […]

Similar to analysts', such openings still fulfil two important interactional functions. Specifically, by accepting to take the question, executives acknowledge that it is their turn and signify the beginning of answers to analyst questions. At this point, it is important to reiterate that executives need analysts because of their notable influence on investors and other key financial-market stakeholders, and it is in their best interests to maintain good relations with them. While one could argue that the lack of a polite greeting on executives' end could be threatening to these relations, it is important to consider a couple of parameters first. Specifically, some ECCs take place in video conferencing format. As mentioned earlier, however, I only had access to the ECC transcripts. Therefore, a non-verbal greeting on executives' end cannot be ruled out. In the same vein, audio could have revealed that the tone in executives' voice was friendly enough to balance out the lack of conventionalized politeness.

Assuming video/audio would not reveal any non-verbal cues either, the lack of a polite greeting could indicate a number of things about executives. Executives are under significant stress during ECCs (Burgoon *et al.*, 2016). Therefore, the lack of a polite greeting could mean that executives are in a hurry to finish with the call as soon as possible. This is in line with research reporting executives' mood improves after the closing of the trading day, as it acts as a stress reliever for them (e.g., Chen, Demers and Lev, 2018). Furthermore, it could mean that they try to feel more confident and in control by being more assertive and to the point. Alternatively, they may simply be an indication of familiarity and some already existing degree of rapport (Brown and Levinson, 1987).

In some of the cases examined, executives would also *reiterate/summarize analyst questions* as part of their opening as in the following excerpt about Zynga's CityVille from the firm's Q4 2011 ECC.

[…]

9 I'm going to let John answer that.

10 It sounds like the question is how does the trend for CityVille for DAUs and revenues compare to FarmVille?

[…]

From a first look at this particular example, it may seem that executives are trying to confirm with analysts that they have indeed understood their question correctly, giving them the opportunity to begin a new turn in case they have misunderstood. However, repeating the question may also serve other functions. For instance, prior research has shown that reusing recent conversation material as opposed to generating speech anew facilitates fluency (Levelt and Kelter, 1982). Therefore, executives may be repeating analyst questions to better articulate their answers. Last, repeating the question can buy executives time and allow them to think more about their response.

Assertions

The focal point of each of the executive turns were the answers provided. After openings, analysts would proceed to answer analyst questions, making a number of assertions that were either *factual* or expressing their *own intentions* and *opinions*.

Factual assertions were statements consistent with the firm’s reality that could be proven to be true as in the following excerpt about Facebook’s Sponsored Stories from the firm’s Q3 2012 ECC.

[…]

8 On the question of where advertisers are, as I said before, we're a third thing,
9 we're not TV, we're not search.
10 We are social advertising.

[…]

Factual assertions and their relation to other codes will be further discussed in the relational and comparative analyses section. However, it is worth mentioning that they appear to fulfil two important functions. Specifically, they offer information to analysts, while also providing support for non-factual assertions (i.e., intention and opinion assertions).

A special case of factual assertions are those *referencing credible/expert sources* as in the following excerpt about Facebook’s Social Ads from the firm’s Q2 2012 ECC.

[…]

10 We know from a large number of studies and working with advertisers that the ads that are social have higher engagement rates from users, much higher ROI for advertisers.

[…]

As briefly mentioned above, factual assertions provide support for non-factual assertions. By referencing credible/expert sources this support is further strengthened. Specifically, the credibility of the source transfers to the assertion itself, thus making it more likely to be accepted at face value (Rieke, Sillars and Peterson, 2012; van Werven, Bouwmeester and Cornelissen, 2015).

Another special case of factual assertions are those *addressing faulty analyst statements* as in the following excerpt about Zynga's Z Platform from the firm's Q1 2012 ECC.

Analyst

[…]

3 Can you give us a few more details on traction around the Zynga Platform?
4 We understand it's still in beta,
5 but based on traffic data it looks like unique visitors are actually down since the launch.

[…]

Executive

[…]

11 So I'd be careful in trying to draw any conclusions on audience data with Zynga.com or any of our games or Platform before we turn on marketing promotion.
12 It is in beta, which means we purposely want to keep it at limited audience,
13 so we can actually improve the features and iterate on it.

[…]

As it has already been explained the purpose of ECCs is for analysts to receive useful incremental information that reduces the information asymmetry between themselves and the firm. Therefore, it is only reasonable that some of the information they may have prior to joining the call may be inadequate which, in turn, may lead them to faulty conclusions, reflected in their statements. Addressing these faulty statements by offering the missing information can signify to analysts that they have arrived at a faulty conclusion and set the record straight. This is in line with prior research suggesting that fallacious arguments because of missing evidence can be destructed by simply pointing the missing evidence out (Damer, 2012).

Intention assertions were statements expressing the firm's and executives' intentions and goals as in the following excerpt about Zynga's bwin partnership from the firm's Q3 2012 ECC.

[…]

10 So, on bwin, within the press release, what we've announced is that [ph] Phil (42:46) will be exclusively focused together to start with in the U.K., where they have a suite of casino products that we're both excited to test against our network.

[…]

Intention assertions and their relation to other codes will be further discussed in the relational and comparative analyses section. However, it is worth mentioning that apart from fulfilling the important function of offering information to analysts, intention assertions set analysts' expectations about what the firm and its executives are aspiring to achieve.

Opinion assertions were statements expressing the executives' personal views as in the following excerpt about Splunk's Hadoop partnership from the firm's Q3 2012 ECC.

[…]

23 So I think both of our – both our app for connecting to the – to that environment, plus our app for monitoring that environment will help provide value to those customers who have sort of gotten stuck.

[…]

Opinion assertions and their relation to other codes will be further discussed in the relational and comparative analyses section. However, it is worth mentioning that apart from fulfilling the important function of offering information to analysts, opinion assertions are also usually devices that summarize other assertions in executives' talk and attempt to present the explorative activity in question in the best light possible.

Closings

Unlike analysts' polite closings, in most of the cases examined, executives would simply close their turns with whatever their last assertion on the explorative activity in question was. As mentioned earlier executives need analysts because of their notable influence on investors and other key financial-market stakeholders, and it is in their best interests to maintain good relations with them. While one could argue that the lack of a polite closing on executives' end could be threatening to these relations, it is important to take two points into consideration. First, non-verbal cues were not part of my data. A pause in their voice, even as short as a few tenths of a second, could equally indicate that the executives have completed their turn and are ready for the next question (e.g., Hutchby, 2017). Second, the lack of conventionalized politeness may not necessarily be threatening to compromise the relationship between the two parties, but may instead indicate familiarity and some already existing degree of rapport (Brown and Levinson, 1987).

In some of the cases examined, executives would close their turn by *summarizing* their previous assertions as in the following excerpt about Facebook's Mobile from the firm's Q3 2012 ECC.

[…]

10 so by moving those promoted posts or page posts into News Feed, we're increasing engagement and results as well.

[…]

Such closings fulfill two important functions, namely explicitly remind analysts of the key points in executives' assertions and, as such, lead them to the desired conclusion, avoiding any misinterpretations. In fact, quite often summarizing statements would occur in the middle of executive turns, acting as signposts helping analysts follow the important points of executives' talk.

Last, as part of their closings, executives would *ask the operator to move on to the next analyst* as in the following excerpt about Zynga's The Ville from the firm's Q2 2012 ECC.

[…]

12 Samia, next question please.

[…]

From a first look, such statements may seem to intend to signify the end of executive turns and the beginning of new analyst turns, but they may also signify that the executive is uncomfortable with the topic of the conversation and wants to move on to the next one. As I explain in the relational and comparative analyses section, other cues and codes (i.e., refusing to provide more information, negative analyst comments, etc.) indicate that when executives make such statements they indeed feel uncomfortable. However, the presence of video and/or audio could shed more light on this matter and offer a greater degree of plausibility.

Exertion of Control

As explained in my methodology chapter (see page 49), in the discussion section of ECCs, control is negotiated between executives and analysts. Coding executive turns in my corpus resulted in four codes, namely *adding to a previous answer*, *assigning answers to executives*, *refusing to provide an answer*, and *noticeably absent/red herrings*, which are all a demonstration of analysts' attempt to exert greater control over the call.

The first of the codes is *adding to a previous answer*. Quite often, executives would add to a previous answer without any further questions as in the following excerpt about Zynga's Hidden Chronicles and Mafia Wars 2 from the firm's Q4 2011 ECC.

[…]

22 And, I would just add – this is Mark – that we try to – as John said, we're constantly learning and improving the process that we bring new games to market.

[…]

Executives in my corpus would either add to another executive's answer or return to the topic after another has been discussed. In the first case, adding to the answer would signify complete or partial dissatisfaction with previous executive's handling of the question. In the second case, adding to the question would signify their dissatisfaction with their own answer, and that they used the time when other topics were being discussed to think of a better answer. While both cases are an indication that analysts might already have enough reasons to contest legitimacy, they are also an indication of executives' effort to regain control of the narrative around a particular explorative activity and turn the situation around.

Apart from analysts, executives would also *assign answers to other executives* as in the following excerpt about Zynga's Hidden Chronicles and Mafia Wars 2 from the firm's Q4 2011 ECC.

[…]

6 John, do you want to take the – how do we judge game's success?

[…]

Apart from a few cases, executives would assign answers to others when analysts had not requested a particular executive to answer. Such assignments can be a sign that executives are using their pre-existing knowledge of the type of information each executive is best equipped to provide to control the discussion and present the explorative activity in question in the best light possible. At the same time, however, they can be a sign that not all executive team members are adequately and equally informed. While more evidence is needed to draw a conclusion on this, quite interestingly, the majority of cases where the executives would assign answers to others took place in Zynga ECCs. Zynga is not only the firm with the descending stock-price performance in my corpus, but has also faced a lot of controversy with regard to its executive team, and especially its former CEO Mark Pincus (Mac, 2013).

In some of the cases examined, executives would *refuse to provide an answer* (about the question as a whole or part of it) as in the following excerpt about Facebook’s Graph Search from the firm’s Q4 2012 ECC.

[…]

5 Unfortunately, I don't think there's that much that I can share with you on either of those.

[…]

Refusing to provide an answer may be due to a number of factors. When it comes to the public firm, providing inaccurate information may entail litigation costs. For this reason, if the executives cannot answer a question with certainty, the may try to avoid any consequences by refusing to answer altogether (e.g., Nagar, Nanda and Wysocki, 2003). Furthermore, questions made during ECCs may often require executives to share proprietary information they may not wish to become known to their competitors (e.g., Verrecchia, 2001). Last, refusing to provide an answer may be due to either strategic or communicational unpreparedness. For example, if the financial performance of a certain explorative activity is not good, executives may prefer to avoid answering relevant questions because they either do not have a plan in place to turn the situation around or they were not prepared to answer such a difficult question on the spot. In any of these cases, executives may seem to be exerting control, but refusing to provide an answer can signify hidden problems (Hollander, Pronk and Roelofsen, 2010). Moreover, as discussed in the literature review chapter, if analysts cannot find the necessary information in firms’ disclosures, then they are more likely to rely on outside sources of information that is not in the firm’s control (see Asay, Elliott and Rennekamp, 2017). As such, while a firm might refuse to provide an answer to exert control, it may end up losing it altogether. However, as I will explain later in text, if a firm is not ready to share a piece of information, there are still ways for them to refuse providing an answer and not get penalized for it.

Last, in some occasions executives’ answers to the questions asked would be *noticeably absent*. While quite similar to the previous code, in the sense that analysts would not receive the information they are after in either of these cases, noticeably absent answers are also different. Specifically, when refusing to provide an answer, executives acknowledge the question but state that (or explain why) they cannot provide an answer. In the case of noticeably absent answers, executives ignore the question altogether and instead of providing an answer that addresses it, stir the conversation elsewhere. Such answers (or non-answers) signify executives' orientation, but can also "become the object of remedial efforts and justifiable negative inferences" (Goodwin and Heritage, 1990, p. 287). In argumentation, diverting the attention away from the original issue is called *red herring fallacy* (Damer, 2012; Tindale, 2007). Regardless of whether this diversion is intentional, red herrings are associated with trickery (Laney *et al.*, 2008). Therefore, executives may seem to be exerting control, but noticeably absent answers/red herrings can also signify their intention to hide something.

Example

Having discussed all codes occurring in both analyst and executive turns, I find it helpful to present one complete example and discuss the various codes in it. The following excerpt is about Zynga's Z Platform and is from the firm's Q2 2012 ECC.

Doug Creutz (Analyst)

1	Thanks.	*Opening*
2	I wonder if you could talk about the – what the bookings contribution was from Zynga.com in the quarter.	*Questions*
3	And then just clarify, since it is on Facebook credits, is that counted in with your Facebook bookings or your non-Facebook bookings?	
4	Thanks.	*Closing*

David M. Wehner (CFO)

5	Yes, that is counted in our Facebook bookings, given that is on Facebook credits,	*Factual assertion*
6	so we don't break out the bookings related to Zynga.com.	*Refusal to provide an answer*

Doug Creutz (Analyst)

7 And can you give any color about is it becoming meaningful yet

Follow-up question

8 or is it still sort of not meaningful in the context of the larger bookings number?

Alternative potential answer

David M. Wehner (CFO)

9 I think at this point we're not breaking out any color around that.

Refusal to provide an answer

John Schappert (COO)

10 But what I will add, Doug, though is that Zynga.com remains in open beta.

Adding to a previous answer

11 So we launched it earlier this year

12 and we continue to take player feedback, take that feedback and launch new features.

13 Specifically this last quarter, we launched the multiplayer feature,

14 if you've played Bubble Safari, you can play head-to-head with up to four players.

Factual assertions

15 So we continue to take that learning and refine the system, refine the site to deliver the best social gaming experience you can.

16 So it's still in open beta;

17 we've not turned on meaningful cross-promotion or marketing for the site yet.

Closing/summarizing

Doug Creutz (Analyst)

18 Okay, thank you. *Closing*

David M. Wehner (CFO)

19 Samia, you can just go ahead and go to the next question, please.	*Closing/asking operator to move on to next question*

In line 1 the analyst is making an opening, acknowledging his turn and thanking the executive team for taking their question. By doing so he signifies the beginning of a new series of questions, while also maintaining rapport with the executive team. In line 2 he begins his question, which is in the form of an assertion. Having made known he is interested in the short-term financial performance of Zynga.com, he proceeds to make an additional question about how this performance relates to a strategic partner in line 3. In line 4 he is making a closing by once again thanking the executive team, signifying he has completed his turn and that he expects them to answer, while also maintaining rapport with them.

Moving on, the firm's CFO proceeds to answer the question. While he does not make a polite opening the lack of non-verbal cues prevents me from drawing further conclusions. In line 5, he makes a factual assertion that answers the second half of the analyst question. In line 6, which will be interesting to revisit in the relational and comparative analyses section, he refuses to provide an answer for the second half.

The analyst seems to not be satisfied with the amount of information he has received. In his attempt to regain control of the discussion, he makes a follow-up question in line 7. In fact, in line 8 he offers an alternative answer. This aspect of the discussion is particularly interesting because as explained earlier, questions formulated in this manner intend to sound less threatening toward executives, and thus assist analysts in maintaining a good relationship with them. Considering how the executive has already refused to provide more information in line 6, offering this alternative answer allows the analyst to ask for the information he needs, while also offering the executive an easy way out.

In line 9, the executive once again refuses to provide an answer. However, in line 10, another executive appears to add to the previous executive's answer, signifying his dissatisfaction with it, but also his intention to regain control of the narrative. He makes a number of factual statements up to line 14, and then makes a series of summarizing statements in lines 15-17. While not the typical polite closing, which the lack of non-verbal cues prevents me from drawing further conclusions about, these summarizing statements help explicitly guide analysts to the desired conclusion and avoid the misinterpretation of previous assertions.

In line 18, the analyst thanks the executive team for the answers, acknowledging the end of his turn, while also maintaining rapport with them. Then, in line 19, the executive asks the operator to move on to the next analyst. From a first look, this statement may seem to simply intend to signify the end of executive turn and the beginning of a new analyst turn. However, this aspect of the discussion is particularly interesting because the executive requesting to move is the same executive who refused to provide an answer. Considering his unwillingness to offer more information, but also how another executive appears to have felt dissatisfied with his answer, asking the operator to move on to the next analyst also signifies that the executive is uncomfortable with the topic of the conversation and wants to move on to the next one. The presence of non-verbal cues could shed more light on this matter and offer a greater degree of plausibility.

4.2.2 Argumentation Analysis

As explained in my methodology chapter, apart from conversation analysis, I employed argumentation analysis as the underlying structure of communication is critical for understanding social action (Harmon, Green and Goodnight, 2015). In fact, argumentation plays a prominent role in persuading stakeholders (see Palmieri, Rocci and Kudrautsava, 2015). As such, any structural differences in communication can help identify the argumentation strategies necessary to persuade analysts about the appropriateness of firms' explorative activities, and in turn maintaining and/or extending firms' legitimacy to new domains of activity. In particular, to identify the structural elements of strategic communication, and uncover structural differences between different cases where executives communicate with analysts about their explorative activities, I employed Toulmin's (1958) argumentation framework.

Unlike the conversation analysis part of my work, where I examined both analyst questions and executive answers, I only employed argumentation analysis on executive turns. The rationale behind this was that Toulmin's (1958) argumentation framework works best in contexts where the speaker is attempting to establish an argument, and in my context it is mainly executives who perform this action. In fact, even though they identify some sort of argumentation in the prefaces of analysts' questions, Palmieri, Rocci and Kudrautsava (2015) also do not annotate arguments in analyst turns. Consistent with my abductive approach, I used both Toulmin’s (1958) original framework and Fletcher and Huff’s (1990) adapted framework, continuously moving between theory and my data. Specifically, I began my argumentation analysis by using the components in Toulmin’s (1958) and Fletcher and Huff’s (1990) frameworks (see pages 51-53) as an a priori set of codes and as I was coding, I kept (i) refining their definitions to better fit their application in my data, (ii) adding to them when new codes emerged, and (iii) removing from them when codes did not feel relevant/applicable. This process resulted in a number of codes/components that can be met in executive arguments. In fact, they can be used to form an adapted framework that does not stray too far from the original, yet fits better into the context of spoken strategic communication. These components serve different functionalities, but are not necessarily all simultaneously present in an argument. I present these components in the paragraphs below, using relevant examples from my corpus. A summary of these components, along with their similarities and differences to Toulmin’s (1958) original framework and Fletcher and Huff’s (1990) adapted framework, can also be found in Table 4.2.

Table 4.2: Codes/components that emerged from argumentation analysis

Code/Component Name	**Similarities and differences to Toulmin's (1958) original framework and Fletcher and Huff's (1990) adapted framework**
Key claim (KC)	Similar to Fletcher and Huff (1990), an argument might attempt to establish a key/overarching claim which can either be explicit or implicit. In the latter case, the key claim can be inferred from other smaller claims in the argument. However, not all arguments have a key claim.
Claim (C)	Other smaller claims can also be part of an argument. The term subclaims used by Fletcher and Huff (1990) was not deemed appropriate as not all arguments have a key claim, nor all other claims are contingent on them.
Grounds (G)	Claims and other components of an argument need evidence to support them. In this sense, grounds also play the role of Toulmin’s (1958) backings as they can be used to support warrants. However, not all components, and especially claims, are supported by grounds. In such cases, the researcher needs to use their judgment and decide whether the grounds were considered what Simosi (2003, p. 188) calls “well-known or assumed” or whether the executive has omitted them for other reasons.
Warrant (W)	Similar to Toulmin's (1958) original framework, a warrant is the principle that authorizes the step from the grounds to any component they support. Warrants can either be explicit or implicit which is in line with Gasper and George (1998) and Simosi (2003).

Elaboration (ELAB)	Similar to Fletcher and Huff (1990), elaborations are statements providing further information about any of the other components.
Reiteration (REIT)	Similar to Fletcher and Huff (1990), reiterations are statements repeating information about any of the other components.
Counterargument (CA)	Similar to what Toulmin (1958) calls rebuttals, counterarguments have a contesting function. However, the term counterargument was deemed more appropriate as apart from warrants, other argument components can also be opposed. Unlike counteroffers, which are defined below, counterarguments have negative connotations.
Counteroffer (CO)	Similar to counterarguments, counteroffers oppose other argument components. However, counteroffers have positive connotations, providing further support to key claims.

4.2.2.1 Fundamental Components

While my analysis of executive arguments revealed a number of different components, similar to the original framework, the fundamental components met in almost every argument in my corpus were three: (i) *the claim (C)* which is the conclusion the argument attempts to establish, (ii) *the grounds (G)* which is the evidence in support of the claim, and (iii) *the warrant (W)* which is the principle that authorizers the step from the grounds to the claim. For this reason, I find it helpful to begin by examining these three components through the following excerpt about Facebook's News Feed from the firm's Q1 2013 ECC.

[…]

9 So the ads that we show in newsfeed are displayed more prominently — *Grounds*

10 and they're more in the flow of a user's attention.
11 So as you would imagine, — *Warrant*

12 we get more engagement with those ads — *Claim*

[…]

In line 12, the executive attempts to establish that the new ad format generates more engagement (claim). In support of this claim, he offers relevant evidence in line 9 (grounds). Specifically, he explains that ads are now displayed more prominently. To assist analysts in making the logical step from the grounds to the claim, he presents the principle that connects the two in lines 10-11 (warrant). In particular, he explains that since prominently displayed ads are more likely to receive users' attention, common sense dictates that such ads will generate more engagement. Figure 4.1 presents a Toulminian map of the components of the argument, with some slight rewording to better match the framework.

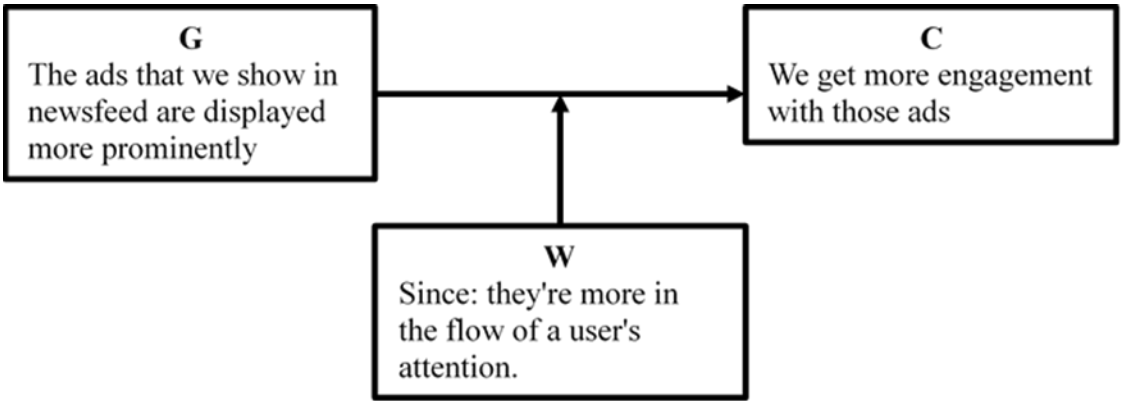

Figure 4.1: Example of Toulminian map applied to an argument in Facebook's Q1 2013 ECC

While helping the reader understand the basic structure of an argument in my corpus, the example presented above is overly simplistic, in the sense that it does not fully capture all the particularities of the components discussed. Specifically, the example above only had one claim the executive was attempting to establish. In most of the cases examined, however, there would be multiple claims, leading to more complicated maps (see example on pages 88-91). Some of these claims would be what Fletcher and Huff (1990) call *key claims*, whereby the executive would attempt to establish a key/overarching claim in an either explicit or implicit manner. In the case of implicit key claims, they would be inferred from other smaller claims in the argument. However, not all arguments had a key claim, and not all other smaller claims were contingent on them, which is why Fletcher and Huff's (1990) *subclaims* were not deemed appropriate as a term.

Grounds would not only provide support for key claims and claims, but also for other components of an argument. In this sense, grounds would also play the role of Toulmin's (1958) *backings* as they could be used to support warrants. At the same time, warrants would be the principle authorizing the step from the grounds to any component they support. However, not all components, and especially key claims and other smaller claims, were explicitly supported by grounds and warrants. In such cases, the grounds and warrants were either what Simosi (2003, p. 188) calls "well-known or assumed" or the executive had omitted them for other reasons. As explained in greater detail in the relational and comparative analyses section, the lack of explicit or, at least, implicit grounds and warrants would reflect negatively on the explorative activity.

4.2.2.2 Other Components

Apart from the three fundamental components discussed in the previous paragraphs, executive arguments had four more components: (i) *elaborations*, (ii) *reiterations*, (iii) *counterarguments*, and (iv) *counteroffers*. Specifically, similar to Fletcher and Huff (1990), elaborations are statements providing further information about any of the other components. Moreover, similar to Fletcher and Huff (1990), reiterations are statements repeating information about any of the other components. At the same time, similar to what Toulmin (1958) calls *rebuttals*, counterarguments have a contesting function. However, the term counterargument was deemed more appropriate as apart from warrants, other argument components can also be opposed. Unlike counteroffers, which are defined next, counterarguments have negative connotations and oppose other argument components in a negative manner. Last, similar to counterarguments, counteroffers oppose other argument components. However, counteroffers have positive connotations, providing further support to key claims. I examine these components through the following excerpt about Facebook's Social Ads from the firm's Q1 2013 ECC.

[…]

9	I think we're really early,	*Claim*
10	but what we really expected was to not be able to necessarily show everyone an ad every day	*Counterargument*
11	because we weren't sure that we had the quality upfront.	*Grounds*
12	And that was some of the engagement metrics that I was talking about before.	*Elaboration*

13 So we've been positively surprised that the quality has been naturally high and there's been basically no engagement hit at all that's very meaningful.	*Counteroffer*
14 So what that means is that now -- previously, we thought we were going to have to spend 6 to 12 months just tuning in order to be able to get it to a quality level and then incrementally roll out ads. 15 Whereas now we've had them rolled out	*Elaboration*
16 and now we can go straight into doing the same types of things to improve targeting and improve the quality of the ad format	*Claim*
17 which obviously when they're fully deployed has much more leverage to those changes than if we had to kind of wait until we hit different quality thresholds to roll it out more.	*Warrant*
18 So I think we're just pretty early.	*Reiteration*
19 I don't know – 20 it's not that it's going to go in a completely different direction. 21 I think it's mostly the two things that we've talked about so far, good targeting and good ad formats.	*Elaboration*
22 And I think there's just a lot of room to grow in both.	*Claim*

[…]

In line 9, the executive attempts to establish that it is early to be able to share information (claim). This claim is not explicitly or implicitly supported by any grounds or warrants which makes it more of an opinion assertion. Then, in line 10, he opposes that claim by sharing some information. The information shared, however, has negative connotations since he explains that the firm's expectations were low (counterargument). In support of this counterargument, in line 11 he explains that they were not sure about the quality (grounds) and in line 12 he provides more information about it. While there is no explicit warrant to help analysts make the step from the grounds to the claim, the principle connecting the two appears to be commonsensical and therefore implied. In line 13 the executive once again opposes his initial claim by sharing more information, but this time it has positive connotations since he explains that they have been positively surprised (counteroffer). Then, in line 14 he provides more information about his counterargument, whereas in line 15 he provides more information about his counteroffer (elaboration). Moving on, based on the juxtaposition between the counterargument and the counteroffer (grounds), he makes a claim about what the firm can achieve in the near future in line 16. To assist analysts in making the logical step from the grounds to the claim, he presents the principle that connects the two in line 17 (warrant). In particular, he explains that since they do not have to wait, they have the leverage to achieve more. In line 18, the executive repeats that it is early (reiteration). Then, in lines 19-21 he elaborates more on it. Last, in line 22 he concludes with an optimistic claim about the future. While this last part may appear disconnected from the rest of the argument from a first look, it essentially brings the argument full circle, with the last claim having the support of all previous components. Figure 4.2 presents a Toulminian map of the components of the argument as discussed above.

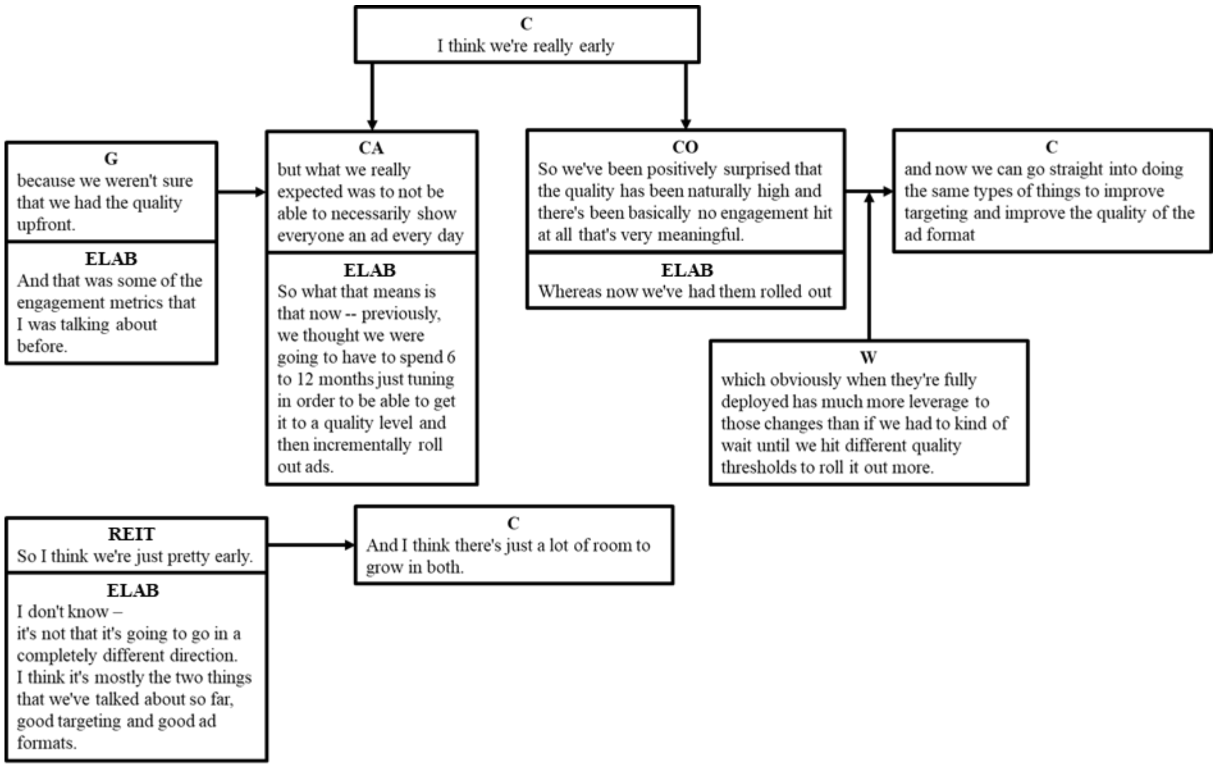

Figure 4.2: Example of Toulminian map applied to an argument in Facebook's Q1 2013 ECC

4.2.3 Cognitive Linguistics

As explained in my methodology chapter, I employed cognitive linguistics to complement the other two analytical tools I used (i.e., conversation analysis and argumentation analysis) and assist me in understanding linguistic patterns in my corpus going beyond them. However, it is important to once again note that I did not employ cognitive linguistics conventionally (i.e., quantitative content analysis for theory testing). Instead, I adopted an encyclopaedic view of meaning, whereby meaning is fundamentally guided by context (Evans and Green, 2006), and employed cognitive linguistics to generate richer insights and be assisted in theory building (i.e., interpretive content analysis; for a comparison between the two types of content analysis see Bryman and Bell, 2015). The aspects of language I examined were *tone* (e.g., Davis *et al.*, 2015), *intensifiers* (e.g., Taboada *et al.*, 2011), *modality* (e.g., Evans and Green, 2006) and *time signatures* (e.g., Crilly, 2017). Similar to argumentation analysis, and consistent with my abductive approach, I began this part of my analysis by using known variants of the aforementioned aspects of language as an a priori set of codes (i.e., positive, neutral and negative for tone; amplifiers and downtoners for intensifiers; strong epistemic, weak epistemic, strong deontic and weak deontic for modality; past, present and future for time)[12]. As I was

[12] See pages 53-55 and 92-97 for definitions and detailed accounts of these variants.

coding, I kept refining this set of codes to better fit into my context by (i) adding to them when new codes emerged, and (ii) removing from them when codes did not feel relevant/applicable. This process resulted in a number of codes that can be met in both analyst and executive turns. I organize these codes in four relevant sections and present them using examples from my corpus. A summary of these codes can also be found in Table 4.3.

Table 4.3: Codes that emerged from cognitive linguistics

Aspects of language examined	**Codes**
Tone (met in both analyst and executive turns)	• Positive tone • Neutral tone • Negative tone
Intensifiers (met in both analyst and executive turns)	• Amplifier • Downtoner
Modality - Epistemic Modality (met in executive turns)	• Strong likelihood/certainty • Weak likelihood/certainty
Time Signatures (met in both analyst and executive turns)	• Past • Present • Future • Too-soon-to-tell claim

4.2.3.1 Tone

Prior studies involving ECCs have showcased the informative role of linguistic tone/sentiment (e.g., Davis *et al.*, 2015; Doran, Peterson and Price, 2012; Price *et al.*, 2012). Linguistic tone (positive, neutral and negative) was associated with various codes in my corpus, generating indeed rich insights. Previous researchers have resorted to linguistic analysis software packages (e.g., LIWC) and neglected context. However, I focused on identifying words with *positive*, *neutral* and *negative* valence in my corpus, and decided the overall tone of each clause depending on the context. While discussing tone in the relational and comparative analyses section, where its relation to other codes is examined, is far more insightful, the tone in analyst and executive turns still holds valuable information on its own.

Beginning with analyst turns, the tone mostly met in them was neutral as in the following excerpt about Facebook's Atlas from the firm's Q1 2013 ECC.

[…]

3 Sheryl you talked about Atlas and the measurement capabilities there

[…]

This is in line with the discussion made earlier about how analysts have to keep the balance between their need for information and their need to maintain a good relationship with executives so that they continue giving them airtime during ECCs and providing them with information. Specifically, a non-threatening neutral tone can counterbalance the potentially challenging nature of analyst assertions and questions, which could compromise their relations with executives. Analysts' use of either a positive or negative tone coincides with the occurrence of other codes and will be discussed further in the relational and comparative analyses section. However, it is important to note that when analyst tone in my corpus was not neutral, it was usually positive rather than negative. This, once again, is in line with their need to maintain good rapport with executives and shows that they actively pursue it.

In line with prior research (e.g., Price *et al.*, 2012), the tone in executive turns was mostly positive as in the following excerpt about Facebook's Ad Exchange from the firm's Q4 2012 ECC.

[…]

7 We're very encouraged by what we see both in terms of marketer demand and ad performance.

[…]

Considering that presenting explorative activities in a positive light is in executives' best interests, a positive tone in their turns is justified. Executives' use of either a neutral or negative tone coincides with the occurrence of other codes and will be discussed further in the relational and comparative analyses section.

4.2.3.2 Intensifiers

As explained in my methodology chapter, it is not uncommon for researchers examining linguistic tone/sentiment to also examine semantic intensity (e.g., Aung and Myo, 2017; Ngoc and Yoo, 2014). In fact, it is common practice in the field of sentiment analysis/opinion mining, where tone essentially captures polarity and semantic intensity captures strength (Liu, 2020; Taboada *et al.*, 2011). Intensifiers (i.e., *amplifiers* and *downtoners*) were a common occurrence in my corpus and were associated with various codes in it, generating rich insights. While there are no exhaustive lists of intensifiers in the literature, Taboada and colleagues (2011) explain that adverbs, adjectives and quantifiers can all serve as intensifiers, with context being of decisive importance. Taking this into consideration, I identified all adverbs, adjectives and quantifiers in my corpus, and took context into account to decide whether they should be coded as amplifiers or downtoners.

Similar to linguistic tone, analysts and executives differed in their choice of intensifiers. Specifically, analysts would most often use downtowners as in the following excerpt about Zynga's bwin partnership from the firm's Q3 2012 ECC (downtoner is in bold and underline).

> […]
>
> 5 not about the economics, however, but can you **just** clarify what sites and platforms the real-money games will be available on?
>
> […]

Considering downtoners are meant to decrease semantic intensity, their use by analysts is not surprising. As it has already been established, it is in their best interests to sound non-threatening and downtoners help them toward this direction by downplaying challenging assertions and questions.

On the other hand, executives would most often use amplifiers in their talk as in the following excerpt about Facebook's Mobile from the firm's Q4 2012 ECC (amplifier is in bold and underline).

> […]
>
> 14 and we think that our mobile web experience is **really** good and has on the same order of magnitude of users as our apps

[…]

Considering amplifiers are meant to increase semantic intensity, their use by executives is not surprising. Specifically, since presenting explorative activities in a positive light is in executives' best interests, amplifiers can provide further support toward this direction. This will become more evident in the relational and comparative analyses section, where intensifiers will be examined in combination with other codes (e.g., amplifiers and positive tone).

4.2.3.3 Modality

As explained in my methodology chapter, modality can be divided into two categories: (i) *epistemic* which refers to a speaker's confidence in the *possibility, likelihood or certainty* of their statement (will, can, might), and (ii) *deontic* which refers to a speaker's judgement relating to a particular *obligation, permission or prohibition* (must, should) (Evans and Green, 2006). Epistemic modality signifiers had a strong presence in my corpus, and in particular in executive turns. For this reason, I identified all relevant modal verbs in my corpus, and took context into account to decide whether they should be coded as indicators of likelihood/certainty. Modal verbs such as will and can were considered *strong indicators of likelihood/certainty* (encoding a projected reality), while would and could were considered *weak indicators of likelihood/certainty* (encoding a potential reality).

Regarding epistemic modality, executives in my corpus would use both strong and weak likelihood/certainty indicators as in the following excerpts about Zynga's (i) Z Platform and (ii) Hidden Chronicles and Mafia Wars 2 from the firm's Q3 2012 and Q4 2011 ECCs respectively (certainty indicators are in bold and underline).

Excerpt about Z Platform

[…]

12 we think that <u>**we can**</u> get more leverage, get to more genres and more game types faster by working with the rest of the industry and letting them leverage not just our large audience, but the rest of our network features that drive higher engagement, and other services that we help them with on things like monetization and improving the retention in their games.

[…]

Excerpt about Hidden Chronicles and Mafia Wars 2

[…]

21 and **<u>hopefully</u>** it makes every future game we launch better.

[…]

As I will explain in greater detail in the relational and comparative analyses section, such indicators are of particular interest in parts of executives' talk where they make certain commitments about the explorative activity in question. Strong likelihood/certainty indicators signify greater confidence in the commitment made. On the other hand, weak likelihood/certainty indicators signify lesser confidence, but may also be due to executives' intention to avoid potential litigation costs.

4.2.3.4 Time Signatures

Time constitutes a fundamental domain of human experience (Evans and Green, 2006). In fact, researchers have shown that the way time is expressed linguistically reflects the speakers' thoughts and affects their behavior (Crilly, 2017). Time signatures had a strong presence in my corpus and were associated with various codes in it, generating indeed rich insights. In particular, in my analysis I coded for time-related lexical concepts, while also taking context into consideration. This process resulted in four codes, namely *past*, *present*, *future*, and *too-soon-to-tell claims*. References to past, present and future were made by both analysts and executives and will be discussed in further detail in relational and comparative analyses section. Too-soon-to-tell claims, on the other hand, were made exclusively by executives. When making too-soon-to-tell claims, executives would essentially argue that it is too soon for the explorative activity in question to drive any safe conclusions about certain aspects of it, as in the following excerpt about Facebook's Mobile from the firm's Q4 2012 ECC.

[…]

7 On the mobile side, I think that it's just really important to recognize we're very early in this.

[…]

Executives would either use to-soon-to-tell claims to justify why they will not be sharing any further information or use them to justify why the information shared should be taken with caution. This relates to other codes discussed earlier (e.g., refusing to provide an answer) and will be further discussed in the relational and comparative analyses section. However, it is worth noting that the use of too-soon-to-tell claims can be interpreted in two alternative ways. Specifically, such claims may be getting used as a safeguard against potential litigation and/or proprietary costs, but can also signify hidden problems.

4.2.4 Legitimacy Extension, Maintenance and Contestation

As explained in my methodology chapter, after coding ECC transcript excerpts where analysts raise questions about firms' explorative activities and executives answer these questions, I focused on analysing the corresponding analyst report excerpts to identify in which cases communication has been successful and in which unsuccessful. By doing so, I was able to later draw comparisons, identify patterns of association that would only hold true for either successful or unsuccessful cases, and in turn identify the communication strategies that are the most and least effective in persuading analysts about the appropriateness of firms' explorative activities. As explained earlier, in this research project I make the a priori assumption that the purposeful use of communication can can proactively persuade analysts about the appropriateness of firms' explorative activities without having to compromise them, and consequently extend their legitimacy to these new domains of activity. Therefore, to decide whether communication has been successful (or unsuccessful), I analyzed the relevant analyst report excerpts in my corpus by performing interpretive content analysis. In particular, I focused on identifying words with positive, neutral and negative valence, and decided the overall tone of each relevant excerpt depending on the context. This process resulted in a number of codes that I organized into four categories, namely *positive reaction/legitimacy extension*, *negative reaction/legitimacy contestation*, *mixed reaction*, and *no reaction*/legitimacy maintenance. I present these codes and categories in the paragraphs below, using relevant examples from my corpus. A summary of these codes, along with the categories I organized them into, can also be found in Table 4.4.

Table 4.4: Codes and categories that emerged from analyst reactions

<u>Positive reaction/legitimacy extension</u> • Direct   o Positive expectations about the future • Indirect (e.g., broader category)
<u>Negative reaction/legitimacy contestation</u> • Direct   o Negative expectations about the future • Indirect (e.g., not acknowledged as a solution)
<u>Mixed reaction</u> • Direct • Indirect (e.g., cannibalization concerns)
<u>No reaction/legitimacy maintenance</u>

4.2.4.1 Positive Reaction/Legitimacy Extension

In the majority of the cases examined, analysts' reaction was positive as in the following excerpts about Zynga's CityVille from the relevant Q4 2011 analyst commentary (Anmuth, 2012d).

> […]
>
> Zynga benefiting from portfolio diversification. We think Zynga's strong portfolio of web and mobile games drove good sequential bookings growth despite few major title launches in 1Q-3Q11. Zynga Poker, CityVille, and mobile all saw record bookings in 4Q11 despite Zynga Poker being released in 3Q07 and CityVille in 4Q10. In addition, recently launched CastleVille appears to have already driven some upside in 4Q. Note that Zynga games' bookings growth typically lags usage growth by several quarters, so CastleVille's appears to be monetizing earlier than previous titles. Mobile titles such as Words With Friends are also having a meaningful impact on growth. However, Farmville (~25% of 4Q bookings; launched in 2Q09) bookings appear to be declining after peaking in 2Q11. We expect Farmville bookings to continue declining over the next several quarters as the game follows its life cycle and potentially gets cannibalized by other titles. We think Zynga's large and growing game portfolio removes some quarterly bookings volatility that is typical of more hit-driven traditional game developers.

[…]

What We Liked

Strong bookings growth with solid contribution from established games

4Q bookings grew 26% Y/Y to $306.5M, above our estimate of $289.9M (+19%). Zynga saw growth from established titles including Zynga Poker, Words With Friends, and CityVille. Additionally, the newly launched CastleVille (launched in Nov'11) delivered a solid performance in both DAUs and bookings. Strong bookings growth during the quarter was also driven by a large increase in mobile DAUs as well as improved payer conversion rates in both the web and mobile businesses.

[…]

The overall tone in the above commentary is positive, indicating the analyst's approval of the explorative activity in question, and therefore the extension of its legitimacy to this new domain of activity. However, it is worth noting that the analyst's positive commentary appears to be primarily based on short-term financial performance indicators. This may mean that their approval is not seated in a firm belief in the activity's value-generating potential, and may, thus, be easily withdrawn at any given point. Alternatively, it may mean that they do not have to defend the explorative activity to investors based on their own beliefs and expectations as the numbers are convincing enough on their own.

In some of the cases examined, analysts' overall positive tone was also accompanied by *positive expectations about the future* as in the following excerpts Facebook's Sponsored Stories from the relevant Q2 2012 analyst commentary (Anmuth, 2012a).

[…]

we believe Facebook delivered solid 2Q results relative to expectations, provided meaningful detail on the early traction of Sponsored Stories, and handled the conference call well.

[…]

> we believe positive commentary on Sponsored Stories in the News Feed and other ad products suggest that **revenue growth is likely to accelerate in 2H12.**
>
> […]
>
> we believe **that can increase significantly in coming quarters** as advertiser demand picks up and Facebook determines how best to optimize for SSNF. Facebook's early commentary gives us increased confidence that **the company can meet our previously stated expectation** of $300M-$500M of mobile revenue per quarter some time within the next 4 quarters.
>
> […]

As in the previous case, the overall tone in this commentary is also positive, indicating the analyst's approval of the explorative activity in question. In addition to this positive tone, the analyst also seems to have positive expectations about the future (see phrases in bold and underline). This links back to relevant discussion in the literature review chapter around the sociology of expectations (see Borup *et al.*, 2006; Brown, Rappert and Webster, 2000; van Lente, 2012), and how creating positive expectations about the future can further assist in persuading stakeholders and establishing legitimacy (e.g., Garud, Schildt and Lant, 2014; Nagy *et al.*, 2012; Parhankangas and Ehrlich, 2014). As such, the analyst's positive tone, in combination with their positive expectations about the future, serves as an indication that legitimacy is extended to this new domain of activity.

Last, in a few of the cases examined, analysts' reaction was positive, but was related to the explorative activity in question in an *indirect* manner as in the following excerpt about Facebook's Page Post Ads from the relevant Q1 2013 analyst commentary (Anmuth, 2013a).

> […]
>
> we remain bullish as it is early in social advertising with less than 10% of budgets allocated to social, the new News Feed should improve the user experience while also attracting more advertising through better formats including video, and Facebook advertisers are achieving strong ROI through newer formats/products such as Mobile

App Install Ads, FBX, and Custom Audiences. We reiterate our Overweight rating and $35 price target.

[…]

The overall tone in this commentary is also positive, indicating the analyst's approval of the broader category the explorative activity in question belongs to. The lack of direct reference to the explorative activity appears to be due to a number of activities falling under the same umbrella, but may also be because either the explorative activity is not substantial enough to refer to it directly or the analysts are postponing their commentary for future quarters when they have more information. As such, while the analyst commentary is not necessarily an indication that legitimacy is extended to this particular domain of activity, it is at least an indication that legitimacy is maintained.

Considering this study argues that through strategic communication (symbolic management) executives can proactively persuade analysts about the appropriateness of their explorative activities without having to compromise them, analysts' positive commentary discussed in the previous paragraphs is of particular importance. While I acknowledge that this is not a hypothesis-testing study, finding evidence that analysts approve of firms' explorative activities, provides further support to the argument that analysts are not by default rejecting explorative activities because of their impact on short-term financial performance. In fact, taking into account that analyst reactions were positive in the majority of the cases examined, analysts may be positively predisposed toward explorative activities and will approve of them as long as firms persuade them that the explorative activity in question conforms to the shareholder-value principle.

4.2.4.2 Negative Reaction/Legitimacy Contestation

In some of the cases examined, analysts' reaction was negative as in the following excerpt about Zynga's Draw Something from the relevant Q2 2012 analyst commentary (Anmuth, 2012c).

[…]

> Beyond Facebook changes, we would point to the shift to mobile, the delayed launch of The Ville, and poor performance of Draw Something as the other key factors weighing on results.
>
> […]

The overall tone in this commentary is negative, indicating the analyst's disapproval of the explorative activity in question, and therefore the contestation of the firm's legitimacy. However, it is worth noting that the analyst's negative commentary appears to be primarily based on short-term financial performance indicators. This may mean that their disapproval is not seated in a firm disbelief in the activity's value-generating potential, and may, thus, be easily withdrawn at any given point. Alternatively, it may mean that they do not have to defend their position against the explorative activity to investors as the numbers are convincing enough to outright reject it.

In some of the cases examined, analysts' overall negative tone was also accompanied by *negative expectations about the future* as in the following excerpts about Facebook's Mobile from the relevant Q4 2012 analyst commentary (Anmuth, 2013b).

> […]
>
> **Risks** to Rating and Price Target
> Downside **risks** include:
>
> […]
>
> rapid shift toward mobile usage ahead of mobile monetization efforts
>
> […]

As in the previous case, the overall tone in this commentary is also negative, indicating the analyst's disapproval of the explorative activity in question[13]. In addition to this negative tone, the analyst also seems to have negative expectations about the future (see words in bold and underline). This links back to relevant discussion in the literature review chapter around the sociology of expectations (see Borup *et al.*, 2006; Brown, Rappert and Webster, 2000; van Lente, 2012), and how expectations about the future are an integral part of firms' legitimation efforts (e.g., Garud, Schildt and Lant, 2014; Nagy *et al.*, 2012; Parhankangas and Ehrlich, 2014). As such, the analyst's negative tone, in combination with their negative expectations about the future, serves as an indication that legitimacy is contested.

Last, in a few of the cases examined, analysts' reaction was negative, but was related to the activity in question in an *indirect* manner as in the following excerpts about Facebook's Atlas from the relevant Q1 2013 analyst commentary (Anmuth, 2013a).

> […]
>
> **<u>Risks</u>** to Rating and Price Target
>
> […]
>
> advertiser ROI on Facebook may remain difficult to measure
>
> […]

The overall tone in this commentary is also negative, indicating the analyst's disapproval. While from a first a look, this commentary seems unrelated to Atlas, this explorative activity was meant to provide a solution to measuring advertiser return on investment (ROI). The fact that the analyst still considers advertiser ROI difficult to measure, means that the executives have failed to persuade the analyst about the value-generating potential of the activity in question, and have therefore left the firm's legitimacy open to contestation.

---

[13] In reality, reactions toward Facebook's Mobile were mixed. I use this as a negative reaction/legitimacy contestation example because (i) purely negative reaction/legitimacy contestation cases were very few to begin with and (ii) most of the purely negative reaction/ legitimacy contestation cases fall within two subcategories, namely analysts react negatively but do not share their expectations about the future, and analysts react negatively but in a manner that is indirectly linked to the activity in question.

4.2.4.3 Mixed Reaction

Cases having a mix of positive/negative overall reactions were coded as mixed. In such cases, analysts in my corpus were mostly positive toward the explorative activity in question as a whole, but were concerned about particular aspects of said activity. Through my relational and comparative analysis, I was able to attribute positive and negative analyst comments, and therefore legitimacy extension and contestation, to different communication strategies. As a result, my explanatory model, presented in the relational and comparative analyses section, only refers to legitimacy extension and contestation (no mixed reaction). However, I deemed appropriate coding for and discussing such mixed cases because they provide further support to my argument that analysts can look beyond short-term financial performance indicators in a unique way. Specifically, and while I acknowledge that this is not a hypothesis-testing study, finding evidence that the same activity and executive(s) answering questions relevant to it can elicit both positive and negative reactions shows that analysts are not by default rejecting explorative activities because of their impact on short-term financial performance. In fact, analysts' mostly positive commentary suggests that analysts may actually be positively predisposed toward explorative activities. Furthermore, the fact that I was able to attribute positive and negative analyst comments to different communication strategies, highlights the difference the purposeful use of communication can make in firms' legitimation efforts. The following excerpt about Splunk's Hadoop partnership from the relevant Q2 2012 analyst commentary is representative of a mixed analyst reaction met in my corpus (DiFucci, 2012a).

> […]
>
> **<u>Hadoop: Complementary today … competitor tomorrow?</u>**
>
> The open-source Hadoop project is increasingly becoming a viable platform for processing and analyzing large, typically unstructured data sets. Today, Hadoop is used for large-scale, batch analytics and requires significant expertise to run. **<u>While the product is complementary to Splunk today, it could become more of a competitor in the future.</u>** There is significant support for Hadoop from customers, vendors and investors, and the platform is maturing and gaining adoption rapidly.
>
> […]

No positive/negative expectations about the future are met in this particular excerpt. However, it remains a good example of a mixed reaction. Specifically, for its biggest part the excerpt has a positive tone, indicating the analyst's approval of the explorative activity in question. The areas, in bold and underline though, reveal concerns about the future. While having a positive reaction is preferred, such a mixed reaction is not an outright disapproval either. On the contrary, it shows that analysts are positively predisposed towards the activity. At the same time, it highlights the areas that need improvement, both in terms of strategy and communication, in order to repair any damage done to the firm's legitimacy.

Last, in a few of the cases examined, the negative part of a mixed reaction was only *indirectly* related to the explorative activity in question, as in the following excerpt about Facebook's Mobile from the relevant Q3 2012 analyst commentary (Anmuth, 2012b).

> […]
>
> What Concerned Us
>
> Desktop Y/Y Deceleration and Q/Q Declines: Our analysis suggests that Facebook's desktop ad revenue increased 17% Y/Y in 3Q—down from 37% in 1Q and 26% in 2Q—and right-hand rail revenue increased 11% Y/Y compared to 26% in 1Q and 23% in 2Q. On a Q/Q basis we estimate desktop ad revenue declined 5% and right-hand rail revenue was down 8%. Even with very strong mobile contribution, the desktop ad slowdown will likely remain a key focus for investors. However, some desktop advertising is simply shifting to mobile, and we believe in many cases Facebook has discretion as to where a marketer's ads actually run. Given higher engagement and recall rates on mobile as noted above, we would expect ad dollars to continue shifting to mobile and for Q/Q desktop declines to continue.
>
> […]

While nothing negative is said about Mobile directly, the analyst appears to have concerns about how it affects Desktop and the potential cannibalization it may cause. While having a positive reaction is preferred, such a mixed reaction is not an outright disapproval either.

However, it highlights the areas that need improvement, both in terms of strategy and communication, in order to repair any damage done to the firm's legitimacy.

4.2.4.4 No Reaction/Legitimacy Maintenance

Last, in some of the cases examined, analysts had no reaction at all. Specifically, even though they would exhibit interest in the explorative activity during the ECC and ask questions about it, they would then make no comments in their respective analyst reports (nor during the ECC). While, as mentioned earlier, having a positive reaction is preferred, having no reaction is not necessarily a negative outcome. As I will explain in detail in the relational and comparative analyses section, analysts would have no reaction when executives would use specific communication strategies during the ECC. The nature of these strategies indicates that analysts are simply postponing their commentary for future quarters, when they have more information about the explorative activity in question. In this regard, no reaction essentially indicates that legitimacy is maintained and buys executives time.

4.3 Relational and Comparative Analyses

Having presented all codes and categories that emerged from my coding, I dedicate this section to examining the relationships between them and presenting the patterns of association emerging from my relational and comparative analyses. Specifically, as explained in my methodology chapter (see pages 47-48), my analytical approach was similar to the repetitive cycle of analysis (i.e., describe, compare and relate) recommended by Bazeley (2013). As such, apart from coding my corpus and organizing the codes that emerged into categories, I would further reflect on them. After several iterations of this process, I was able to identify patterns of association between codes within my cases (relational analysis). Some of these patterns would hold true across all cases, while others would only hold true for either successful or unsuccessful cases (comparative analysis). Eventually, a point of saturation was reached, where the different patterns got well established and formed a coherent explanatory model. Given that analyst turns would mainly consist of patterns of association that would hold true across cases regardless of their success, while executive turns would consist of patterns of association that would hold true for either successful or unsuccessful cases, I organize this section in two sub-sections, namely analyst turns and executive turns. In fact, the patterns of association identified in executive turns constitute the communication strategies that lead to analysts' approval or disapproval, and subsequently to legitimacy extension, maintenance or contestation. As such, they represent the building blocks of my explanatory model which I present in the executive turns sub-section, examining the various patterns of association in relation to the analyst reactions they elicit.

4.3.1 Analyst Turns

As mentioned earlier in this chapter, while the ultimate objective of this research project is to identify the communication strategies that are the most and least effective in persuading analysts' about the appropriateness of firms' explorative activities, I was not merely interested in executives' answers and whether these were met with positive or negative comments. I was equally interested in what led up to their answers, and understanding their interactions with analysts as a whole. That was the reason I examined both analyst questions (and follow-up questions) and executive answers. This section intends to serve the same purpose, by discussing the patterns of association identified in analyst turns.

Employing conversation analysis revealed a particular sequential order analysts follow in their talk. In particular, after making an opening, analysts would make a number of assertions and questions, and then signify the end of their turn and the beginning of executives' turn with a closing. I examine the various parts of this sequence in relation to the cognitive linguistics aspects presented in the coding section[14], and discuss what the communication devices (patterns of association) emerging from this process reveal about the interaction between analysts and executives. A summary of these communication devices (patterns of association) that emerged from my relational and comparative analyses, along with the functions they serve, can also be found in Table 4.5.

Table 4.5: Analyst-related communication devices

Communication Device	Function
<u>**Openings**</u>	
• Greeting and thanking in a positive tone	• Acknowledging turn, signifying beginning of new series of questions, and establishing/maintaining rapport
• Enumerating questions in a neutral tone, accompanied with downtoners	• Informing and neutralizing/downplaying challenging nature of questions

[14] As mentioned earlier, conversation analysis and cognitive linguistics were applied to analyst turns, while argumentation analysis was only applied to executive turns.

Assertions • Factual and neutral in tone, accompanied with references to the past and attributions to external sources • Factual and negative in tone, accompanied with references to the past, attributions to external sources and downtoners • Opinion and positive in tone, accompanied with amplifiers	• Signifying questioning part coming up, indicating which explorative activities the questioning is going to be about, and offering summary of known information in a neutralizing/non-challenging manner • Offering summary of known negative information in a neutralizing/non-challenging manner • Praising to establish/maintain rapport
Questions • Questions in a neutral tone, accompanied with downtoners • Follow-up questions in a neutral tone, accompanied with downtoners (when executives are cooperative) • Follow-up questions in a negative tone, accompanied with amplifiers (when executives are dismissive)	• Eliciting information in a non-challenging manner • Eliciting information in a non-challenging manner • Eliciting information aggressively
Closings • Concluding and thanking in a positive tone	• Signifying executives' turn and establishing/maintaining rapport

4.3.1.1 Openings, Tone and Intensifiers

As mentioned in the coding section, analysts would politely greet the executive team and thank them for taking their question to signify that they acknowledge their turn and a new question or series of questions about one or more firm activities is about to begin, while also helping establish and/or maintain rapport with the executive team. The tone accompanying all such openings was positive. Considering it is in analysts' best interests to maintain a good relationship with executives, the use of a positive tone is not surprising. The following excerpt about Facebook's Open Graph Network from the firm's Q3 2012 ECC is representative of a positively-toned opening met in my corpus.

1 Yes, good afternoon.

2 Thanks for taking my call.

[…]

Enumerating the questions they would like to make was also part of some analysts' openings. Such utterances were always neutral in tone and accompanied with downtoners. As it has already been explained, questions can make executives feel challenged and potentially compromise analysts' relations with them. By enumerating their questions, analysts help executives prepare for the questions to come, and by doing so in a neutral tone accompanied with downtoners, they downplay their challenging nature. The following excerpt about Zynga's bwin partnership from the firm's Q3 2012 ECC is representative of how analysts in my corpus enumerated their questions in a neutral tone, accompanied with downtoners (downtoner is in bold and underline).

[…]

3 <u>**Just**</u> wanted to ask two things.

[…]

4.3.1.2 Assertions, Tone, Intensifiers and Time Signatures

As explained in the coding section, after openings and in-between questions analysts would make assertions to signify that questions are coming up, indicate which activities the questions are going to be about, and offer a brief summary of already known information about these activities. In the majority of the cases examined, these assertions were factual, neutral in tone and making references to the past. Additionally, they would often be attributed to sources other than analysts themselves, and in particular to executives. This is in line with analysts' need to maintain a good relationship with executives so that they continue giving them airtime during ECCs and providing them with information. Specifically, a non-threatening neutral tone can counterbalance the potentially challenging nature of the assertions. Furthermore, by keeping their assertions factual, making references to the past and attributing them to external sources, analysts distance themselves from them. As a result, regardless of what they may insinuate about the firm, their assertions are less likely to compromise their relations with executives. The following excerpt about Facebook's Atlas from the firm's Q1 2013 ECC is representative of how analysts in my corpus made neutrally-toned factual assertions, referring to the past and being attributed to external sources.

[…]

3 Sheryl you talked about Atlas and the measurement capabilities there
4 and you framed it in terms of click based ads.

[…]

In some of the cases examined, analysts would make factual assertions that would be negative in tone. Considering it is in analysts' best interests to maintain a good relationship with executives, these occurrences were very rare. Similar to neutrally-toned assertions, analysts would accompany their negatively-toned assertions with references to the past and attributions to external sources to distance themselves from the negative connotations. Additionally, they would use downtowners to further downplay the challenging nature of their statements. The following excerpt about Zynga's OMGPOP from the firm's Q1 2012 ECC is representative of how analysts in my corpus made negatively-toned factual assertions, accompanied with references to the past, attributions to external sources, and downtoners (downtoners are in bold and underline).

[…]

5 As you mentioned, it looks like that the flow-through on the bookings guidance increase to EBITDA was <u>**maybe not as great as**</u> implied in just the core business margins, you talked about offsets in sales and marketing and R&D.

[…]

Last, in some of the cases examined, analysts would make opinion assertions in a positive tone. Unlike other assertions aimed at merely signposting and informing, positively-toned opinion assertions intended to also fulfil another function. Specifically, in line with research suggesting that praise is a predictor of likeability (Byrne and Rhamey, 1965; Reysen, 2005), such assertions aimed at establishing/maintaining rapport with the executive team. In fact, to further heighten their effect, analysts would accompany them with amplifiers. The following excerpt about Zynga's OMGPOP from the firm's Q1 2012 ECC is representative of how analysts in my corpus made positively-toned opinion assertions about the firm and/or explorative activity, accompanied with amplifiers (amplifier is in bold and underline).

[…]

6 My assumption is that the OMGPOP business is <u>**highly**</u> profitable.

[…]

4.3.1.3 Questions, Tone and Intensifiers

As explained in the coding section, the focal point of each of the analyst turns examined were the questions asked. After openings and in-between assertions, analysts would raise one or more questions about one or more activities. In the majority of the cases examined, these questions were neutral in tone and accompanied with downtoners. The non-threatening neutral tone can counterbalance the challenging nature of the questions asked, and the downtoners can further downplay it. As a result, asking questions in this manner can help analysts elicit the information they need, without compromising their relationship with executives. The following excerpt about Zynga's Z Platform from the firm's Q3 2012 ECC is representative of how analysts in my corpus raised neutrally-toned questions, accompanied with downtoners (downtoners are in bold and underline).

[…]

2 Mark, can you talk <u>**a little bit**</u> about the Zynga platform and what type of traction you are making there?

[…]

As mentioned earlier in the chapter, apart from regular questions, there was also a special case of questions asked in my corpus, namely follow-up questions. Specifically, when analysts were not satisfied with the answers provided to either other analysts' or their own questions, they would come up with follow-up questions. The way follow-up questions were asked differed, depending on how executives had handled the original question. In particular, when the answer to the original question indicated that the executive was at least making an effort to share some information[15], then the analyst would follow the typical format described in the previous paragraph and ask their question in a neutral tone, accompanied with downtoners. For example, in the excerpt about Zynga's bwin partnership from the firm's Q3 2012 ECC below, the CFO refuses to provide an exact answer to the original question (line 4). However, he at least makes an effort to share some information (lines 5-6)[16]. The next analyst comes back with a follow-up question that he introduces in a neutral tone and accompanies with a downtoner (line 10; downtoner is in bold and underline). In fact, he shows understanding (line 11) and adds specificity to the question offering alternative potential answers (lines 12-13), which as discussed in the coding section are meant to neutralize the challenging nature open-ended questions can have.

Original Question

Mark Alan May (Analyst)

1 And on bwin, we can all try to come up with our own revenue forecast,

2 but can you give us at least some sense of the financial arrangement in terms of revenue share and other components on the cost side?

David M. Wehner (CFO)

3 Yeah, there is a revenue share with bwin on this,

4 and we're not going to be providing specific guidance on this at this time. — *Refusal to provide an answer*

5 Again it's a first step,

6 we think this is a big long-term opportunity, — *Assertion (positive prediction about the future)*

7 but we're not providing any specific guidance around the impact.

[15, 16] As I will explain in greater detail later in the executive turns sub-section, this information typically takes the form of a prediction/commitment about the future that presents the explorative activity in a positive enough light for analysts to be patient with the firm.

Mark Alan May (Analyst)

8 Okay, thanks.

Follow-Up Question

Colin A. Sebastian (Analyst)

9 Thank you.

[…]

10 And then my second question is **<u>just</u>** a follow-up on bwin and Mark's question on the economics. *Follow-up question; neutral tone; downtoner*

11 I know you can't provide details there, *Assertion; neutral tone*

12 but can you clarify if this is just a brand licensing deal where the economics might be pretty modest,

13 or are there more layers here under the onion such as game development or integration that might make the economics more robust? *Question; alternative potential answers; neutral tone*

14 Thank you.

[…]

By contrast, in cases where executives were completely dismissive of the original question, the next analyst would lean more toward accommodating their need for information rather than their need to maintain a good relationship with the executive team. In particular, they would become more aggressive and often adopt a negative tone, accompanied with amplifiers. For example, in the excerpt about Zynga's Z Platform from the firm's Q2 2012 ECC below, the CFO answers the first part of the original question, but completely dismisses the second (lines 5-6). As a result, the analyst returns with a follow-up question. His use of *yet* and *still* (lines 7-8) gives a negative tone to the question, and indicates his dissatisfaction with the previous answer and potentially the explorative activity altogether.

Doug Creutz (Analyst)

1 Thanks.

2 I wonder if you could talk about the – what the bookings contribution was from Zynga.com in the quarter.

3 And then just clarify, since it is on Facebook credits, is that counted in with your Facebook bookings or your non-Facebook bookings?

4 Thanks.

David M. Wehner (CFO)

5 Yes, that is counted in our Facebook bookings, given that is on Facebook credits,

Assertion

6 so we don't break out the bookings related to Zynga.com.

Refusal to provide an answer

Doug Creutz (Analyst)

7 And can you give any color about is it becoming meaningful **yet**

8 or is it **still** sort of not meaningful in the context of the larger bookings number?

Follow-up question; negative tone; amplifiers

[…]

4.3.1.4 Closings and Tone

As explained in the coding section, after raising their questions, analysts would make a closing whereby they would politely thank the executive team to signify executives' turn to speak and establish/maintain rapport with executives. The tone accompanying all such closings was positive. Considering it is in analysts' best interests to maintain a good relationship with executives, the use of a positive tone is not surprising. The following excerpt about Zynga's Z Platform from the firm's Q4 2011 ECC is representative of a positively-toned closing met in my corpus.

[…]

27 Perfect.
28 Thank you.

[…]

4.3.2 Executive Turns and Explanatory Model

Unlike analyst turns which, as mentioned earlier, would mainly consist of patterns of association that would hold true across cases regardless of their success, executive turns would consist of patterns of association that would hold true for either successful or unsuccessful cases. These patterns of association constitute the communication strategies that lead to analysts' approval or disapproval, and subsequently to legitimacy extension, maintenance or contestation. As such, they represent the building blocks of my explanatory model. For this reason, this section has a different purpose and structure than the previous.

In this section, I present my explanatory model which views communication as a process with multiple potential pathways and outcomes (Communication Process Model; see Figure 4.3). Specifically, I examine the relationships between all executive-related codes discussed in the coding section, and organise the communication strategies (patterns of association) emerging from this process in four categories, namely not answering, making commitments, providing support, and advancing refutational preemptions. Additionally, I examine the analyst reactions these communication strategies elicit, and develop relevant propositions for the various pathways and outcomes. Last, I discuss a special case which, despite defying the "rules" followed by other successful cases in my corpus, was favourably received by analysts. A summary of the communication strategies (patterns of association) that emerged from my relational and comparative analysis, along with the analyst reactions they elicit can also be found in Table 4.6.

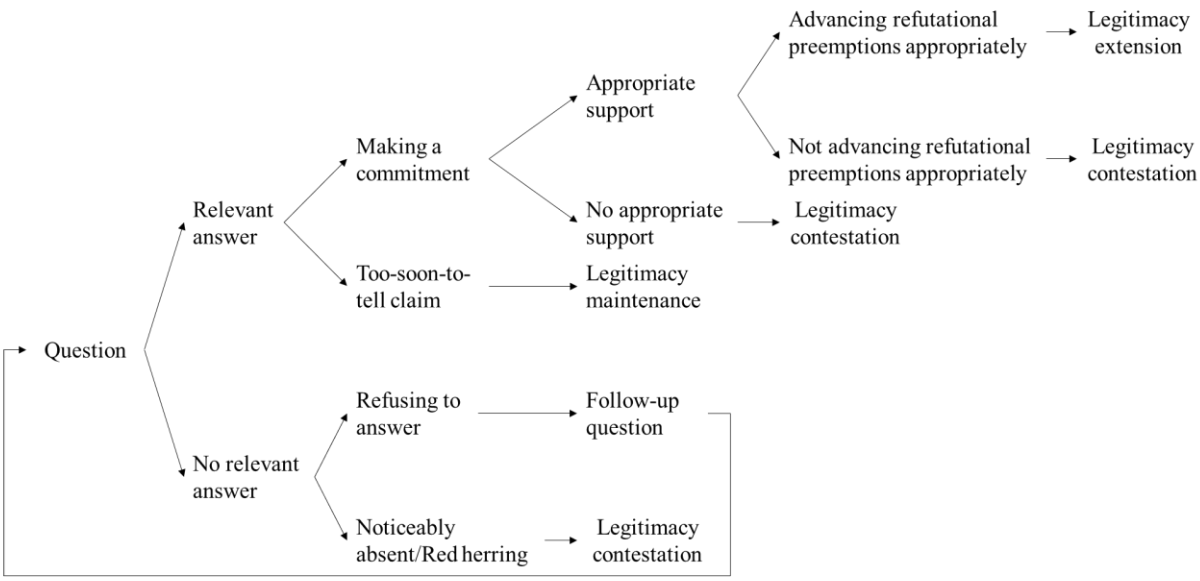

Figure 4.3: Communication Process Model

Table 4.6: Executive-related communication strategies

Communication Strategy	Analyst Reaction
<u>Not Answering</u> • Refusing to provide a relevant answer ○ Asking operator to move on to next question	• Follow-up questions in a negative tone, accompanied with amplifiers
• Too-soon-to-tell claim, accompanied with brief overview of available information and positive prediction/commitment about the future	• No reaction/legitimacy maintenance
• Noticeably absent/red herring	• Negative reaction/legitimacy contestation
<u>Making Commitments</u> • Key claims expressed as factual, intention or opinion assertions, positive in tone, accompanied with amplifiers, references to present or future, and certainty indicators	• First step toward legitimacy extension

Providing Support • Smaller claims, grounds and warrants expressed as factual assertions, neutral or positive in tone, accompanied with amplifiers and references to past or present • No support • Smaller claims, grounds and warrants expressed as intention or opinion assertions	• Second step toward legitimacy extension • Negative reaction/legitimacy contestation • Negative reaction/legitimacy contestation
Advancing Refutational Preemptions • Counterarguments negative in tone and accompanied with downtoners, followed by counteroffers positive in tone and accompanied with amplifiers • Non-exhaustive refutational preemptions • Reverse refutational preemptions, whereby executives build a convincing case for an explorative activity and then discount it by counterarguing against it	• Positive reaction/legitimacy extension • Negative reaction/legitimacy contestation • Negative reaction/legitimacy contestation

4.3.2.1 Not Answering

As it has already been mentioned throughout this chapter, executives would not always necessarily answer analysts' questions. In particular, executives in my corpus demonstrated three alternative patterns of not answering questions, leading to different analyst reactions. The first of these patterns was *refusing to provide a relevant answer*. As explained in the coding section, the firm is faced with litigation and proprietary costs that may explain its unwillingness to share particular information. However, refusing to provide an answer altogether can signify hidden problems. When this happened in my corpus, analysts would probe executives with follow-up questions until they eventually shared some information. Specifically, in the excerpt about Zynga's Z Platform from the firm's Q2 2012 ECC below, the CFO answers the first part of the original question, but refuses to provide an answer for the second (lines 5-6). As a result, the analyst returns with a follow-up question. His use of *yet* and *still* (lines 7-8) indicates his dissatisfaction with the previous answer and potentially the explorative activity altogether. The executive once again refuses to provide an answer (line 9). However, another executive starts adding to his answer (line 10) and eventually shares some information.

Doug Creutz (Analyst)

1 Thanks.

2 I wonder if you could talk about the – what the bookings contribution was from Zynga.com in the quarter.

3 And then just clarify, since it is on Facebook credits, is that counted in with your Facebook bookings or your non-Facebook bookings?

4 Thanks.

David M. Wehner (CFO)

5 Yes, that is counted in our Facebook bookings, given that is on Facebook credits,

Assertion

6 so we don't break out the bookings related to Zynga.com.

Refusal to provide an answer

Doug Creutz (Analyst)

7 And can you give any color about is it becoming meaningful **<u>yet</u>**

8 or is it **<u>still</u>** sort of not meaningful in the context of the larger bookings number?

Follow-up question; negative tone; amplifiers

David M. Wehner (CFO)

9 I think at this point we're not breaking out any color around that.

Refusal to provide an answer

John Schappert (COO)

10 But what I will add, Doug, though is that Zynga.com remains in open beta.

Adding to a previous answer

11 So we launched it earlier this year

12 and we continue to take player feedback, take that feedback and launch new features.

13 Specifically this last quarter, we launched the multiplayer feature,

14 if you've played Bubble Safari, you can play head-to-head with up to four players.

15 So we continue to take that learning and refine the system, refine the site to deliver the best social gaming experience you can.

16 So it's still in open beta;

17 we've not turned on meaningful cross-promotion or marketing for the site yet.

Doug Creutz (Analyst)

18 Okay, thank you.

David M. Wehner (CFO)

19 Samia, you can just go ahead and go to the next question, please.

Closing/asking operator to move on to next question

While more similar cases are needed to draw a conclusion, any negative reactions to executives refusing to provide an answer remained in the ECC and all answers eventually evolved to the second pattern of not answering questions. However, before moving on to it, I find useful discussing another pattern met in the example above. Specifically, in line 19 the executive asks the operator to move on to the next question. As explained in the coding section, asking the operator to move on to the next question can be interpreted in a number of ways (e.g., it simply signifies the end of executive turns and the beginning of new analyst turns). However, it is worth noting that all similar requests in my corpus were preceded by refusals to provide an answer, which may be an indication that the executive is uncomfortable with the topic of the conversation and wants to move on to the next one. Furthermore, similar to the example above, requests to move on to the next question often coincided with negative analyst reactions in the ECC (e.g., lines 7-8), and/or other executives appearing dissatisfied with the original answer and adding to it (e.g., line 10), which are both factors that could further cause the executive to feel uncomfortable. The presence of non-verbal cues could shed more light on this matter and offer a greater degree of plausibility.

The discussion in the previous paragraphs leads to the following propositions, which are also illustrated in Figure 4.4 by the path highlighted in yellow:

Proposition 1a: Refusing to provide analysts with a relevant answer is likely to result in the same or other analysts pressuring executives by asking related follow-up questions in a negative tone, accompanied with amplifiers, during the same ECC.

Proposition 1b: Analysts' pressure on executives is likely to result on them eventually providing a relevant answer (and potentially rectifying the situation).

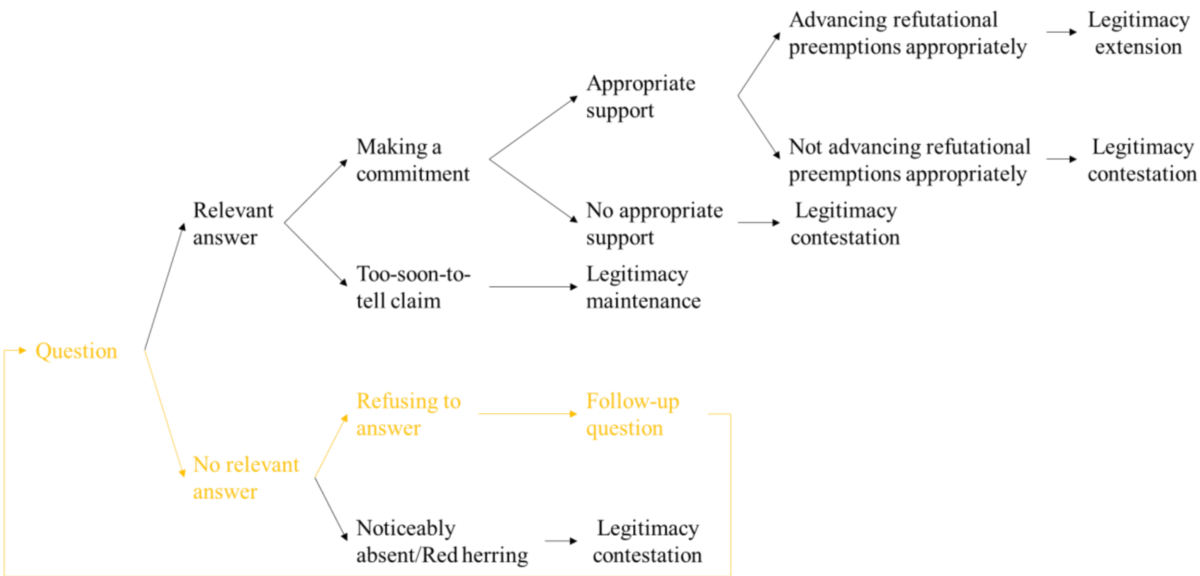

Figure 4.4: Outcome when executives refuse to provide analysts with a relevant answer

Moving on, the second pattern of not answering questions involved refusing to provide an answer, but still making an effort to share some relevant information. Such responses were typically comprised by three parts, namely making a *too-soon-to-tell claim*, sharing a brief overview of available (usually positive) information, and using this information to make a positive prediction/commitment about the future. For example, in the excerpt about Facebook's Graph Search from the firm's Q4 2012 ECC below, the CEO refuses to provide an answer, explaining it is too soon to drive any safe conclusions about the explorative activity in question (lines 5-6, 14). However, he still proceeds to offer an overview of available information that present the explorative activity in a positive light (lines 10-13). In fact, this information is used to support a positive prediction/commitment the executive is making about the future (lines 7-9).

Mark S. Mahaney (Analyst)

1 Great.

2 Thanks.

3 I know it's very early stages, the roll-out of the Graph Search, but any early signs of the impact that that has had on engagement?

[…]

4 Thanks a lot.

Mark Elliot Zuckerberg (CEO)

5 Unfortunately, I don't think there's that much that I can share with you on either of those. 6 I mean on Graph Search, it's still early.	*Too-soon-to-tell claim*
7 This is one of the products that I'm the most excited about that we've built. 8 It is the completely new pillar of our ecosystem, 9 and I think it's going to be an important utility that people use.	*Assertion (positive prediction about the future)*
10 Right now, the whole strategy around this is it's a beta product 11 and we are primarily rolling it out in order to get more data so we can incorporate the data of how people use it to make ranking better before we do a full roll-out. 12 So right now, it's rolled out to the order of tens or hundreds of thousands of people not extremely widely. 13 And I mean -- so we have data,	*Factual assertion*

14 but I don't think anything that is -- it's really relevant to share beyond that. *Too-soon-to-tell claim*

As mentioned earlier in this chapter, such responses can be interpreted in two alternative ways. In particular, too-soon-to-tell claims may be getting used as a safeguard against potential litigation and/or proprietary costs, but can also signify hidden problems. Interestingly, in all cases where executives adopted this pattern, analysts in my corpus had no reactions in their respective reports. Their lack of reaction indicates that, by structuring their answer this way, executives paint a positive enough picture of the explorative activity for analysts to postpone their commentary for future quarters, when more information is available. As such, legitimacy is maintained. In fact, this is in line with Palmieri, Rocci and Kudrautsava (2015) who suggest that such justified refusals to answer can help executives avoid what Hollander, Pronk and Roelofsen call the (2010) “no news is bad news” effect. The lack of detailed information on how unwillingness and inability were measured does not allow drawing any further conclusions. However, further analysis with a larger corpus is recommended.

The discussion in the previous paragraphs leads to the following proposition, which is also illustrated in Figure 4.5 by the path highlighted in yellow:

> *Proposition 2:* Making a too-soon-to-tell claim, accompanied with a brief overview of available information and a positive prediction/commitment about the future, is likely to lead to legitimacy maintenance, by postponing analyst reactions to future quarters, when more relevant information is available.

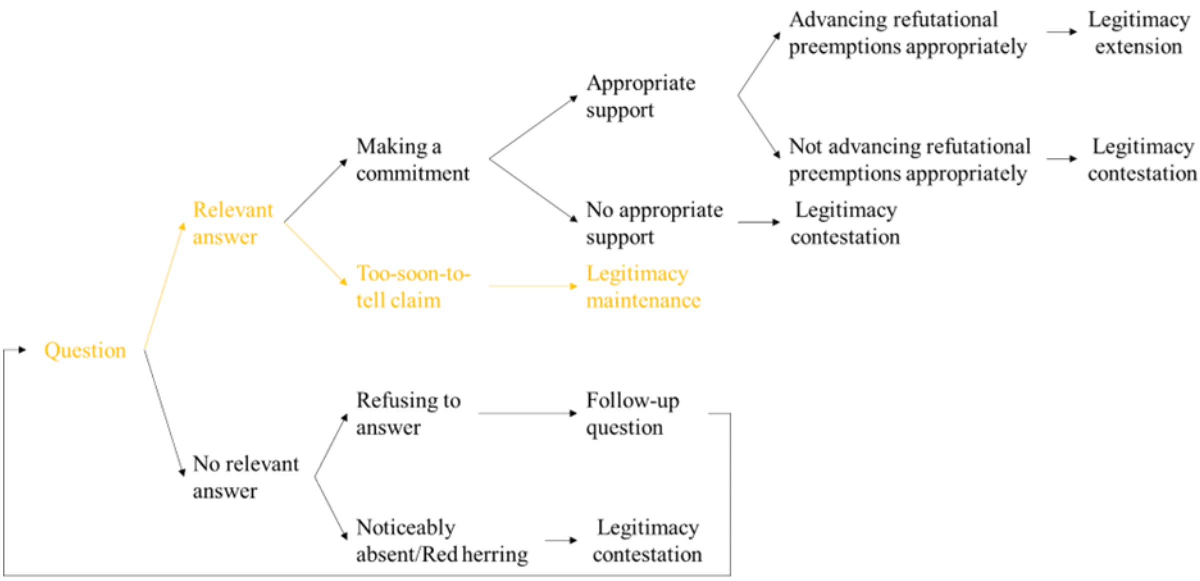

Figure 4.5: Outcome when executives make too-soon-to-tell claims

The third and last pattern of not answering questions involved *noticeably absent answers*. As explained in the coding section, noticeably absent answers were quite different from the previous two patterns. Specifically, when refusing to provide an answer, executives acknowledged the question but stated that (or explained why) they cannot provide an answer. In the case of noticeably absent answers, executives ignored the question altogether and instead of providing an answer that addresses it, stirred the conversation elsewhere. Consistent with research suggesting that such diversions are perceived as trickery (e.g., Laney *et al.*, 2008), analysts would react negatively. For example, in the excerpt about Facebook's Mobile from the firm's Q3 2012 ECC below, the analyst asks a two-part question, with the second part being about the impact of the explorative activity on another aspect of the business. While the executive answers the first part of the question, he does not provide an answer for the second and neither does he acknowledge it. Consequently, cannibalization concerns transfer to the corresponding analyst report (Anmuth, 2012b), where the analyst expresses their negative expectations about the future in relation to the impacted aspect of the business, and legitimacy gets contested.

ECC Excerpt

Gene A. Munster (Analyst)

1 Good afternoon,

2 and maybe just following up on Justin's question, can you talk –

3 obviously you guys have been putting the pedal to the metal,

4 and I think, Dave, you just kind of gave some metrics around the impact to the overall experience.

5 But first question is, is there anything that makes you believe that the acceleration in mobile is impacting the experience?

6 And second, can you talk about any sort of cannibalization from the desktop to mobile in terms of ad revenue?

Sheryl K. Sandberg (COO)

7 Yeah, I can take this.

8 We're carefully monitoring user engagement and sentiment,

9 and we're pleased with the results so far.

10 We look at how users are engaging on our platform.

11 And as we've increased the number of ads in News Feed, we've been carefully monitoring that engagement.

12 Our revenue's growing,

13 and that means, as I discussed, we have a lot of new clients.

Noticeably absent/red herring

14 We also have a lot of clients and customers who are spending more with us.

15 So we're seeing increased revenue and increased budgets from them.

16 Some of the revenue also is moving over from the right-hand column to News Feed,

17 and that's part of our strategy.

18 We are putting more emphasis on the products that are running through News Feed, rolling out products, because that's where the natural ad format is for mobile.

Corresponding Analyst Report Excerpt

What Concerned Us

Desktop Y/Y Deceleration and Q/Q Declines: Our analysis suggests that Facebook's desktop ad revenue increased 17% Y/Y in 3Q—down from 37% in 1Q and 26% in 2Q—and right-hand rail revenue increased 11% Y/Y compared to 26% in 1Q and 23% in 2Q. On a Q/Q basis we estimate desktop ad revenue declined 5% and right-hand rail revenue was down 8%. Even with very strong mobile contribution, the desktop ad slowdown will likely remain a key focus for investors. However, some desktop advertising is simply shifting to mobile, and we believe in many cases Facebook has discretion as to where a marketer's ads actually run. Given higher engagement and recall rates on mobile as noted above, **we would expect ad dollars to continue shifting to mobile and for Q/Q desktop declines to continue.**

The discussion in the previous paragraphs leads to the following proposition, which is also illustrated in Figure 4.6 by the path highlighted in red:

Proposition 3: Providing noticeably absent/red herring answers is likely to be perceived as trickery and lead to legitimacy contestation.

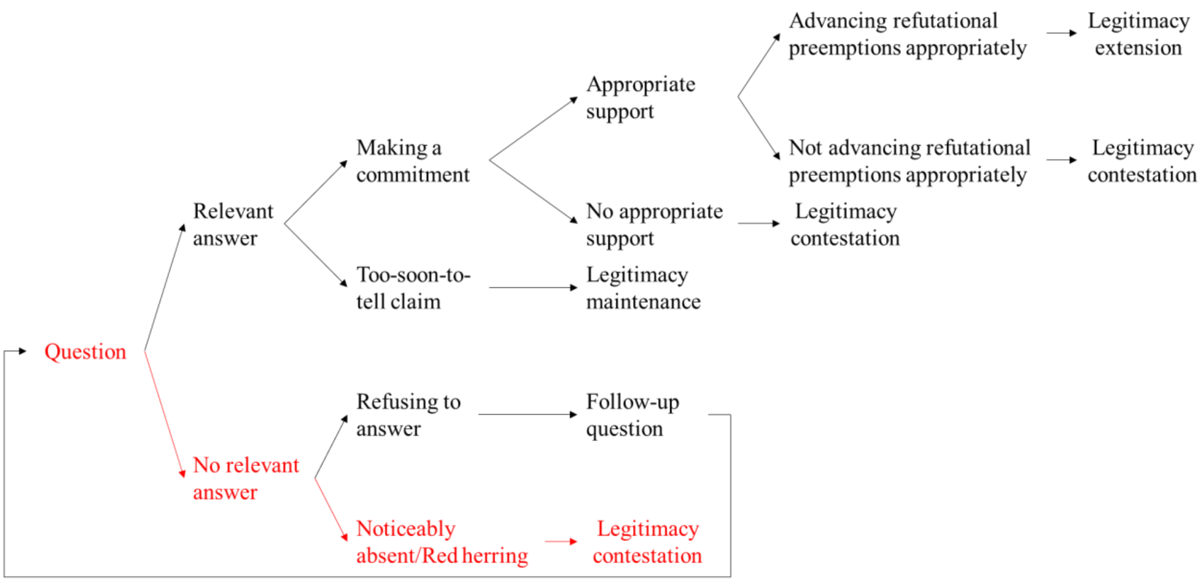

Figure 4.6: Outcome when executives provide noticeably absent/red herring answers

4.3.2.2 Making Commitments

In my literature review chapter, I explained that for legitimacy to get established, stakeholders must buy into future expectations (Garud, Schildt and Lant, 2014). Furthermore, I explained that this idea has its roots into the literature on the sociology of expectations (see Borup *et al.*, 2006; Brown, Rappert and Webster, 2000; van Lente, 2012). Central to this literature are also *commitments* (or promises). In particular, van Lente (2012) argues that expectations occur in environments were commitments abound. In other words, commitments appear to be a prerequisite for expectations to be formed. Furthermore, van Lente (2000) suggests that appeals to commitments can legitimate proposals and activities. In most of the cases examined in my corpus, commitment was also at the heart of executive answers. Specifically, earlier in this chapter I talked about key claims, whereby the executive would attempt to establish a key/overarching conclusion in an either explicit or implicit manner. In my context, these key claims were either explicit or implicit commitments to deliver value in the future, resembling Palmieri, Rocci and Kudrautsava’s (2015) predictive and practical opinions (or standpoints, when properly justified). These commitments are of paramount importance to the interaction between executives and analysts because they create the expectation that the explorative activity in question will deliver value in the future. Provided that analysts buy into these expectations, commitments serve as the basis for legitimacy to get extended to new domains of activity.

Explicit commitments in my corpus had a typical format. Specifically, explicit commitments were usually met in the form of factual assertions, but were also sometimes met as intention or opinion statements. This seemed to be largely dependent on context and did not make a difference in analyst reactions. However, examining a larger corpus could potentially generate richer insights. Furthermore, commitments were expressed in a positive tone, which is no surprise considering their purpose, namely present the explorative activity in the best light possible and create positive expectations about the future. Moreover, commitments were often accompanied with amplifiers to heighten their semantic intensity. Additionally, commitments involved either references to the present, when the explorative activity was already generating results, or to the future, which is in line with moving-forward nature of a commitment. Last, commitments were often accompanied with either strong or weak likelihood/certainty indicators. Strong likelihood/certainty indicators signify greater confidence in the commitment made. On the other hand, weak likelihood/certainty indicators signify lesser confidence, but may also be due to executives’ intention to avoid potential litigation costs. In my corpus, weak likelihood/certainty indicators were mainly met in cases where executives were making too-soon-to-tell claims and analysts had no reaction. The following excerpt about Facebook's Open Graph Network from the firm's Q3 2012 ECC is representative of a positively-toned commitment, accompanied with amplifiers, implicit references to the future and strong likelihood/certainty indicators.

> […]
>
> 18 And we think that we can basically build an environment or build this information platform that goes across iOS and Android and mobile web and every other mobile platform that's out there, where every developer who's building anything on any of those can use Facebook.
>
> […]

The discussion in the previous paragraphs leads to the following proposition, which is also illustrated in Figure 4.7 by the path highlighted in green:

> *Proposition 4:* Making a commitment to deliver value in a positive tone, accompanied with amplifiers, references to the present or future, and certainty indicators, is a prerequisite for positive expectations about the future to be formed, and is thus the first step toward legitimacy extension.

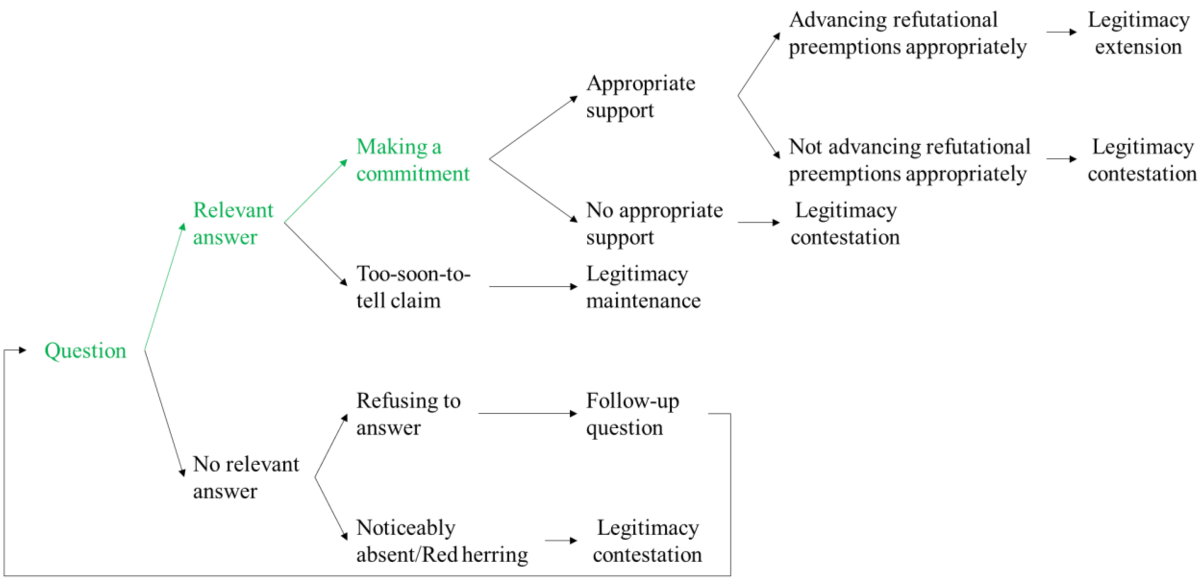

Figure 4.7: First step toward legitimacy extension

4.3.2.3 Providing Support

Regardless of whether they were explicit or implicit, in order for commitments to turn into expectations that analysts buy into *appropriate support* was needed. In fact, this is in line with the relevant studies discussed in the literature review chapter, which suggest that commitments are not only evaluated based on the benefits they promise, but also based on their plausibility (e.g., Garud, Schildt and Lant, 2014; Thurlow and Mills, 2015). Additionally, this is consistent with Palmieri, Rocci and Kudrautsava (2015) who argue that the difference between a mere opinion and a standpoint, is that in the latter satisfactory reasons have been given to justify its acceptability. Earlier in this chapter I talked about smaller claims, grounds and warrants, and explained that they are devices executives in my corpus used in support of their key claims. Specifically, I explained that implicit key claims would be inferred by smaller claims in the argument, while explicit key claims would get established with the help of smaller claims and/or grounds and warrants. Furthermore, I noted that grounds and warrants can be omitted when they are "well-known or assumed". While these three devices (i.e., smaller claims, grounds and warrants) have slightly different functionalities, if used properly, they all serve the same purpose, namely support key claims and persuade analysts that executives are able and willing to stay true to their commitments. For this reason, in this section I treat them as one and the same and examine under which conditions they were successful in serving their purpose.

While their content differed depending on the firm, explorative activity and question, successful support devices still shared some common characteristics. Specifically, they were expressed in the form of a factual assertion and was either neutral or positive in tone. Furthermore, they were often accompanied with amplifiers to heighten their semantic intensity. Additionally, in some of the cases examined, support devices involved references to either the past or the present, which juxtaposed against commitments about the future helped demonstrate potential progress. For example, in the following excerpt about Facebook's Ad Exchange from the firm's Q2 2012 ECC, the executive makes an implicit commitment to deliver value in the future. In lines 7 and 12 he attempts to support this commitment by explicating the benefits the explorative activity has for customers and partners. In line 8 he provides further support by referring to the past and what other expert professionals have been doing (see referencing credible/expert sources earlier in text). Last, in line 11 he uses customer feedback in the present, which in combination with all other support devices acts as an indicator of potential progress and builds a convincing case about the activity's ability to generate value.

Spencer Wang (Analyst)

1 Thanks.

2 Good afternoon.

3 I guess maybe for Sheryl, I was wondering with respect to the Facebook Advertising Exchange based on some of the initial tests, could you just talk about how that may impact monetization as you roll that out?

[…]

4 Thank you.

Sheryl K. Sandberg (COO)

5 Sure.

6 Facebook Ad Exchange is a real-time bidding offer which lets advertisers bid in real-time on specific ad impressions.

7	The goal of this is to show people more relevant ads.	*Factual assertion; grounds; positive tone; amplifiers*
8	This is something third parties have been doing across the Web for a while.	*Factual assertion; warrant; positive tone; reference to the past*
9	For us right now we're at a very early alpha stage test	
10	so we don't have more information to share.	
11	But we're really encouraged by how interested our advertisers and customers are	*Factual assertion; grounds; positive tone; amplifiers*
12	because this gives them an opportunity to connect the users, our users, that they're trying to reach to other things they do across the Web.	*Factual assertion; warrant; positive tone*

The discussion in the previous paragraphs leads to the following proposition, which is also illustrated in Figure 4.8 by the path highlighted in green:

Proposition 5: Making a factual assertion in support of a commitment, in a neutral or positive tone, accompanied with amplifiers and references to the past or present, is the second step toward legitimacy extension.

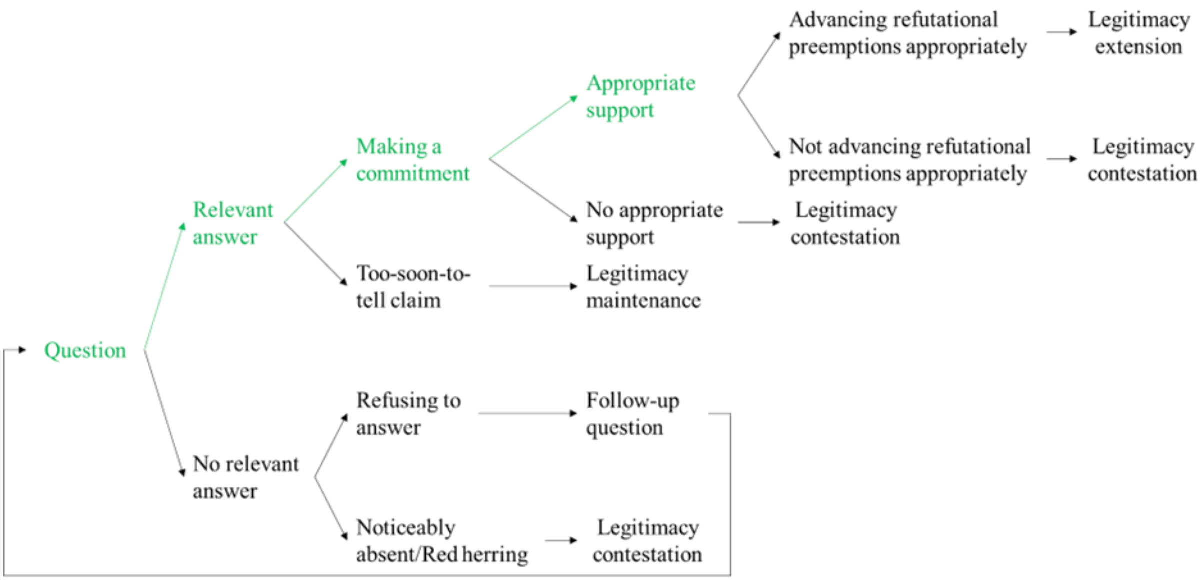

Figure 4.8: Second step toward legitimacy extension

While the majority of executives in my corpus used support devices properly, there were a few cases where their complete absence or misuse was met with negative analyst reactions. Specifically, as mentioned earlier, grounds and warrants can be omitted in occasions when they are "well-known or assumed". However, there were cases where executives attempted to establish their key claims without providing any support, neither explicit nor implicit. For example, in the excerpt about Facebook's Gifts from the firm's Q4 2012 ECC below, the executive attempts to make a commitment about the future (line 7). Nevertheless, the remaining of his answer is a series of elaborations rather than convincing grounds and warrants. Consequently, Gifts are met with skepticism in the corresponding analyst report (Anmuth, 2013b), where the analyst expresses their negative expectations concerning the firm's ability to stay true to the commitments made, and legitimacy gets contested.

ECC Excerpt

Jordan E. Rohan (Analyst)

1 Thanks.

2 I have a couple of questions.

[…]

3 Separately, and given the promise of Gifts in e-commerce, why does it seem to be a business that you characterize as very small in the near term?

4 What are the impediments to future growth so that you could call it big enough to matter or an important part of 2013 revenue mix?

5 Thank you.

[…]

David A. Ebersman (CFO)

6 So second question on Gifts, I think that I really can just reiterate what Mark said earlier, which is that the focus for right now is trying to figure out what the right product is.

7 We think Gifts is -- if done well, can be a very natural and positive part of the Facebook experience.

Commitment; positive tone; amplifiers

8 So, for example, when you're wishing someone a happy birthday, the ability to send a gift along with that and just figuring out how the product needs to work, what the interfaces are, what the selection of products is, how the payment process works, all of that stuff is what we're going to have to optimize to make the product grow as you're asking.

9 And we're going to try to do that.

10 That'll be something that we work on in 2013.

Elaboration

Corresponding Analyst Report Excerpt

Beyond games, Facebook reported that all non-game payments and other revenue included ~$5M from user Promoted Posts and Facebook Gifts. **<u>We continue to believe that it is still too early for Gifts and other non-games products to contribute meaningfully incremental revenue in 2013.</u>**

Last, support devices expressed in the form of intention or opinion statements did not resonate well with analysts. While rare, executives would sometimes attempt to support their key claims and persuade analysts that they are able and willing to stay true to their commitments, based on their own intentions or opinions. For example, in the excerpt about Facebook's Atlas from the firm's Q1 2013 ECC below, the analyst is interested in knowing more about the capabilities of the product which was meant to provide a solution to an important partner need and a concern analysts have been expressing in their reports for a while, namely measuring advertiser ROI. In line 18, the executive seems to assume that the value of Atlas has been showcased and thus its purchase justified. The support provided in lines 15-17, however, is expressed in the form of intention statements and akin to wishful thinking rather than convincing evidence. Consequently, concerns appear once again in the corresponding analyst report (Anmuth, 2013a), where the analyst expresses their negative expectations concerning the firm's ability to stay true to the commitments made, and legitimacy gets contested.

ECC Excerpt

Anthony Joseph DiClemente (Analyst)

1 Thanks a lot.

2 I have one for Sheryl and one for David.

3 Sheryl you talked about Atlas and the measurement capabilities there

4 and you framed it in terms of click based ads.

5 I'm wondering, is there also an opportunity for Atlas to improve or standardize measurement for impression based ads?

[…]

Sheryl K. Sandberg (COO)

6 So on Atlas, you're exactly right.

7 Our focus with Atlas is on impression based ads.

8 And the idea is that historically a lot of ads online, which were more based on search, the attribution was always that last click.

9 And as people have looked more holistically at all the ad spending they're doing, what they find is that it's is not the just the last click that matters,

10 but it's all the impressions leading up to that click.

11 Importantly, we also drive sales offline.

12 And offline, people aren't clicking through to purchase at all

13 but they're actually walking into a store,

14 so in some sense there is no last click.

15 And so our focus with Atlas is to take that technology and enable us to improve our ability to connect ad impressions to purchase behavior, both offline and on.

16 And not just on Facebook

17 but across different ad purchases people do.

Intention assertion; grounds

18 So that's exactly why we made that purchase.

Key claim

Corresponding Analyst Report Excerpt

<u>Risks</u> to Rating and Price Target

[…]

3) advertiser ROI on Facebook **<u>may remain difficult to measure;</u>**

[…]

The discussion in the previous paragraphs leads to the following propositions, which are also illustrated in Figure 4.9 by the path highlighted in red:

Proposition 6a: Making a commitment to deliver value without providing any support for it, neither explicit nor implicit, is likely to be met with skepticism, and lead to legitimacy contestation.

Proposition 6b: Making intention or opinion assertions in support of a commitment is likely to be met with skepticism, and lead to legitimacy contestation.

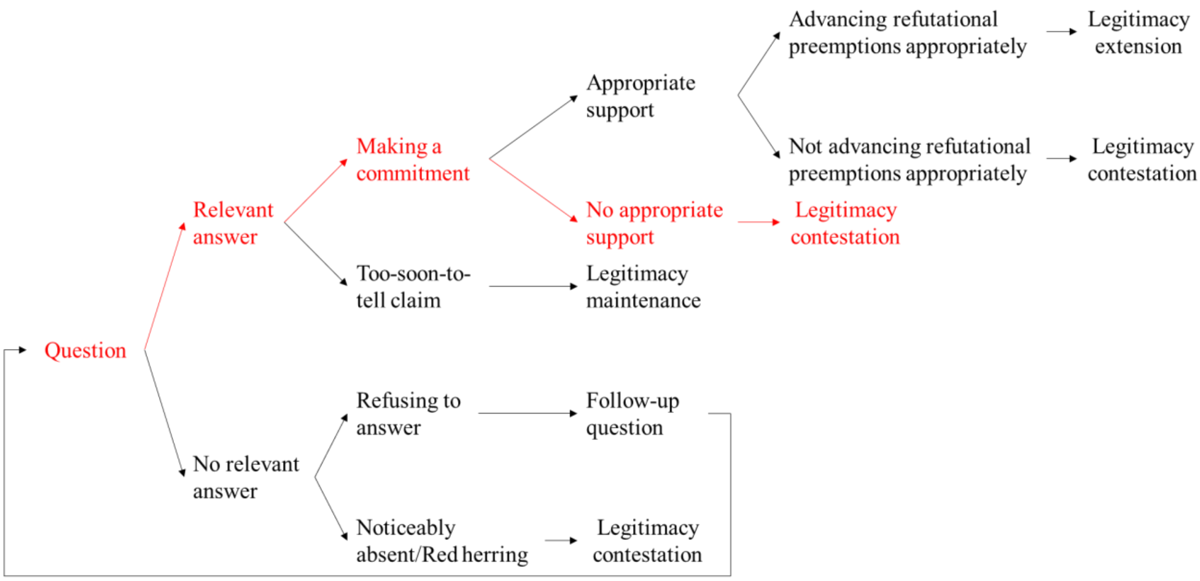

Figure 4.9: Outcome when executives do not provide appropriate support for their commitments

4.3.2.4 Advancing Refutational Preemptions

Earlier in this chapter I talked about counterarguments and counteroffers. In particular, I explained that they both have a contesting function, with one having negative and the other having positive connotations. While their use as contestation devices may appear to be simple and straightforward, their combination forms a quite sophisticated and often necessary communication strategy. Specifically, analysts may often have counterarguments to executives' arguments, but because of the limited time ECCs have to take place in and analysts' need to maintain a good relationship with the executive team, these counterarguments may not necessarily surface during the call. Instead, they may get expressed directly in analyst reports, giving executives no chance to repair the situation for a particular quarter. Cases in my corpus where executives would think of such potential counterarguments, raise them themselves, and then refute them by raising relevant counteroffers, were received more favorably. On the other hand, cases where executives neglected to raise and refute potential counterarguments were met with skepticism and led to legitimacy contestation. This finding is in line with inoculation theory, a parallel for medical inoculation where a weakened virus motivates the production of antibodies to protect the host from the attack of a stronger virus (McGuire, 1964). In inoculation theory, the mechanism I described above where the source of a message raises counterarguments and then refutes them is called *refutational preemptions* and can help maintain a positive image by preemptively weakening potential attacks (Compton, 2012; McGuire, 1964).

While the decisive factor that made all the difference in analyst reactions was their presence itself, refutational preemptions in my corpus also shared some common characteristics that are worth outlining. Specifically, the counterargument would typically precede and be negative in tone. By definition, counterarguments have negative connotations about the explorative activity and potentially the firm as a whole. For this reason, the first step toward refuting them was accompanying them with downtoners. In turn, counterarguments would be followed by positively-toned counteroffers. Their positive connotations would be further heightened with the use of amplifiers. Through this mechanism, executives would essentially give the impression that (i) they are aware of potential problems that already exist or may arise in the future (negatively-toned counterargument), (ii) the problem is not as threatening (downtoner), (iii) they are taking the necessary steps to handle it or have already handled it (positively-toned counteroffer), and (iv) their efforts will be or have already been successful (amplifier).

For example, in the excerpt about Facebook's Mobile from the firm's Q4 2012 ECC below, the executive breaks his answer down to the three platforms they are working with (i.e., web, Android and iOS) and advances refutational preemptions for each. In line 11 he acknowledges limitations the firm is facing with web (counterargument), but then in line 12 refutes these limitations by explaining that everyone working with web is in the same position (counteroffer). Next, in line 17 the executive acknowledges that there is no partnership between the firm and Google (counterargument), but then in line 18 refutes this as a problem, outlining what they can achieve despite the lack of partnership (counteroffer). In fact, the counterargument is downtoned with the use of *really*, while the counteroffer is amplified with the use of *bunch*. In line 21 he acknowledges that iOS does not support certain features (counterargument), but in line 22 refutes the negative implications of this by explaining that Android, which the firm works with, does (counteroffer). Last, in line 30 the executive makes a too-soon-to-tell claim about iOS (counterargument), but in lines 31-32 makes a positive prediction/commitment about the future (counteroffer) that is amplified with the use of *really*. All questions concerning Mobile were handled with equal care during the ECC. As a result, and despite the poor financial performance that quarter, the corresponding analyst report (Anmuth, 2013b) presents Mobile in a positive light, which serves as an indication that legitimacy is extended to this new domain of activity.

ECC Excerpt

Brian Pitz (Analyst)

1 Thank you.

2 Two questions.

3 Mark, could you give us some examples of the kind of mobile-first experiences you're working on that you mentioned at the beginning of the call?

4 And also any comments on how integration with iOS 6 is benefiting your overall mobile strategy?

5 Thanks.

Mark Elliot Zuckerberg (CEO)

6 I don't really think I can say any more about things that we're developing than directionally what I've already said.

7 On iOS, I mean there are two really big platforms out there today --

8 sorry, there are three.

9 I mean it's Android, iOS, and mobile web.

10 And where we basically are, the strategies for each of those are a bit different.

11 So mobile web, there's a limit to how -- to the depth of how deep you can get into the system, *Counter-argument; negative tone*

12 but we can go as deep as anyone else. *Counter-offer; positive tone*

13 So we feel pretty good about that

Refutational preemption

14 and we think that our mobile web experience is really good and has on the same order of magnitude of users as our apps,

15 so that's actually really good.

16 For Android, and then I'll get to iOS last, Android is a very kind of dynamic and open platform as long as Google keeps it that way.

17 And there's actually -- I mean even though our relationship with Google isn't one where the companies **really** talk,

Counter-argument; negative tone; downtoner

18 we are able to do a **bunch** of things because they have an open platform that lets us get fairly deep into the system and build some really great experiences, which I think will be -- which we're excited on -- about working on.

Counter-offer; positive tone; amplifier

Refutational preemption

19 I mean an example that we have already that I can talk about is for messenger, on Android you can build a messaging app that can actually do SMS on the phone,

20 right?

21 You can't do that on iOS because, on iOS, iOS controls the SMS on the phone.

Counter-argument; negative tone

22 But on Android you can build something that does that and our messenger app does that.

Counter-offer; positive tone

Refutational preemption

23 So that's a good kind of example of what we can do on Android.

24 On iOS, because it's a more locked down system, the way that you can do deeper integrations is by working directly with Apple,

25 right?

26 And they've been a great partner for us so far

27 and we're really excited about doing more there

28 and people enjoy the integration that we have with them today to be able to share photos and share webpages from anywhere across the experience when you're on your iPhone or iPad

29 and we're really happy with it.

30 So I don't think that there's any meaningful numbers to share there,	*Counter-argument; negative tone*	*Refutational preemption*
31 but qualitatively I think it's a **<u>really</u>** good experience 32 and I'm **<u>really</u>** happy with the partnership that we have with them.	*Counter-offer; positive tone; amplifiers*	

Corresponding Analyst Report Excerpts

Mobile Shortfall and Higher '13 Spending, But Not Thesis Changing

Facebook reported solid 4Q12 results as overall revenue and EBITDA came in above consensus and just slightly below our estimates which were toward the high end of the Street. However, Advertising revenue was 5% lighter than we projected, with the entire shortfall coming in Mobile. Facebook’s overall tone on the call was upbeat, reflecting the long-term potential of the platform. However, management indicated that near-term investments will be significant as the company focuses on product development to drive greater engagement and monetization. We do not believe the thesis on Facebook has changed. Quarterly results may be choppy as Facebook optimizes for the long term, but **<u>we continue to believe that Facebook is in the early stages of transitioning its ad platform to better targeted social and mobile ads that will become increasingly valuable to advertisers.</u>** We would be buying any near-term weakness in Facebook shares.

[…]

Key Takeaways

Mobile ad revenues lighter than expected, but remain positive on mobile ad opportunity. Facebook reported 4Q mobile revenues of $306M (23% of ad revenues), which was below our forecast of $384M but still represented solid growth as it came in nearly 2x than the $152M reported in 3Q. We think this is attributable to Facebook slowing down increases in mobile ad load after a significant step up in 3Q. Management highlighted solid progress in further developing the mobile ad platform. Facebook indicated that the increasing ad load has not been negatively impacting user engagement metrics and **we believe they have the ability to increase the ad load towards the MNF as Facebook works to provide better tools for advertisers in creating higher quality ads.** Additionally, Facebook launched a new way for advertisers to buy guaranteed ad impressions in 4Q to help expand advertiser mobile reach – Wal-Mart participated over Thanksgiving and was able to deliver 50M mobile ads to users, which nearly rivals traditional distribution channels such as TV and broader Internet search ad campaigns. Facebook now works with all AdAge Global 100 advertisers, with the mobile platform becoming a key part of advertising campaigns going forward.

[…]

Maintaining $35 Price Target. We are maintaining our $35 2013 year end price target on Facebook, though we're now employing DCF model as our valuation methodology. We think Facebook's business is evolving quickly as users and ad dollars shift to mobile at a rapid pace. We think Facebook is uniquely positioned in mobile and the company is making significant investments in product over the next 1-2 years which **we think should drive meaningful revenue growth over time.** As a result, we're willing to look past near-term investments in our valuation framework and employ a DCF through 2020. Our DCF assumes an 11% WACC and 3% perpetuity growth rate. **We expect EBITDA margin to trough at 48% in 2014 (from 57% in 2012) and rebound to 55% in 2020.**

[…]

The discussion in the previous paragraphs leads to the following proposition, which is also illustrated in Figure 4.10 by the path highlighted in red:

Proposition 7: Advancing refutational preemptions, whereby a negatively-toned and downtoned counterargument is followed by a positively toned and amplified counteroffer, about analysts' known and potential concerns, is the third and final step toward legitimacy extension.

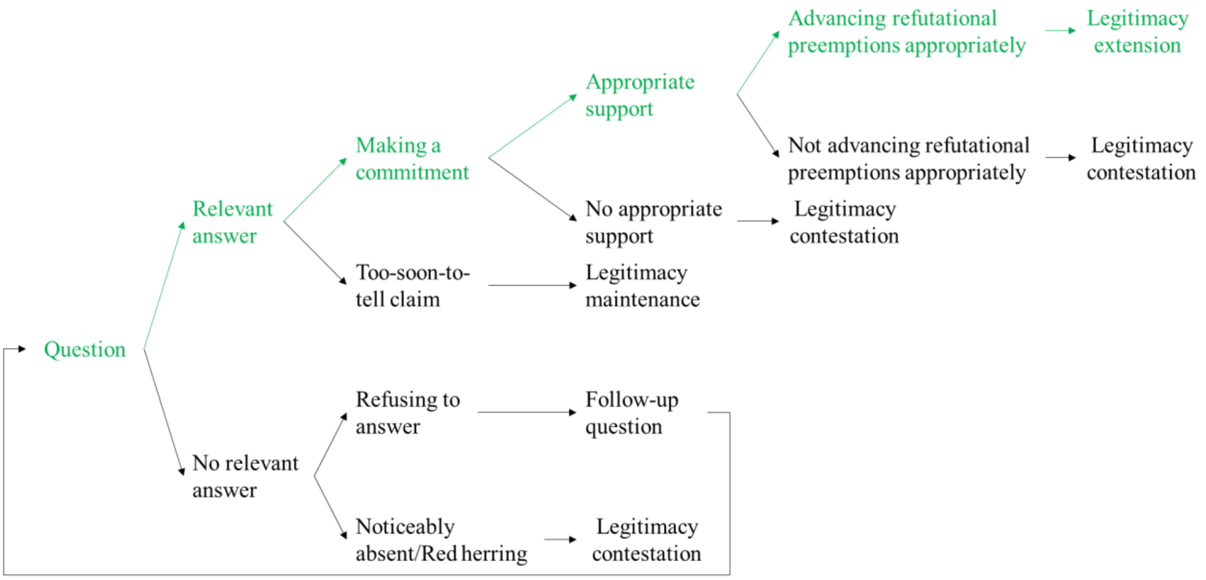

Figure 4.10: Third and final step toward legitimacy extension

Having discussed the important role and typical format of refutational preemptions, it is worth noting that there were cases where executives were not exhaustive with and/or misused refutational preemptions. Such cases were met with skepticism. In the excerpt about Splunk's Hadoop Partnership from the firm's Q3 2012 ECC below, the executive seems to be handling refutational preemptions well. Specifically, the refutational preemptions advanced in lines 9-11, 12-14, and 24-25 appear to follow the typical format of a negatively-toned counterargument succeeded by a positively-toned (and amplified) counteroffer. However, the respective analyst report (DiFucci, 2012b) reveals that the executive has not been exhaustive with potential counterarguments analysts could raise, as the analyst appears skeptical about the firm's ability to maintain an advantage over their partner should they decide to become a competitor in the future. While executives in my corpus failed to advance the necessary refutational preemptions in several occasions, I find Splunk's Hadoop partnership the best example among them. In particular, it is well known that executive teams have an army of IR specialists they work with in preparation of ECCs. Splunk's Hadoop partnership showcases best that, while training executives on certain communication techniques is important, being proactive and preparing for all potential challenges (in this case counterarguments) should be part of their preparation as well.

ECC Excerpt

Philip A. Winslow (Analyst)

[...]

1 And then just one quick follow-up.

2 I mean, one of the things that really struck me from [ph] Dotcomp (32:34) this year was just so many things that you're doing around Hadoop and the ecosystem there, from the Splunk Hadoop Connect to the Splunk App for HadoopOps.

3 What are you hearing from customers about sort of this vision of being a unified platform for both real-time and batch processing and really trying to get across sort of just multiple data repositories?

Godfrey R. Sullivan (CEO)

4 I was just having breakfast about a month ago with the CIO of a multi-billion, tens of billions of dollar company,

5 and I asked him, I said, what – when you hear the term big data, what does that mean to you?

6 And he just started laughing

7 and he said our data was always big.

8 There was nothing that happened recently that caused it to become big.

9 So to me, the CIO, it's a total hype-cycle. *Refutational preemption*

10 But he said, yeah, my guys are experimenting with Hadoop

11 and we're trying to throw some data in there and see what happens and so forth.

Refutational preemption

12 But he said, the question I keep posing to them is, what question are you trying to solve?

13 What problem are you trying to solve?

14 And that's where I think our Connect app can **really** make a difference.

Refutational preemption

15 So many customers I talk to are frustrated because they throw a bunch of data in Hadoop and then they don't know exactly how to get it out.

16 It's kind of hard;

17 it's a whole stack of tools.

18 We're giving them a new way to do that, which is bring the data into Splunk and index it, and then you can use it live and then you can archive it into Hadoop.

19 And when you need to get it back, Splunk can pull it right back out and provide you easy search language analytics on that information.

20 So we're just sort of – we view that as a great way for Hadoop, great cheap batch storage;

21 Splunk, it's easy-to-use, real time analytics.

22 More and more of our customers are coming back to us and saying, yep, that makes perfect sense to me.

23 So I think both of our – both our app for connecting to the – to that environment, plus our app for monitoring that environment will help provide value to those customers who have sort of gotten stuck.

24 So it's too early to tell,
25 but you'll hear it directly from our customers. *Refutational preemption*

26 So since we're pretty open about that stuff, I suspect that SplunkLive!s over the next six months we'll start to see what the customer evidence is.

Corresponding Analyst Report Excerpt

Hadoop: Complementary today … competitor tomorrow?

The open-source Hadoop project is increasingly becoming a viable platform for processing and analyzing large, typically unstructured data sets. Today, Hadoop is used for large-scale, batch analytics and requires significant expertise to run. **While the product is complementary to Splunk today, it could become more of a competitor in the future.** There is significant support for Hadoop from customers, vendors and investors, and the platform is maturing and gaining adoption rapidly.

Last, reverse refutational preemptions did not resonate well with analysts. While rare, executives would sometimes advance a reverse refutational preemption whereby they would build a convincing case for the explorative activity in question, only to discount it moments later by counterarguing against it. This would mainly happen in cases where executives would go in detail about the value of the explorative activity, but would then argue they will have to roll it out at a slower pace[17]. Such reverse refutational preemptions would leave analysts with concerns about the planning and support behind this decision, which is in line with prior research in the context of high-technology firms. Downes and Nunes (2018), bring in the example of Pokémon Go and how an initial success became a failure. Specifically, they explain that in the high-technology industry the typical adoption curve has been replaced by a shark fin, and that keeping up with the fast pace of the market and planning ahead is essential. Therefore, rolling out an explorative activity at a slower pace might signal lack of planning and leave analysts concerned about the future. For example, in the excerpt about Facebook Social Ads from the firm’s Q3 2012 ECC below, the COO has spent a significant amount of her

[17] Reverse refutational preemptions, whereby executives build a convincing case for an explorative activity and then discount it by counterarguing against it, should not be confused with too-soon-to-tell claims. When executives advance too-soon-to-tell claims they merely signify a delay in information sharing, whereas when they advance reverse refutational preemptions similar to the ones in my corpus they signify a delay in the progress of the explorative active itself.

prepared remarks building a convincing case for the explorative activity in question and other related ones, which she refers to in line 12. Furthermore, her answer is structured around an implicit commitment to deliver value in the future. In fact, in line 10, she provides significant support for this commitment by referencing credible/expert sources that attest to the value of Social Ads. Despite the convincing evidence in favor of the explorative activity, however, both her and the CFO argue that they want to take things slow with it (lines 7-8, 16-18). The respective analyst report (Anmuth, 2012b) reveals concerns about the firm's user-first mentality that is responsible for rolling Social Ads out at a slower pace, and legitimacy gets contested.

ECC Excerpt

Herman Leung (Analyst)

1 Hello?

2 Hi.

3 Sorry about that.

4 Wondering if we can talk about some of the penetration of some of the social ads that – hold on one second.

5 The social ads that you guys have on the platform.

6 Wondering the level of penetration of social ads that you have today on the site and the opportunity – and I have a quick follow-up.

Sheryl K. Sandberg (COO)

7 So fewer than half of our ads are social.

8 And it's an increase.

Reverse refutational preemption (taking things slow)

9 We're very focused on increasing the percentage of our ads which are social in nature.

10 We know from a large number of studies and working with advertisers that the ads that are social have higher engagement rates from users, much higher ROI for advertisers.

Grounds

11 So driving that percentage up is also – is really important to us.

12 It also feeds into the Sponsored Stories in News Feed strategy that I spent most of my remarks talking about;

Grounds (reference to evidence presented at a previous point)

13 which is that we put things in News Feed that are most relevant,

14 so the more social context the ads have and the more relevant they are to our users, the more we'll be able to drive up the percentage of our ads that go into News Feed.

David A. Ebersman (CFO)

15 And just to add, just to make sure that we're communicating this clearly,

16 a very small percentage of our ads are Sponsored Stories in News Feed at this point.

17 We just started with that product recently

18 and we're being very careful in terms of the volume that we put into News Feed because it's such a core part of the user experience.

Reverse refutational preemption (taking things slow)

Corresponding Analyst Report Excerpt

Risks to Rating and Price Target

Downside **risks** include:

[…]

user-first mentality could create short-term risk and volatility

The discussion in the previous paragraphs leads to the following propositions, which are also illustrated in Figure 4.11 by the path highlighted in red:

Proposition 8a: Neglecting to advance refutational preemptions about analysts' known and potential concerns is likely to be met with skepticism, and lead to legitimacy contestation.

Proposition 8b: Advancing reverse refutational preemptions, whereby executives build a convincing case for an explorative activity and then discount it by counterarguing against it, is likely to be met with skepticism, and lead to legitimacy contestation.

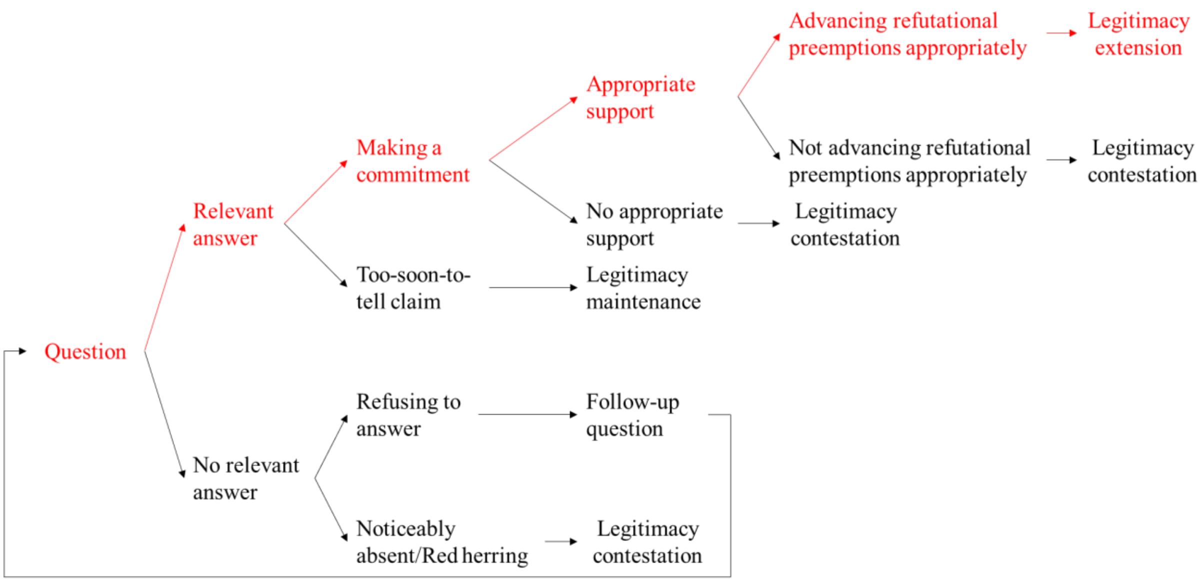

Figure 4.11: Outcome when executives are not advancing refutational preemptions appropriately

4.3.2.5 Special Case

Having discussed the various relationships between executive-related codes, and examined analyst reactions to them, I find useful discussing a special case in my corpus. This special case is Zynga's bwin, partnership which, despite not following the pathway leading to legitimacy extension outlined in my Communication Process Model, was favourably received by analysts. In the paragraphs below, I examine the ways in which executives' answers deviate from the model and attempt to understand the reason behind the positive analyst reception.

The excerpt below is comprised by four questions and answers about Zynga's bwin partnership that all took place within the firm's Q3 2012 ECC. In the first question, the analyst is interested in knowing more about the partnership and is open about the information he expects to receive. In turn, the executive makes a too-soon-to-tell claim (line 8), and makes a positive prediction about the future (line 9). However, instead of basing this prediction on a brief overview of available information, he appears to simply express an opinion (e.g., we believe, we think, etc.). In the second question, the analyst is more specific and asks for details on the financial arrangement between the two firms. In line 12, the executive provides a brief answer that does not exactly answer the question. Specifically, he confirms that there is an arrangement, but does not explicate its terms. Then in lines 13-16 he repeats the answer he gave to the previous analyst. In the third question, the analyst returns to the topic of the financial arrangement between the two firms. In lines 20-22, he acknowledges that he does not expect to receive details, but would still like to know the type of agreement the two firms have. These 3 lines are of particular interest because they indicate that there is some information the executive could share, and that his too-soon-to-tell claim is not enough for him to completely avoid the answer. Once again, however, the executive refuses to provide any information. In fact, he asks the operator to move on to the next question, indicating he is starting to feel uncomfortable with this line of questioning. Last, in the fourth question, the analyst is once again asking for information the firm should be able to share (i.e., platforms they will be working with). The executive does not provide any details, and another steps in to add to his answer. Once more, however, the answer does not offer any meaningful detail.

QA01

Atul Bagga (Analyst)

1 Hey, guys, thanks for taking my question.

2 I have actually two questions.

3 A) Mark, if you can talk a little bit about the partnership with bwin.party gaming.

4 What will be your expectation and what is bwin looking forward in this partnership from Zynga?

[…]

5 Thank you.

David M. Wehner (CFO)

6 Atul, it's Dave.

7 I'll take the first question on bwin, and then Mark can add color on that as well as on mobile.

8 On bwin, we view this as a first step into real money gaming,

Too-soon-to-tell claim

9 and we believe that it's a good first step but only a first step towards what we think is a large opportunity for Zynga.

Opinion assertion; grounds

QA02

Mark Alan May (Analyst)

10 And on bwin, we can all try to come up with our own revenue forecast,

11 but can you give us at least some sense of the financial arrangement in terms of revenue share and other components on the cost side?

Follow-up question

David M. Wehner (CFO)

12 Yeah, there is a revenue share with bwin on this,

Factual assertion

13 and we're not going to be providing specific guidance on this at this time.

Refusal to provide an answer

14 Again it's a first step,

Too-soon-to-tell claim

15 we think this is a big long-term opportunity,

Opinion assertion; grounds

16 but we're not providing any specific guidance around the impact.

Refusal to provide an answer

Mark Alan May (Analyst)

17 Okay, thanks.

QA03

Colin A. Sebastian (Analyst)

18 Thank you.

[…]

19 And then my second question is just a follow-up on bwin and Mark's question on the economics.

Follow-up question

20 I know you can't provide details there,

Factual assertion

21 but can you clarify if this is just a brand licensing deal where the economics might be pretty modest,

22 or are there more layers here under the onion such as game development or integration that might make the economics more robust?

Question; alternative potential answers

23 Thank you.

[…]

Mark J. Pincus (CEO)

24 Yeah, Colin, on bwin, this is a – just in the U.K. market,

25 it's a first step.

26 So we're not talking any more details around the economics at this time.

Refusal to provide an answer

Colin A. Sebastian (Analyst)

27 Thank you.

Mark J. Pincus (CEO)

28 Sam, you can go to the next question please.

Asking operator to move on to next question

QA04

Douglas T. Anmuth (Analyst)

29 Great.

30 Thanks for taking the questions.

31 Just wanted to ask two things.

32 One more on bwin,

33 not about the economics, however, but can you just clarify what sites and platforms the real-money games will be available on?

[…]

34 Thanks.

David M. Wehner (CFO)

35 So, thanks Doug.

36 We're not giving a lot of details around bwin at this time.

Refusal to provide an answer

[…]

Mark J. Pincus (CEO)

37 Sure.

38 So, on bwin, within the press release, what we've announced is that [ph] Phil (42:46) will be exclusively focused together to start with in the U.K., where they have a suite of casino products that we're both excited to test against our network.

Adding to a previous answer

[…]

Douglas T. Anmuth (Analyst)

39 Thank you.

David M. Wehner (CFO)

40 All right, Sam, you can go to the next question please.

What makes this case unique is that executive answers do not comply with the typical structure followed when too-soon-to-tell claims are advanced. Apart from not sharing any information at all and basing their predictions about the future on personal opinions, the executives seem to be withholding information because they are unwilling rather than unable. In other cases in my corpus where the executives would make too-soon-to-tell claims, questions would typically be about customer feedback, financial performance and/or future outlook. Such questions indeed justify needing more time to collect data points and provide an answer that is grounded on substantial evidence. The type of financial agreement between the two firms as well as the type of platforms their products will be running on, however, seems like information the firm already has and for some undisclosed reason is unwilling to share. Based on my Communication Process Model, one would expect that analysts would either react negatively (due to lack of appropriate support) or not react at all (due to too-soon-to-tell claims). The excerpts from the corresponding analyst report, however, show a positive reaction toward this partnership, and the analyst seems to have positive expectations about the future. I believe the explanation for this discrepancy between the expected and the actual analyst reaction lies in the second excerpt, namely acknowledging bwin.party as the leading international real money gaming (RMG) operator. Specifically it appears that the positive image of bwin has transferred to the partnership between the two firms, which is in line with research suggesting that co-branding with high equity brands can benefit both the newly found co-brand as well as lower equity partner brands (Washburn, Till and Priluck, 2000).

Zynga's 3Q results and 4Q guidance were generally in line with the company's 10/4 pre-announcement. While older titles such as FarmVille and CityVille continue to witness significant declines, we're somewhat encouraged by early user and bookings growth for FarmVille 2 and ChefVille. We think it's too early to call stabilization in the business as newer titles – 2 web and 4 mobile per quarter in 2013 – face a more competitive release environment. **<u>We expect shares to react positively to the $200M (over 10% of market cap) share repurchase and the real money gaming partnership with bwin.party</u>**, though we're not currently factoring in any incremental revenue from real money gaming.

[…]

Launch into real money gaming. Zynga announced a partnership with **<u>bwin.party, the leading international real money gaming (RMG) operator</u>**, to offer real money online Poker and Casino games (i.e., slots, roulette, blackjack) in the UK market in 1H13. We believe Zynga's RMG products will be offered as web-based and downloadable games, though the revenue share agreement was not disclosed.

[…]

Neutral rating. Zynga faces a number of headwinds over the next few quarters – some are structural, some more execution-based. We think new titles are witnessing good early growth, but unlikely to offset declines in older games. In addition, mobile monetization appears to be well below web monetization levels making it difficult for Zynga to offset lost game usage from Facebook. **<u>We view continued share repurchases and the bwin.party partnership as positive catalysts.</u>**

4.4 Summary of Main Findings

While my main findings, and their implications for theory and practice, will be discussed in depth in my discussion chapter, I deem appropriate to conclude this chapter by providing a brief summary of them.

I began this chapter by presenting the codes that emerged by applying conversation analysis, argumentation analysis, cognitive linguistics and interpretive content analysis to my corpus. These codes were particularly revealing about how: (i) analysts and executives structure their talk, with each component of these structures serving a different purpose/functionality (conversation analysis), (ii) executives advance and support arguments when they attempt to present an explorative activity in a positive light (argumentation analysis), (iii) analysts and executives colour their talks with the use of different tones, intensifiers, certainty indicators and time signatures, depending on the information they intend to convey and overall objectives they aim to achieve (cognitive linguistics), and (iv) analysts react and signify their approval or disapproval of an explorative activity, and therefore the extension, maintenance or contestation of firms' legitimacy.

While particularly insightful on their own, I further progressed my analysis by examining these codes in relation to one another. Specifically, I performed relational and comparative analyses (see Bazeley, 2013) that resulted in a number of patterns of association. Some of these patterns held true across all cases, while others held true for either successful or unsuccessful cases, representing the building blocks of my explanatory model.

With regard to analysts, the patterns of association identified in their turns revealed that, in line with previous research (e.g., de Oliveira and Pereira, 2018), analysts are in a constant struggle between their need for timely and quality information and their need to maintain a good relationship with executives so they keep providing them with timely and quality information. In most cases, analysts' need to maintain a good relationship with executives would dominate. *Polite openings and closings*, *enumerating their questions in a neutral tone accompanied with downtoners*, *making their assertions and questions in a neutral tone*, *using opinion assertions accompanied with amplifiers for positive statements*, *and factual assertions attributed to external sources accompanied with downtoners for negative statements*, were some of the strategies analysts used to make executives feel the least pressured/threatened possible, and subsequently remain in their good graces. On the other hand, on the rare occasion executives would be dismissive/uncooperative, analysts' need for timely and quality information would take over. In such cases, analysts would ask *follow-up questions in a negative tone accompanied with amplifiers*, until executives eventually cooperated and shared some information. The strategies used to serve analysts' different needs are summarized in Table 4.7.

Table 4.7: Communication strategies used by analyst need

Analyst Need	**Communication Strategies**
Good relationship with executives	• Polite openings and closings • Enumerating questions in a neutral tone accompanied with downtoners • Making assertions and questions in a neutral tone • Using opinion assertions accompanied with amplifiers for positive statements • Using factual assertions attributed to external sources accompanied with downtoners for negative statements
Timely and quality information	• Follow-up questions in a negative tone accompanied with amplifiers

With regard to executives, the patterns of association identified in their turns examined in relation to the analyst reactions they elicit, resulted in an explanatory model which views communication as a process with multiple potential pathways and outcomes. Specifically, my Communication Process Model consists of 3 potential outcomes (i.e., legitimacy extension, neutral which manifests as either legitimacy maintenance or going back to the beginning via follow-up questions, and legitimacy contestation) and 6 alternative pathways to arrive at them. What is interesting about this model, is that there are 3 alternative ways to arrive at legitimacy contestation (see Figure 4.12), 2 to achieve a neutral outcome (see Figure 4.13), but only 1 to achieve legitimacy extension (see Figure 4.14). This highlights that, while there are multiple ways to arrive at either a negative or neutral outcome, there is only one way to arrive at the desired positive outcome (i.e., legitimacy extension). From a first look, this may be alarming as it brings attention to the plethora of ways things that can go wrong instead of right. At the same time, however, it is comforting in the sense that it brings to light a clear recipe for success, which involves (i) *addressing the question with a relevant answer*, (ii) *making a commitment about the future*, (iii) *providing appropriate support for the commitment(s) made*, and (iv) *advancing refutational preemptions about analysts' known and potential concerns*.

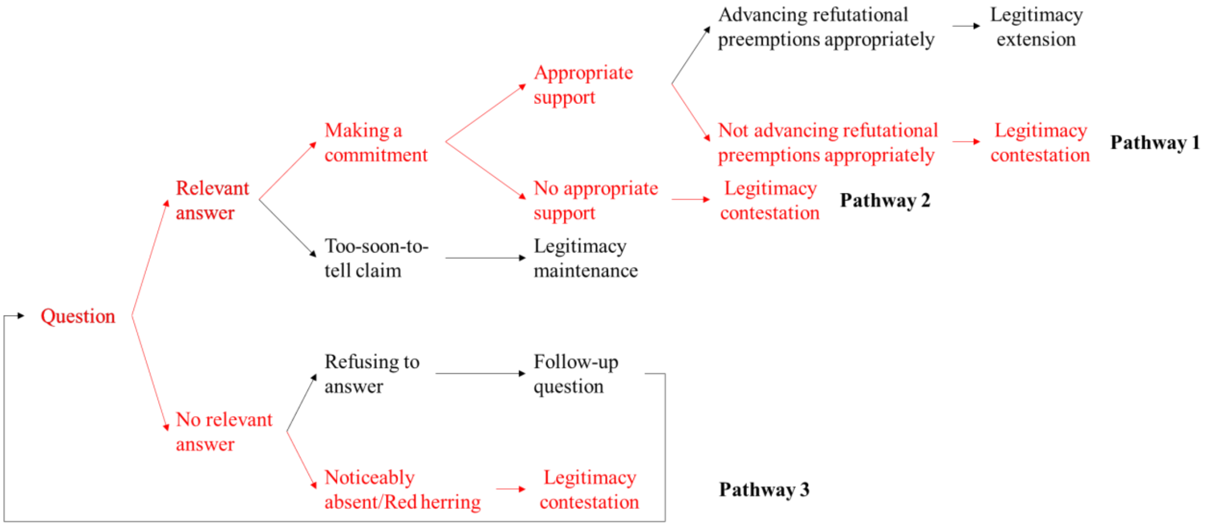

Figure 4.12: Pathways leading to legitimacy contestation

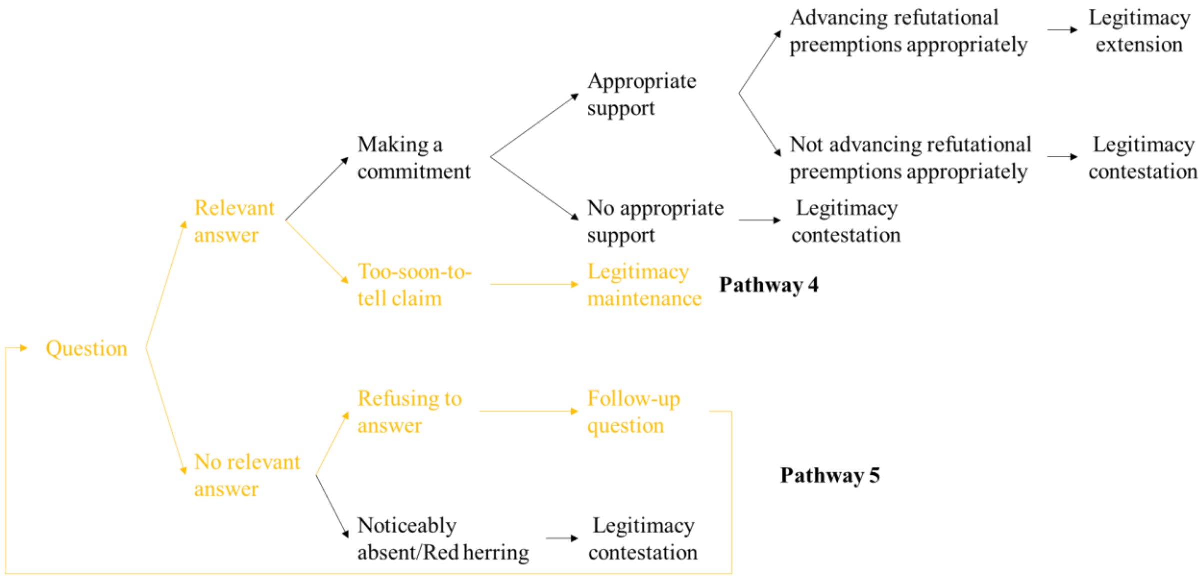

Figure 4.13: Pathways leading to a neutral outcome

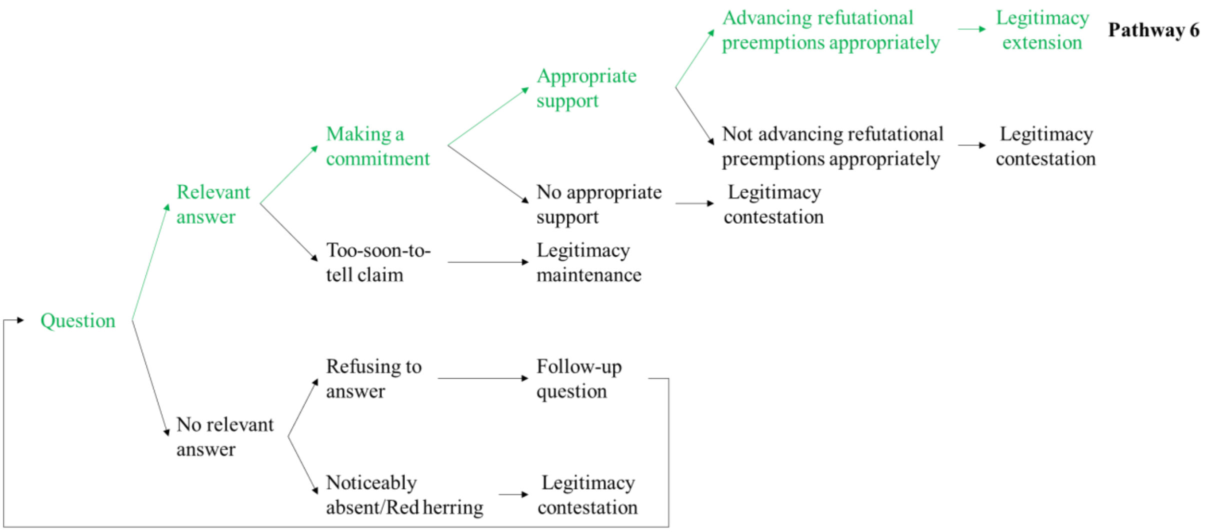

Figure 4.14: Pathway leading to legitimacy extension

The different pathways illustrated in the above figures, can also be summarized in the following 3x2 matrix (Figure 4.15). Pathways 6 and 4 represent appropriate communication avenues that lead to legitimacy extension and legitimacy maintenance respectively. On the other hand, pathways 5, 1, 2 and 3 represent non-appropriate communication avenues that lead to follow-up questions and legitimacy contestation respectively. About pathway 5 in particular, while any negative reactions to executives refusing to provide an answer remained in the ECC and all answers eventually evolved to too-soon-to-tell claims, more similar cases are needed to draw a conclusion with a greater degree of plausibility. Furthermore, the matrix highlights that when communication is not necessarily appropriate, other mechanisms/factors may be at play that can mitigate non-appropriate communication's negative effect. For example, in the case of Zynga's bwin partnership, the positive image of bwin appears to have transferred to the partnership between the two firms, resulting in a positive analyst reaction despite communication not being appropriate. On the other hand, when communication is appropriate, other mechanisms/factors may be at play that can lessen appropriate communication's negative effect. For instance, partnering with a low-equity brand could potentially make analysts' less receptive toward executives' communication efforts.

	Appropriate Communication	**Non-Appropriate Communication**
Legitimacy Extension	• Pathway 6	• Cases where other mechanisms/factors may be at play and have a positive moderating effect on communication's effectiveness (e.g., partnering with a high-equity brand)
Neutral Outcome	• Pathway 4	• Pathway 5
Legitimacy Contestation	• Cases where other mechanisms/factors may be at play and have a negative moderating effect on communication's effectiveness (e.g., partnering with a low-equity brand)	• Pathway 1 • Pathway 2 • Pathway 3

Figure 4.15: Strategic Communication/Legitimation Matrix

While evidence in my corpus provides support for pathways 1-6, as well as for the special case of Zynga's bwin partnership, other pathways/cases illustrated in the Strategic Communication/Legitimation Matrix above need to be examined by future research. Specific suggestions on how researchers could pursue examining these will be presented in my discussion chapter, and the relevant future research suggestions section.

5.1 Introduction

Having presented (i) the context within which this study takes place along with my aim and objectives, (ii) my review of the relevant literature, (iii) my ontological and epistemological assumptions, and the methods followed to pursue my aim and objectives, and (iv) my results and explanatory model stemming from them, I will conclude this thesis by bringing all these different aspects of my research project together, and explaining how they connect to one another. In particular, in connection of findings to aim and objectives (Section 5.2) I discuss my findings in connection with my overall aim and objectives. Next, in theoretical, methodological and practical implications (Section 5.3), I examine the contributions of my study on a theoretical, methodological and practical level. First, I discuss the theoretical implications of my work (Section 5.3.1) by examining the relationship of my findings to existing studies and theories, and explaining whether they contradict, provide further support for or extend them. Specifically, I examine how my study contributes to research on legitimacy and strategic communication. Moving on, I outline the methodological implications of my study (Section 5.3.2). In particular, I examine how my study adds to conversation analysis, argumentation analysis and the operationalization of legitimacy. In turn, I discuss the practical implications of my work (Section 5.3.3), by examining how my findings can be used by executives and the IR teams working with them. In limitations and future research suggestions (Section 5.4), I first examine the limitations of my study, including the applicability and generalizability of my findings. Then, I explain how future research could capitalize on my work to generate further insights, and highlight areas that either need further theory building or theory testing. I close the chapter with an overall conclusion about my study (Section 5.5)

5.2 Connection of Findings to Aim and Objectives

In the introductory chapter of this thesis, I explained that my study aims to examine the purposeful use of communication when executives of newly-public high-technology firms engage in conversations about their new explorative activities during ECCs to proactively defend, maintain and extend their legitimacy with analysts. In this section, I discuss my empirical findings in connection to this aim, as well as in connection to the relevant objectives set.

Adopting a legitimation as process perspective, even after reaching an initial legitimacy threshold (see Rutherford and Buller, 2007), firms' legitimacy is constantly re-evaluated by various actors who have different assumptions of appropriateness (Suddaby, Bitektine and Haack, 2017). Ashforth and Gibbs (1990) argue that firm executives are called to maintain legitimacy by anticipating and preventing challenges through substantive and/or symbolic management. As they explain, substantive management may require firms to change their goals in order to maintain their legitimacy, but communication may be able to provide the necessary symbolic assurances that a firm continues to perform well without having to compromise its goals.

In my research context, analysts continuously re-evaluate firms' legitimacy in order to perform their due diligence. As such, firms' moves are under analysts' constant scrutiny, who make judgements of appropriateness based on the shareholder-value principle. In particular, Shin and You (2017) argue that analysts continuously evaluate firms' moves to ensure that they maximize net present value (NPV), and therefore conform to the shareholder-value principle. At the same time, new explorative activities represent investments with a long-term horizon that may lead to a temporary decrease in measures of operating performance and take time to manifest into profits (Flammer and Bansal, 2017). Consequently, executives expect that their firms' potential involvement into new explorative activities may become a point of scrutiny by analysts and consequently a potential challenge to their legitimacy. Moreover, executives appear to operate under the assumption that analysts and other financial-market stakeholders make judgements of appropriateness based on indicators of short-term financial performance (see Kraus and Strömsten, 2012). Considering analysts' substantial influence over firms' legitimation efforts (see Navis and Glynn, 2010; Zuckerman, 1999), executives end up holding back from valuable investment opportunities with a long-term horizon such as explorative activities in order to maintain their legitimacy (e.g., Davies *et al.*, 2014; DesJardine and Bansal, 2019; Graham, Harvey and Rajgopal, 2005; Keum, 2020; Kraus and Strömsten, 2012; Laverty, 1996; Nikolov, 2018; Porter, 1992; Sampson and Shi, 2020).

This, of course, does not mean that firms do not engage in explorative activities at all. However, considering how vital explorative activities are for firms' long-term sustainability it highlights an important challenge that must be overcome. Linking back to the discussion on maintaining and extending legitimacy in my literature review chapter, what appeared to have not been equally considered by the existing literature, is the potential for firms to not only maintain their legitimacy through substantive actions that compromise their long-term growth and sustainability, but also extend it to new domains of activity with the assistance of symbolic management. As such, I argued that through strategic communication (symbolic management) executives can proactively persuade analysts about the appropriateness of their explorative activities without having to compromise them, and consequently extend their legitimacy to these new domains of activity.

In support of the above argument, Shin and You's (2017) study on the use of shareholder-value language in letters to shareholders, provides evidence that financial-market stakeholders are responsive to symbolic management as long as it signals conformity to their own assumptions of appropriateness (i.e., shareholder-value principle). My empirical findings provide further support to this. In particular, analysts in my corpus dedicated a considerable amount of their airtime asking questions about the firm's explorative activities, including qualitative information about them. Considering that analysts make significant efforts to maintain a good relationship with executives so that they continue receiving airtime during ECCs, one can understand that airtime is a valuable resource for them. Therefore, if analysts were only interested in short-term financial performance, they would not spend their precious airtime asking for qualitative information about the firm's explorative activities. As such, and while I acknowledge that this is not a hypothesis-testing study, finding such evidence indicates that analysts are looking for signals of conformity to the shareholder-value principle, and can therefore look beyond short-term financial performance indicators. Furthermore, analysts in my corpus more than often had a positive or at least mixed reaction toward the firm's explorative activities, and that was achieved through appropriate communication. Analysts' approval of firms' explorative activities, provides further support to the argument that analysts are not by default rejecting explorative activities because of their impact on short-term financial performance. On the contrary, analysts may be positively predisposed toward explorative activities and will approve of them as long as firms persuade them that the explorative activity in question conforms to the shareholder-value principle.

Moving on to my first objective, in my literature review chapter, I explained that my perspective on communication in this study lies on the middle ground between the interactive and the transactional model. Specifically, analysts are not mere receivers of executives' communication efforts. In particular, not only do they retrospectively evaluate these efforts and send executives relevant feedback, but analysts also guide the communication process by asking questions during ECCs. As such, my first objective was to identify the ways analysts guide their ECC conversations with executives in order to perform their due diligence and find out more about their firms' explorative activities, while also ensuring they maintain a good relationship with firm executives.

The patterns of association identified in analyst turns (see Table 4.7, page 155) revealed that, in line with previous research (e.g., de Oliveira and Pereira, 2018), analysts are indeed in a constant struggle between their need for timely and quality information and their need to maintain a good relationship with executives so they keep providing them with timely and quality information. However, in most cases, analysts' need to maintain a good relationship with executives would dominate. *Polite openings and closings*, *enumerating their questions in a neutral tone accompanied with downtoners*, *making their assertions and questions in a neutral tone, using opinion assertions accompanied with amplifiers for positive statements, and factual assertions attributed to external sources accompanied with downtoners for negative statements*, were some of the strategies analysts used to make executives feel the least pressured/threatened possible, and subsequently remain in their good graces. On the other hand, on the rare occasion executives would be dismissive/uncooperative, analysts' need for timely and quality information would take over. In such cases, analysts would ask *follow-up questions in a negative tone accompanied with amplifiers*, until executives eventually cooperated and shared some information.

These findings are particularly insightful, not only because they showcase how analysts influence the legitimation processes, but also because they highlight the opportunity the synchrono-asynchronous nature of ECCs presents firms with. As analysts are asking questions to perform their due diligence, but are not yet contesting the activities discussed, they are essentially creating opportunities for executives to (proactively) persuade them about the appropriateness of their explorative activities, and in turn maintain and extend their firms' legitimacy to new domains of activity. If executives fail, their explorative activities and legitimacy will mainly get contested in analyst reports.

Having established the ways through which analysts guide their ECC conversations with executives, my second and third objective were to identify the specific communication strategies used by executives in these ECC conversations, and distinguish between those strategies that are successful in persuading analysts about the appropriateness of firms' explorative activities and those that are likely to lead them to contest firms' legitimacy, respectively. My Communication Process Model addresses both these objectives, providing a clear and detailed account of the communication strategies that may lead to legitimacy extension, maintenance or contestation.

Starting with the communication strategies necessary to extend firms' legitimacy to new domains of activity (see Figure 4.14, page 157), my findings suggest that, when engaging in conversations about their new explorative activities during ECCs, executives must: *(i) address analyst questions about their explorative activities with relevant answers, (ii) make commitments in the form of factual, intention or opinion assertions, in a positive tone, accompanied with amplifiers, references to the present or future, and certainty indicators, (iii) provide appropriate support for the commitment(s) made in the form of factual assertions, in a positive tone, accompanied with amplifiers and references to the past or present, and (iv) advance appropriate refutational preemptions about analysts' known and potential concerns, whereby counterarguments in a negative tone and accompanied with downtoners, are succeeded by counteroffers in a positive tone and accompanied with amplifiers*.

Apart from the communication strategies necessary to extend firms' legitimacy to new domains of activity, my empirical work resulted in offering two more related insights. Specifically, my findings suggest that, in order to avoid legitimacy contestation (see Figure 4.12, page 156), executives must not: *(i) provide noticeably absent/red herring answers to analyst questions about their explorative activities, (ii) neglect to provide appropriate support for the commitments made, nor provide support in the form of intention or opinion assertions, and (iii) neglect to advance appropriate refutational preemptions about analysts' known and potential concerns, nor advance reverse refutational preemptions, whereby they build a convincing case for an explorative activity and then discount it by counterarguing against it*.

At the same time, my findings suggest that, in case the explorative activity is still at a very early stage and executives wish to be protected against potential litigation and/or proprietary costs, they can paint a positive enough picture to postpone analysts' commentary for future quarters and maintain their legitimacy in the meantime (see Figure 4.13, page 156) by: *(i) making a too-soon-to-tell claim about the explorative activity in question, (ii) sharing a brief overview of available (usually positive) information, and (iii) using this information to make a positive prediction/commitment about the future*.

Last, the special cases met in my corpus, are another product of this research project that should not be neglected. While not offering conclusive insights, cases in my corpus that did not follow the typical, extension/maintenance/contestation pathways described earlier, still add to the overall discussion. Specifically, referring back to Pathway 5 on Figure 4.13 and Figure 4.15 (see pages 156 and 158 respectively), any negative reactions to executives refusing to provide an answer remained in the ECC and all answers eventually evolved to too-soon-to-tell claims in my corpus. And while more similar cases are needed to draw a conclusion with a greater degree of plausibility, this finding highlights the potential to rectify non-appropriate communication. Similarly, the case of Zynga's bwin partnership (see pages 147-153) indicates the even when communication is not appropriate, other factors at play (e.g., co-branding with high equity brands) can mitigate its negative effects.

From a first look, the communication strategies presented in the previous paragraphs may appear rather intuitive or even self-evident. For example, who would not provide a relevant answer to analyst questions? Or, who would make a commitment and then neglect to support it with credible evidence? The answer is intelligent, educated executives with years of professional experience would, and the reason is simple. Despite their intelligence, education and professional experience, in their core, executives remain beings with bounded rationality (Simon, 1990) who are called to answer questions under a tremendous amount of stress for both their personal and their firms' welfare (Burgoon *et al.*, 2016; Chen, Demers and Lev, 2018). Executives in my corpus could be split into two categories (i) those who were generally good communicators, but still made occasional mistakes that resulted in negative analyst reactions, and (ii) those who were generally bad communicators, but still occasionally achieved positive analyst reactions. Going back to Zerfass and colleagues' definition of strategic communication as "the purposeful use of communication by an entity to engage in conversations of strategic significance to its goals" (2018, p. 493), there is no denying that the executives in my corpus communicate with specific strategic intent. However, while their communication efforts may be conscious on a more macro level, my findings suggest that they are not necessarily conscious on the micro level. In particular, the communication errors made by both these groups further suggest that executives may use some, or even all, of these communication strategies intuitively, but (i) they are not all necessarily aware or in good command of them, and (ii) they do not all necessarily make conscious use of them. Taking all these into account, along with the fact that these communication strategies have a level of detail attached to them (i.e., tone, intensifiers, certainty indicators, etc.) that essentially turns them into a clear recipe for success, makes them a worthy addition to knowledge for both scholars and practitioners.

5.3 Theoretical, Methodological and Practical Implications

Having discussed how my findings connect to my overall aim and objectives, I dedicate this section to the implications of my study. First, I discuss the theoretical implications of my work by examining the relationship of my findings to existing studies and theories, and explaining whether they contradict, provide further support for or extend them. Specifically, I examine how my study contributes to research on legitimacy and strategic communication. Next, I outline the methodological implications of my study. In particular, I examine how my study adds to conversation analysis, argumentation analysis and the operationalization of legitimacy. Last, I discuss the practical implications of my work, by examining how my findings can be used by executives and the IR teams working with them.

5.3.1 Theoretical Implications

5.3.1.1 Theoretical Implications for the Literature on Legitimacy

In my literature review chapter, I explained that "legitimate status is a *sine qua non* for easy access to resources, unrestricted access to markets, and long term survival" (Brown, 1998, p. 38). Given this importance of legitimacy to firms, it is only reasonable that researchers have paid close attention to the processes necessary in order to establish, repair, maintain and or extend it. For this research project, I examined the relevant literature and found there is a substantial body of work about the role of communication in establishing the legitimacy of new ventures (e.g., Cornelissen and Clarke, 2010; Fisher *et al.*, 2017; Garud, Schildt and Lant, 2014; Golant and Sillince, 2007; Lounsbury and Glynn, 2001; Martens, Jennings and Jennings, 2007; Nagy *et al.*, 2012; Parhankangas and Ehrlich, 2014; van Werven, Bouwmeester and Cornelissen, 2015), in repairing the legitimacy of established firms when it is challenged or lost due to unforeseen crises (e.g., Elsbach, 1994; Garud, Schildt and Lant, 2014; Matejek and Gössling, 2014; Stone, Erickson and Weber, 2012), and extending the legitimacy of established firms to new territory (e.g., Landau, Drori and Terjesen, 2014; Thurlow and Mills, 2015; Vaara and Monin, 2010; Vaara and Tienari, 2011). At the same time, less is known about the role of communication in proactively defending and maintaining established firms' legitimacy (e.g., Deegan, Rankin and Tobin, 2002; O'Donovan, 2002; Samkin and Schneider, 2010). The present study, is among the few that examine the role of communication in maintaining established firms' legitimacy as part of their symbolic management, which are currently mainly in the area of accounting and corporate social responsibility. Furthermore, to the best of my knowledge, this study is the first to examine the role of strategic communication in maintaining and extending established firms' legitimacy by proactively persuading analysts about the appropriateness of their new explorative activities. Last, this study is also the first to identify the role of strategic communication in contesting and repairing established firms' legitimacy within the aforementioned context. These contributions are discussed in greater detail in the paragraphs below.

Starting with legitimacy maintenance, my contributions to the relevant literature are twofold and can be better understood by taking the existing state of the relevant literature into consideration. First, and perhaps most important, existing studies view maintenance as a routine and almost mindless procedure (see Ashforth and Gibbs, 1990) or argue that in fear of contradicting the expectations of key stakeholders, firms take a substantive approach and stop innovating in response to shifts in their environment (see Suchman, 1995), which may explain why the body of work on the role of communication in maintaining established firms' legitimacy is less substantial. In fact, this perspective also applies to my research context, where existing research takes firms' tendency to hold back from valuable investment opportunities with a long-term horizon such as explorative activities in order to maintain their legitimacy with analysts and other financial-market stakeholders as a given (e.g., Davies *et al.*, 2014; DesJardine and Bansal, 2019; Graham, Harvey and Rajgopal, 2005; Keum, 2020; Kraus and Strömsten, 2012; Laverty, 1996; Nikolov, 2018; Porter, 1992; Sampson and Shi, 2020). Second, the few existing studies on the role of communication in maintaining established firms' legitimacy mainly come from the area of accounting and corporate social responsibility (e.g., Deegan, Rankin and Tobin, 2002; O'Donovan, 2002; Samkin and Schneider, 2010), and are not as rich in qualitative information as the work of other scholars in the broader area. In their majority, they focus on how firms anticipate threats in their environment and examine corporate disclosures, arguing that, through these disclosures, firms attempt to maintain their legitimacy by manipulating stakeholder perceptions and expectations. However, their accounts of how these communication strategies can be put into practice are not as detailed, nor is the effectiveness of these strategies in maintaining firms' legitimacy examined.

With these in mind, the present study offers an alternative perspective, whereby substantive management is not the only way for firms to signal conformity to stakeholders' expectations and maintain their legitimacy. Taking a substantive approach to legitimacy maintenance can only be short-lived as the environment modern firms operate in is everchanging, and they can only truly survive and thrive in the long run by adapting to these changes and being innovative. My empirical findings indicate that (i) firms still engage in explorative activities, despite the general tendency to hold back from such activities to signal conformity to analysts and other financial-market stakeholders' expectation, (ii) analysts dedicate a considerable amount of their airtime asking questions about the firm's explorative activities, including qualitative information about them, (iii) analysts will more than often have a positive or at least mixed reaction toward the firm's explorative activities, and, (iv) executives are able to earn analysts' approval of their explorative activities by communicating purposefully with them. As such, the present study highlights that the purposeful use of communication is a means through which firms get to maintain their legitimacy with analysts and extend it to new domains of activity, without having to compromise their long-term sustainability. By doing so, it hopefully initiates further discussion in the area, and shifts the attention away from substantive management as the primary means of legitimacy maintenance in this context. Furthermore, this study does not stop at emphasizing the importance of strategic communication, but also provides a detailed account of how this can be put into practice effectively. While legitimacy extension will be commented on in in the next paragraph, my Communication Process Model also showcases how firms, which are still at a very early stage with a particular explorative activity and wish to be protected against potential litigation and/or proprietary costs, can paint a positive enough picture to postpone analysts' commentary for future quarters and maintain their legitimacy in the meantime (i.e., through too-soon-to-tell claims; see Figure 4.13, page 156).

Moving on to legitimacy extension, the majority of relevant studies either focus on entire industries instead of single firms (e.g., Lee and Paruchuri, 2008; Suddaby and Greenwood, 2005) and/or examine how the relevant events were discussed in the media instead of company communications (e.g., Vaara, Tienari and Laurila, 2006). At the same time, the fewer studies that examine the purposeful use of communication by single firms aiming to extend their legitimacy to new domains of activity, focus on cases where firms are going through a merger or acquisition (e.g., Vaara and Monin, 2010; Vaara and Tienari, 2011) or an organizational change such as identity change (e.g., Landau, Drori and Terjesen, 2014;

Thurlow and Mills, 2015). The common thread between these studies is that they all focus on how firm exectuives employ narratives to create expectations for plausible future benefits. Furthermore, the studies of Vaara and colleagues highlight the important role of certain stakeholder groups whose perceptions of legitimacy have the power to influence others, and can therefore act as gatekeepers in the legitimation processes.

The present study adds to this body of work by examining how single firms can extend their legitimacy in a rather underexplored context, namely when engaging in new explorative activities. Consistent with existing studies, my empirical findings also support the importance of setting expectations for plausible future benefits, through commitments and appropriate support. In fact, my Communication Process Model not only emphasizes the significance of commitments and appropriate support, but also provides a detailed account of how firm executives can make commitments analysts will actually buy into, while also ameliorating any other relevant concerns they may have, in order to extend their firms' legitimacy to new domains of activity (see Figure 4.14, page 157). Last, this research project adds to the work of Vaara and colleagues around the influential role of gatekeepers in legitimacy extension. While their focus has consistently been on media, my study brings further attention to another important gatekeeper that are analysts.

Concluding with legitimacy contestation and repair, existing studies typically examine how the purposeful use of communication can assist executives in repairing their firms' legitimacy after it has been contested due to certain controversial events (e.g., Elsbach, 1994; Garud, Schildt and Lant, 2014; Matejek and Gössling, 2014; Stone, Erickson and Weber, 2012). Instead, the present study highlights how the misuse of communication can lead to legitimacy contestation without the involvement of a controversial event per se. In particular, as it has already been explained, analyst reactions were positive in the majority of the cases I examined. This suggests that analysts are rather positively predisposed toward explorative activities. As such, firms' involvement in new explorative activities does not constitute a controversial event on its own. On the contrary, legitimacy appears to only get contested when executives fail to persuade analysts that the explorative activity in question conforms to the shareholder-value principle. This insight is of particular importance as it brings further attention to the influential role of communication in the legitimation processes. Furthermore, my Communication Process Model (see Figure 4.12, page 156) not only emphasizes to this role of communication, but also provides a detailed account of the ways firm executives can fail to persuade analysts about the appropriateness of their explorative activities, cause skepticism, and ultimately lead to legitimacy contestation.

At the same time, the present study contributes to the literature on legitimacy contestation and repair by showcasing how the synchrono-asynchronous nature of ECCs affects these processes within the selected research context. Specifically, my findings indicate that during these calls analysts are asking questions to perform their due diligence and are not yet contesting the activities discussed. In fact, if analysts are dissatisfied due to executives' refusal to provide an answer, the latter are still given the opportunity to rectify the situation through follow-up questions. On the other hand, if analysts' concerns are not addressed during ECCs, then they will contest firms' legitimacy in their reports, giving executives no chance to repair the situation for a particular quarter. Last, this research project highlights analyst reports as an important source of information when it comes to legitimacy contestation and repair in my research context. In particular, through my analysis of the relevant analyst reports, I was able to identify the aspects of both firms' strategies and communication efforts that caused analysts to be skeptical about the explorative activities in question. As such, my study shows that analyst reports can be utilized in identifying the factors causing analysts to contest firms legitimacy, and thus inform researchers and practitioners alike on how legitimacy can be proactively defended and/or repaired.

5.3.1.2 Theoretical Implications for the Literature on Strategic Communication

As mentioned throughout this thesis, the literature on strategic communication focuses on the purposeful use of communication as a means through which firms achieve a number of strategic goals, including legitimacy. As such, there is unavoidably an overlap between the contributions made to the literatures on legitimacy and strategic communication. Having established how the present study contributes to literature on legitimacy, this sub-section focuses on the contributions made to the literature on strategic communication more broadly.

To begin with, one of the main contributions this study makes to the literature on strategic communication relates to the methods of analysis employed. In particular, the strategic communication studies discussed in my literature review chapter primarily focused on the quality of corporate disclosures more generally (e.g., Agarwal *et al.*, 2016; Asay, Elliott and Rennekamp, 2017; Healy, Hutton and Palepu, 1999), metaphors and analogies (e.g., Cornelissen and Clarke, 2010; Rindova, Becerra and Contardo, 2004), argumentation and rhetoric (e.g., Harmon, Green and Goodnight, 2015; van Werven, Bouwmeester and Cornelissen, 2015), impression management and framing (e.g., Carter and Deephouse, 1999; Elsbach, 1994; Fisher, Kotha and Lahiri, 2016; Nadkarni, Pan and Chen, 2019; Nagy *et al.*, 2012; Parhankangas and Ehrlich, 2014; Westphal and Graebner, 2010; Zajac and Westphal, 1995), and narratives (e.g., Allee and DeAngelis, 2015; Garud, Schildt and Lant, 2014; Golant and Sillince, 2007; Landau, Drori and Terjesen, 2014; Lounsbury and Glynn, 2001; Martens, Jennings and Jennings, 2007; Matejek and Gössling, 2014; Thurlow and Mills, 2015; Vaara and Monin, 2010; Vaara and Tienari, 2011). While these studies have been particularly insightful on the purposeful use of communication in relation to legitimacy and other strategic goals, they do not fully account for the elements of communication that make my research context unique. Employing a mix of analytical tools (i.e., conversation analysis, argumentation analysis, cognitive linguistics and interpretive content analysis), I was able to better capture the distinctive elements of my research context and generate rich insights.

Starting with conversation analysis, it is important to refer back to three factors that make my research context unique, namely that (i) communication with analysts is taking place in a conversational form, (ii) these conversations are taking place in a formal pre-allocated format that is governed by certain rules and power dynamics, and (iii) these conversations are synchrono-asynchronous. As such, employing conversation analysis in this context, allowed me to generate rich insights about how executives and analysts interact and negotiate power with one another that other methods of analysis would not allow me to. In particular, conversation analysis revealed that, contrary to the transmission model of communication (see Shannon and Weaver, 1949), analysts are not mere receivers of firms' communication efforts. Along with executives, analysts shape the communication (and legitimation) processes. Since both parties need each other, the power dynamics between them constantly shift. Analysts' need to maintain a good relationship with executives typically dominates, allowing executives to seemingly have the upper hand. At the same time, however, on the rare occasion executives are dismissive/uncooperative, analysts' need for timely and quality information takes over, and executives comply. Furthermore, in this synchrono-asynchronous setting the conversation goes beyond the boundaries of ECCs. Analysts have the final say in their corresponding reports, where executives no longer have the opportunity to rectify the situation for a particular quarter, which further highlights the importance of the communication taking place during the actual ECCs.

While conversation analysis is perhaps the method that sets the present study the most apart from others in the area of strategic communication, the other methods of analysis employed also contributed significantly in generating rich insights, and have important implications for the literature on strategic communication. In particular, as mentioned earlier, argumentation has been the focal point of various studies in the area of strategic communication (e.g., Harmon, Green and Goodnight, 2015; Palmieri, Rocci and Kudrautsava, 2015; van Werven, Bouwmeester and Cornelissen, 2015). This research project adds to these studies by offering an additional level of granularity. Specifically, while existing studies have primarily focused on developing argument typologies, employing Toulmin's (1958) argumentation framework allowed me to uncover the structural elements of executives' argumentation, as well as the structural differences between the various cases in my corpus. In line with Govier (2013), these findings were in turn key in evaluating the acceptability of the arguments advanced in my research context. Moving on, other existing studies in the area have also examined aspects of language such as tone (e.g., Allee and DeAngelis, 2015) and time (e.g., Nadkarni, Pan and Chen, 2019). The present study adds to them by looking into cognitive linguistics from a unique perspective. Specifically, it looks into tone, intensifiers, modality and time signatures, while also taking context into consideration (i.e., interpretive content analysis as opposed to quantitative content analysis). In combination with the other aspects of communication examined, the insights generated from this type of analysis offer an additional level of detail to the communication strategies that may lead to legitimacy extension, maintenance or contestation. Last, applying interpretive content analysis to analyst reports, highlighted the important dual role these reports hold, namely (i) reflect the judgements of appropriateness of an important gatekeeper and potentially influence the legitimation processes, and (ii) serve as an important source of feedback in the communication process that cannot only help firms improve their communication efforts, but also their strategies themselves. By doing so, this study adds to prior work in the area focusing on how media, another important gatekeeper, respond to firms' communication efforts (e.g., Vaara and Monin, 2010; Vaara and Tienari, 2011).

Having established how the mix of analytical tools I employed allowed me to better capture the distinctive elements of my research context and generate rich insights, it is important to now delve deeper into the different communication strategies that were identified through my empirical work. Beginning with the communication strategies employed by analysts. In particular, as mentioned earlier while the ultimate objective of this research project was to identify the communication strategies that are the most and least effective in persuading analysts' about the appropriateness of firms' explorative activities, I was not merely interested in executives' answers and whether these were met with positive or negative comments. I was equally interested in what led up to their answers, and understanding their interactions with analysts as a whole. That was the reason I also examined analyst questions (and follow-up questions). This resulted in a number of communication devices analysts use during ECCs which add to the knowledge around the interactions taking place during such calls in general, and extends prior relevant work (e.g., de Oliveira and Pereira, 2018; Palmieri, Rocci and Kudrautsava, 2015).

Palmieri, Rocci and Kudrautsava (2015) find a number of communication devices that analysts use to guide the conversation with executives in a non-adversarial manner and create opportunites for argumentation. At the same time, de Oliveira and Pereira (2018) show that variations in the degree of generality/specificity in how analysts formulate their questions are an indication of analysts' constant struggle between their need for timely and quality information and their need to maintain a good relationship with executives. My study adds to their work by revealing that in most cases, analysts' need to maintain a good relationship with executives would dominate. Analysts' need for timely and quality information, would only take over on the rare occasion executives would be dismissive/uncooperative. Additionally, my study contributes to the relevant literature by providing detailed accounts of devices analysts use for each purpose. Specifically, the devices analysts used to make executives feel the least pressured/threatened possible, and subsequently remain in their good graces, were: polite openings and closings, enumerating their questions in a neutral tone accompanied with downtoners, making their assertions and questions in a neutral tone, using opinion assertions accompanied with amplifiers for positive statements, and factual assertions attributed to external sources accompanied with downtoners for negative statements. On the other hand, the device analysts used to elicit information from dismissive/uncooperative executives were: follow-up questions in a negative tone accompanied with amplifiers, until executives eventually cooperated and shared some information.

Moving to the communication strategies identified in executive turns (ad the respective analyst reactions) my Communication Process Model is essentially a comprehensive communication guide that shows what executives must do to persuade analysts about the appropriateness of their explorative opportunities, and thus extend their legitimacy to new domains of activity. Additionally, it shows what executives must not do in order to avoid causing creating skepticism around their explorative activities, and thus causing analysts to contest their legitimacy. Moreover, it shows how executives can paint a positive enough picture to postpone analysts' commentary for future quarters maintain their legitimacy, in case the explorative activity is still at a very early stage and they wish to be protected against potential litigation and/or proprietary costs. Last, it shows the potential to rectify non-appropriate communication. The communication strategies comprising my model, along with their implications for the communication literature are discussed below.

Beginning with providing relevant versus non-relevant answers, my study adds to the discussion around executives' ability and willingness to offer information, and how analysts perceive these. Specifically, when it comes to the public firm, providing inaccurate information may entail litigation costs. For this reason, if the executives cannot answer a question with certainty, the may try to avoid any consequences by refusing to answer altogether (e.g., Nagar, Nanda and Wysocki, 2003). Furthermore, questions made during ECCs may often require executives to share proprietary information they may not wish to become known to their competitors (e.g., Verrecchia, 2001). At the same time, however, executives refusing to provide an answer can signify hidden problems (Hollander, Pronk and Roelofsen, 2010). Moreover, ignoring the question altogether and, instead of providing an answer that addresses it, stirring the conversation elsewhere (noticeably absent answers/red herrings) can "become the object of remedial efforts and justifiable negative inferences" (Goodwin and Heritage, 1990, p. 287). This is also consistent with prior research suggesting that, while vagueness might work to firms' advantage with competitors, it is highly unlikely that this holds true for stakeholders such as investors and analysts (Nadkarni, Pan and Chen, 2019). In fact, diverting the attention away from the original issue, regardless of whether this diversion is intentional, is associated with trickery (Laney *et al.*, 2008). Therefore, noticeably absent answers/red herrings can signify executives' intention to hide something.

Executives in my corpus, had four alternative approaches to the above, each setting the path for a different analyst reaction. In particular, they would either provide a noticeably absent/red herring answer, refuse to provide an answer, make a too-soon-to-tell claim, or provide a relevant and direct answer to analysts' questions. Specifically, in line with the literature mentioned in the previous paragraph, noticeably absent/red herring answers would be met with skepticism, while relevant and direct answers would bring executives one step closer to legitimacy extension. At the same time, in line with prior research which interprets no news as bad news (Hollander, Pronk and Roelofsen, 2010), refusing to provide an answer would be treated with skepticism during the ECC. However, executives would be still given the opportunity to turn their refusals into too-soon-to-tell claims, which were in turn met with no reaction in the corresponding analyst reports. The latter indicates that, when given a good enough reason, analysts are willing to postpone their commentary for future quarters when more information is available. Moreover, by outlining their typical format (i.e., too-soon-to-tell claim, accompanied with brief overview of available information and positive prediction/commitment about the future) my work provides a detailed account of how too-soon-to-tell claims can be expressed in my context.

Moving on to the next communication device in my model, executives providing a relevant and direct answer to analysts' questions would essentially proceed to make a commitment about the explorative activity in question and the future. Existing research in the context of strategic communication had acknowledged that when advancing an argument, executives might attempt to establish a key/overarching claim (Fletcher and Huff, 1990). At the same time, as explained earlier in this thesis, prior work suggests that in order for strategic goals such as legitimacy to be achieved, stakeholders must buy into future expectations, a prerequisite for which are commitments (e.g., Borup *et al.*, 2006; Brown, 2000; Garud, Schildt and Lant, 2014; van Lente, 2012). This research project adds to these studies by identifying that key claims advanced in my context are essentially commitments, and highlighting that commitments are at the epicenter of communication with analysts, and the first step toward legitimacy extension. Additionally, by outlining their typical format (i.e., factual, intention or opinion assertions, expressed in a positive tone, and accompanied with amplifiers, references to the present or future and certainty indicators) the present study provides a detailed account of how commitments can be expressed in my context.

Next, executives in my corpus would either support their commitments appropriately, support them inappropriately, or neglect to support them altogether. Consequently, executives would either find themselves one step closer to legitimacy extension or would be treated with skepticism and cause legitimacy contestation. This is consistent with the relevant studies which suggest that commitments are not only evaluated based on the benefits they promise, but also based on their plausibility (e.g., Garud, Schildt and Lant, 2014; Thurlow and Mills, 2015). In fact, the necessity of providing evidence in support of one's claims more generally is not a new concept in communication (e.g., Fletcher and Huff, 1990; Gasper and George, 1998; Simosi, 2003; Toulmin, 1958; Palmieri, Rocci and Kudrautsava, 2015). My study contributes to the relevant literature by providing detailed accounts of how appropriate and inappropriate support are met in my context. Specifically, appropriate support in my context is met in the form of factual assertions, expressed in a positive tone, and accompanied with amplifiers and references to the past or present. Inappropriate support, on the other hand, is met in the form of intention or opinion assertions. These detailed accounts, highlight that providing support for the commitment(s) made is not adequate. On the contrary, executives must ensure that they are stating facts and do not merely reproduce their own intentions or opinions.

The contribution made by the detailed accounts presented in the previous paragraph, can be better understood when viewed in conjunction with (i) Toulmin's (1958) decision to change his original term for grounds, and (ii) the concept of field-dependency. Specifically, Gasper and George (1998) point out that Toulmin had originally used the term data, but because it suggested that the basis of an argument is purely factual, he replaced it with the term grounds which permits a broader array of potential bases. At the same time, however, Toulmin (1958), as well as other researchers after him (e.g., Gasper and George, 1998; Harmon, Green and Goodnight, 2015; Simosi, 2003), emphasize that the nature of grounds, warrants and other argument components that can support a claim in a persuasive manner varies between fields, which is coined as field-dependency. In line with this, Harmon, Green and Goodnight (2015) define argument fields as the institutional contexts that set the rules determining which arguments in this context are persuasive. In this sense, for an argument to be persuasive using any grounds or warrants does not suffice. On the contrary, the grounds and warrants used must be considered acceptable in the field within which argumentation takes place. Therefore, the detailed accounts, and especially the distinction between factual and intention/opinion assertions, presented in the previous paragraph, essentially represent the grounds, warrants and other support components that are acceptable in my particular argument field.

Last, executives in my corpus would either advance appropriate refutational preemptions about analysts' known or potential concerns, advance inappropriate (reverse) refutational preemptions, or neglect to advance them altogether. Consequently, executives would either find themselves one step closer to legitimacy extension or would be treated with skepticism and cause legitimacy contestation. This finding is in line with McGuire's (1964) inoculation theory, whereby the source of a message raises counterarguments and then refutes them to maintain a positive image by preemptively weakening potential attacks. Despite the critical role refutational preemptions play, at least within my context, McGuire's (1964) inoculation theory has received little attention from researchers. As such, my study contributes to the communication literature by putting the spotlight on this important, yet largely neglected, theory. Additionally, my study contributes to the relevant literature by providing detailed accounts of how appropriate and inappropriate (reverse) refutational preemptions are met in my context. Specifically, appropriate refutational preemptions in my context are met in the form of counterarguments, expressed in a negative in tone and accompanied with downtoners, followed by counteroffers, expressed in a positive in tone and accompanied with amplifiers. Inappropriate refutational preemptions, on the other hand, are met in the form of reverse refutational preemptions, whereby executives build a convincing case for an explorative activity and then discount it by counterarguing against it.

Having examined the implications of this study for the area of strategic communication more generally, it is important to conclude this sub-section by also examining important contributions made to the literature on voluntary corporate disclosures and ECCs in particular. These contributions can perhaps be better understood by first taking the existing state of the relevant literature into consideration. To begin with, a number of studies on voluntary corporate disclosures, and in particular on ECCs, have addressed what constitutes effective communication with financial-market stakeholders (e.g., Doran, Peterson and Price, 2012; Jancenelle, Storrud-Barnes and Javalgi, 2017; Lee, 2015; Price *et al.*, 2012). However, these studies lack depth and neglect context. In particular, these studies are using pre-existing dictionaries, which do not take context into consideration, to perform computer-aided content analyses, and establish a cause and effect relationship between particular word categories and market reactions. At the same time, a smaller number of studies on ECCs have performed in-depth qualitative work on the firm's communication with financial-market stakeholders, taking context into consideration (e.g., Crawford Camiciottoli, 2010; de Oliveira and Pereira, 2018; Palmieri, Rocci and Kudrautsava, 2015). Nevertheless, these studies are only focusing on the discussion taking place during the ECCs, without looking into the market reaction following the ECCs analysed. These studies offer valuable insights, which my study builds on. Nevertheless, it also differs from them in the sense that (i) it addresses my research aim and objectives in an in-depth manner that takes context into consideration, and (iii) it looks into the result of communication and attributes different market reactions to different sets of communication strategies.

5.3.2 Methodological Implications

5.3.2.1 Methodological Implications for Conversation Analysis

As explained in my methodology chapter, conversational turns are the focal point of conversation analysis. In particular, researchers employing conversation analysis focus on identifying the rules that govern turn taking and understanding what they reveal about a particular social context (Hutchby and Wooffitt, 2008). Furthermore, while not exclusively, researchers employing conversation analysis mostly focus on the turn taking in regular everyday conversations (Arminen, 2017; Hutchby, 2017). Turn taking in this research project, though, departed from turn taking in such forms of conversation, in the sense that it was taking place in a formal-type context with a stricter pre-allocated format of question-and-answer chains. Furthermore, this formal-type context was characterized by certain unique aspects such as asymmetry and power/authority. These particularities, made employing conversation analysis more challenging, and required a deep understanding of the conventional knowledge around the different categories of speakers (i.e., executives and analysts) and the power play between them. In part, this explains why the study of de Oliveira and Pereira (2018) was the only other study employing conversation analysis in this context. At the same time, while conversation analysis is being increasingly employed in other formal-type contexts (e.g., Nevile, 2012; Robinson and Heritage, 2005; Whalen and Zimmerman, 2005), such studies remain a minority. By being part of these studies, my research project makes an indirect contribution to conversation analysis, in the sense that it highlights how it can be employed in such a formal-type context.

Apart from the indirect contribution discussed in the previous paragraph, my research project makes an additional contribution to conversation analysis. Specifically, my study proposes an alternative way for breaking down interview-like and pre-transcribed conversations. As mentioned earlier, conversation analysis usually focuses on the turn taking in regular everyday conversations. In such conversations, utterances are generally tantamount to turns. Consequently, in conversation analysis, talk is typically broken down into utterances, each representing a turn. Nevertheless, in this formal-type context, conversations do not follow the typical format. Instead, each party’s turn is considerably lengthier and consists of several utterances. Suchman and Jordan (1990) make a similar distinction between interview-like and regular everyday conversations, acknowledging that each turn may have the form of an anecdote or narrative and consist of several clauses. While, Suchman and Jordan (1990) do not break each party's turn down into smaller units, de Oliveira and Pereira (2018), the authors of the only other study employing conversation analysis in ECCs, do. de Oliveira and Pereira (2018), though, had audio at their disposal, and were able to use Jefferson's (2004) method to transcribe the calls, utilizing pauses to break each party's turn down into utterances. Since ECCs were pre-transcribed in my case, I was not able to do the same. For this reason, I followed Suchman and Jordan's (1990) rationale and treated each party's turn as narratives. However, unlike them, I borrowed Labov and Waletzky's (1997) method from narrative analysis and split each party's turn into independent clauses instead of utterances.

5.3.2.2 Methodological Implications for Argumentation Analysis

Ever since its original publication in 1958, Toulmin's framework has been used in various contexts and been adapted accordingly. In fact, Fletcher and Huff (1990) have applied Toulmin's framework to strategic communication. Despite having been adapted to fit into a strategic context, though, Fletcher and Huff's (1990) adapted framework is intended for written communication. ECCs are a form of spoken strategic communication, and there was no evidence in the literature of adapting Toulmin's framework to this context. Therefore, an adapted framework that captures both the strategic and the dialogic aspect of ECCs was necessary. Consistent with my abductive approach, I used both Toulmin's (1958) original framework and Fletcher and Huff's (1990) adapted framework, continuously moving between theory and my data. Specifically, I began my argumentation analysis by using the components in Toulmin's (1958) and Fletcher and Huff's (1990) frameworks (see pages 51-53) as an a priori set of codes and as I was coding, I kept (i) refining their definitions to better fit their application in my data, (ii) adding to them when new codes emerged, and (iii) removing from them when codes did not feel relevant/applicable. This process resulted in a number of codes/components met in executive arguments which serve different functionalities.

The aforementioned codes/components, essentially formed an adapted framework that does not stray too far from the original, yet fits better into the context of spoken strategic communication. Through this adapted framework, I provide future researchers with a tool that can be useful in the post hoc analysis of arguments advanced in a spoken strategic communication context, while also extending the work of Toulmin (1958) and Fletcher and Huff (1990). A summary of all the similarities and differences between my adapted framework and previous work can be found in Table 4.2 (see pages 85-86). The main differences, and by extension my main contributions to the adapted framework, are: (i) all components, instead of just key claims or claims, found in an argument can be supported by smaller claims and/or grounds and warrants, (ii) all components, instead of just warrants[18], found in an argument can be contested in a manner that has negative connotations by *counterarguments*, (iii) all components found in an argument can also be contested in a manner that has positive connotations, and I coin the term *counteroffers* to describe the components performing this function, and (iv) counterarguments succeeded by counteroffers can form *refutational preemptions* which are a powerful communication/argumentation device.

5.3.2.3 Methodological Implications for the Operationalization of Legitimacy Extension, Maintenance and Contestation

When I started considering how I could operationalize legitimacy extension, maintenance and contestation, I turned to the literature investigating the effectiveness of firms' legitimation efforts. Scholars in the area appeared to operationalize legitimacy in three key ways, namely by (i) measuring outcomes (e.g., Fisher, Kotha and Lahiri, 2016; Golant and Sillince, 2007; Lounsbury and Glynn, 2001; Martens, Jennings and Jennings, 2007; Parhankangas and Ehrlich, 2014), (ii) identifying stakeholder expectations through surveys (e.g., Nagy *et al.*, 2012), and (iii) examining the content of stakeholders' communications in response to firms' legitimation efforts (e.g., Lounsbury and Glynn, 2001; Vaara and Monin, 2010; Vaara and Tienari, 2011). As such, to operationalize legitimacy extension, maintenance and contestation, I performed interpretive content analysis on analyst reports. In particular, I focused on identifying words with positive, neutral and negative valence, and decided the overall tone of each relevant excerpt depending on the context. In cases where the overall tone was positive, legitimacy was considered extended to the new domain of activity. On the other hand, in cases where the overall tone was negative, legitimacy was considered contested. At the same time, there were a few cases, where analyst reaction was both positive and negative. These cases were coded as mixed, but because the positive and negative analyst comments were pertinent to different aspects of the explorative activity in question, through my comparative analysis, I was still able to attribute legitimacy extension and contestation to different communication strategies. Last, in cases where analysts would exhibit interest in the explorative activity during the ECC and ask questions about it, but they would then make no relevant comments in their respective analyst reports, legitimacy was considered maintained. By doing so, my study helps bring

[18] Toulmin's (1958) rebuttals only contest warrants.

further attention to this way operationalizing legitimacy. In fact, considering that prior relevant research has primarily focused on the media, my examination of analyst reports showcases that this way of operationalizing legitimacy can have wider applications.

5.3.3 Practical Implications

As explained earlier, my study offers an alternative perspective, whereby substantive management is not the only way for firms to signal conformity to stakeholders' expectations and maintain their legitimacy. In particular, it highlights that the purposeful use of communication is a means through which firms get to maintain their legitimacy with analysts and extend it to new domains of activity, without having to compromise their long-term sustainability. While I have already addressed this implication of my study on a theoretical level, it also has a significant practical implication. Specifically, a number of studies report that managers tend to proactively defend their legitimacy by changing their goals (substantive management) and avoiding engaging in explorative activities altogether (e.g., Benner and Tushman, 2003; Chen, 2017; Es-Sajjade, Pandza and Volberda, 2020; Gupta, Smith and Shalley, 2006; Henderson and Clark, 1990; Levinthal and March, 1993; Wang *et al.*, 2019). In doing so, managers seem to operate under the assumption that analysts and other financial-market stakeholders make judgements of appropriateness based on indicators of short-term financial performance (see Kraus and Strömsten, 2012). The relevant literature, however, appears to be largely responsible for perpetuating this assumption. By offering an alternative perspective, my study helps raise awareness among practitioners and change any false assumptions they may have around this issue. As such, it helps them regain their confidence, in case they were deterred by the dominant perception, and encourages them to engage in exploration.

Apart from helping raise awareness and change any false assumptions, my study further empowers practitioners by showing them that through the purposeful use of communication they have the power and the responsibility to persuade analysts about the appropriateness of their explorative activities, and in turn maintain and extend their firms' legitimacy to new domains of activity. My contribution, however, does not stop there. In particular, my study provides executives and the IR teams surrounding them with a clear recipe for success, a comprehensive communication guide with all the steps they must follow to extend their legitimacy to new domains of activity or at least maintain it by postponing analysts' commentary for future quarters, in case the explorative activity is still at a very early stage and they wish to be protected against potential litigation and/or proprietary costs. Moreover, this communication guide informs them about the communication pitfalls they must steer clear of in order to avoid causing skepticism, and ultimately leading to legitimacy contestation. During an ECC this translates into the following steps: (i) acknowledge the question and do not refuse to answer, (ii) if the explorative activity is at a very early stage, then say it is too soon to tell, but make sure to offer a brief overview of available information and make a positive prediction/commitment about the future, (iii) if the explorative activity is not at a very early stage, then make a commitment about it, (iv) if you have proceeded to make a commitment, make sure to support it with credible/factual evidence, and (v) consider analysts' known and potential concerns about the explorative activity, and make sure to address them.

The aforementioned communication guide can also be useful to executives and their IR teams in the preparation for ECCs (and other similar communication events[19]). Specifically, while they cannot always anticipate analysts' exact questions, there are a few points my study and the communication guide it provides can help with. First, executives must be prepared to answer questions about their explorative activities and present them in a positive light. As mentioned in my theoretical implications, analysts spend a considerable amount of their airtime asking questions about the firm's explorative activities. Therefore, the executive team that is going to be present during the ECC must expect that they will be asked questions about their explorative activities. Second, executives must be prepared to make commitments analysts will actually buy into, by supporting them with credible/factual evidence. Analysts will not take executives commitments at face value. Consequently, executives must be well-informed about the firm's explorative activities and be in a position to support their commitments about the future, not only with numbers, but also with other credible evidence such as customer feedback, partner feedback and success stories about other similar endeavors. Last, executives must be prepared to advance refutational preemptions about analysts' known and potential concerns. Analysts in my corpus would quite often express concerns that either had already been raised in previous quarters or could have been easily anticipated. As such, executives must have studied past analyst reports and mapped out recurring concerns. By doing so, they will not only be in a position to preemptively refute known concerns, but also anticipate new ones. In fact, studying analyst reports can also assist executives in potentially repairing legitimacy, as this

[19] While my Communication Process Model could potentially be applicable in other, similar to ECCs, communication events, my findings pertain to my own particular context. As I will reiterate in the relevant section, future research should address other contexts and examine whether my model would be applicable there.

can help them identify aspects of their strategies and communication efforts that caused analysts to be skeptical about the explorative activities in question.

Finally, my study and the communication guide it provides can help executives think more strategically in their future explorative endeavors. Specifically, as mentioned in the previous paragraph, executives must be prepared to answer questions about their explorative activities and present them in positive light, support their commitments with credible/factual evidence, and advance refutational preemptions about analysts' known and potential concerns. Taking this one step further, executives must not simply prepare to do the above a few days, weeks or even months before an ECC. They must be sure they will be in a position to do the above before they even make the final decision to move forward with a particular explorative opportunity. In particular, while not an exhaustive list, some of the questions that derive from the analyst concerns I anticipated in my corpus, and executives must ask themselves before seizing an explorative opportunity are: How will this new activity benefit my customers, and by extension my shareholders? How will this benefit I am trying to achieve for partners impact end-user experience? Do we have the mechanisms in place to deal with any problems that will arise? Will this new partnership make me vulnerable in the future? Will this new product cause any undesired cannibalization with existing products? If they are not in a position to answer such questions at a satisfactory level before seizing an explorative opportunity, then it is highly likely that they will not be able to answer them during ECCs. Consequently, their strategic unpreparedness will translate into communication unpreparedness and result in legitimacy contestation.

5.4 Limitations and Future Research Suggestions

5.4.1 Limitations

While my study makes a number of contributions on a theoretical, methodological and practical level, it does not come free of limitations which are important to acknowledge. First, while objectivity is not achievable or even desirable in qualitative research, it is important one's personal values will not disproportionately influence the findings of their study (Bryman and Bell, 2015). As such, it is common practice for qualitative researchers to ensure rigour by having two independent coders producing accounts from the same data and then assessing inter-rater reliability (Armstrong *et al.*, 1997). Having to make sure that the work presented in this thesis is my own, though, I could not have another researcher independently coding my corpus. While this could be considered a limitation of my study, I took a number of steps to ensure the rigour of my work. Specifically, I made sure that my work is characterized by reflexivity[20], while at the same time following the action points recommended by Jootun, McGhee and Marland (2009). In particular, throughout the analysis of my corpus I was (i) keeping a project journal where I was recording my interpretations of the data and what had led me to these interpretations, (ii) staying true to my abductive approach and keeping in touch with relevant literature to ensure a deep understanding of my research context, (iii) discussing my findings with my supervisors on a regular basis, and was taking on board their challenging of my interpretations, and (iv) re-evaluating my interpretations of the data on a regular basis using my project journal notes, understanding of the literature and supervisor feedback, and was re-interpreting whenever needed.

Second, as explained in previous sections of this chapter, my findings provided support for the following: (i) firms still engage in explorative activities, despite the general tendency to hold back from such activities to signal conformity to analysts and other financial-market stakeholders' expectation, (ii) analysts dedicate a considerable amount of their airtime asking questions about the firm's explorative activities, including qualitative information about them, (iii) analysts will more than often have a positive or at least mixed reaction toward the firm's explorative activities, and, (iv) executives are able to earn analysts' approval of their explorative activities by communicating purposefully with them. Moreover, my empirical work resulted in a number of communication devices analysts use during ECCs. Additionally, my study resulted in my Communication Process Model consisting of 3 potential outcomes (i.e., legitimacy extension, neutral which manifests as either legitimacy maintenance or going back to the beginning via follow-up questions, and legitimacy contestation) and 6 alternative pathways to arrive at them. While making a number of contributions to theory, methods and practice, these findings were generated for the purpose of theory building and are particular to the context within which I conducted my research. As I will reiterate in my future research suggestions section, theory testing in various contexts and with a larger number of cases is needed to evaluate their applicability and generalizability.

[20] Parahoo (2006) defines reflexivity as an ongoing process researchers follow to reflect on their own preconceptions, values and behavior, as well as those of the participants, which may affect the observation and interpretation of their data.

Moving on, my corpus consisted of cases where executives were able to rectify an initial rocky start as well as the special case of Zynga's bwin partnership. While adding to the overall discussion, these cases did not lead to conclusive insights. As such, more similar cases were needed to draw a conclusion with a greater degree of plausibility. Apart from the number of cases, another factor that prevented me from drawing conclusive insights on some occasions was the lack of audio and video. Specifically, this limitation of my study, did not only prohibit me from using Jefferson's (2004) method of transcription (see methodological implications for conversation analysis, pages 177-178), but also prohibited me from analysing non-verbal cues, which typically are an integral part of conversation analysis and generate rich insights. In particular, during my analysis, there were cases (e.g., analyst closings, executive openings and closings, etc.) where the lack of audio/video prevented me from drawing further conclusions. Therefore, as I will reiterate in my future research suggestions section, gaining access to audio and/or video can complement potential future studies and generate richer insights as well as address any ambiguities.

5.4.2 Future Research Suggestions

One of the contributions of my study has been initiating further discussion in a number of areas. The findings as well as the limitations of my study presented in the previous section, have inspired a number of future research ideas which I discuss in the paragraphs below. First, as mentioned in the previous section my study focused on theory building and my findings are particular to the context within which I conducted my research. To draw further conclusions about the applicability and generalizability of my findings, future researchers should: (i) turn my findings into hypotheses and test them within the same context but with a larger number of cases, and (ii) test the applicability of my findings in different contexts such as different industries, different communication events and/or different stakeholders.

Moving on, as mentioned in the theoretical implications section, for an argument to be persuasive using any grounds or warrants does not suffice. On the contrary, the grounds and warrants used must be considered acceptable in the field within which argumentation takes place. My study provided detailed accounts of the grounds, warrants and other support components that are acceptable in my particular argument field. Specifically, my study showed that in my context acceptable support comes in the form of factual assertions, expressed in a positive tone, and accompanied with amplifiers and references to the past or present. However, aspects such as the types of acceptable facts appeared to require a larger number of cases for a typology to emerge. Some of them were customer feedback, partner feedback, and success stories about other similar endeavors, but by solely focusing on them and employing the same analytical tools I did on a larger number of cases, future research could provide a full typology of such acceptable facts.

In a similar vein, as mentioned in the practical implications section, executives and their IR teams must consider analysts' known and potential concerns and prepare to be in a position to advance refutational preemptions about them. In fact, one of the recommendations I made was for executives and their IR teams to study past analyst reports and map out recurring concerns so they are better prepared. Future research could also help toward this direction. Specifically, future research could (i) develop a typology of analyst concerns, (ii) identify the types if concerns executives fail to preemptively refute most often.

Next, as mentioned in the previous section, while adding to the overall discussion, cases where executives were able to rectify an initial rocky start, as well as the special case of Zynga's bwin partnership, did not lead to conclusive insights. Future research should specifically look for more refusals to provide an answer and examine whether with analysts' persistence they evolve into too-soon-to-tell claims or whether under specific circumstances they lead to legitimacy contestation. Furthermore, future research should look for explorative activities that involve partnerships and examine whether the brand equity of partners' has a moderating effect on communication's effect.

At the same time, future research could address a number of communication devices I presented in the coding section of my results chapter that did not become part of my Communication Process Model. Specifically, the following four communication devices did not appear to make a difference in analyst reaction, but if examined in greater depth they could potentially generate an interesting discussion around the power play between executives and analysts: (i) analysts assigning answers to particular executives, (ii) executives asking operators to move on to the next question, (iii) executives adding to a previous executive's answer, and (iv) executives assigning answers to other executives. In particular, future research could examine whether analysts are assigning answers to particular executives because they are using their pre-existing knowledge of the type of information each executive is best equipped to provide or because they want to test executives' knowledge of the firm as a whole and the overall alignment of the executive team. Additionally, researchers could examine whether executives ask operators to move on to the next question because they want to signify the end of their turn and the beginning of a new analyst turn or because they are uncomfortable with the topic of the conversation and want to move on to the next one. In fact, the presence of audio and/or video could shed more light on this matter and offer a greater degree of plausibility. Moreover, future research could identify more cases where executives add to a previous executive's answer and examine whether these are cases where an initial dissatisfactory answer can lead to legitimacy contestation. Last, researchers could examine whether executives are assigning answers to other executives because they are using their pre-existing knowledge of the type of information each executive is best equipped to provide or because they are not adequately and equally informed.

Last, as mentioned earlier, the lack of audio and video was a limitation of my study that prohibited me from analysing non-verbal cues, which typically are an integral part of conversation analysis and generate rich insights. Apart from helping draw further conclusions about the communication devices mentioned in the previous paragraph, the presence of audio and/or video could help generate richer insights and address any ambiguities in general. Therefore, researchers could attempt to gain access to such material and use it to complement relevant future studies.

5.5 Concluding Remarks

This research project began by adopting a legitimation as process perspective and explaining that, among other stakeholders, analysts continuously re-evaluate firms' legitimacy in order to perform their due diligence. In particular, according to Shin and You (2017) analysts continuously evaluate firms' moves based on the shareholder-value principle to ensure that they maximize net present value (NPV). At the same time, new explorative activities represent investments with a long-term horizon that may lead to a temporary decrease in measures of operating performance and take time to manifest into profits (Flammer and Bansal, 2017). Consequently, executives expect that their firms' potential involvement into new explorative activities may become a point of scrutiny by analysts and end up holding back from valuable investment opportunities with a long-term horizon such as explorative activities in order to maintain their legitimacy (e.g., Davies *et al.*, 2014; DesJardine and Bansal, 2019; Graham, Harvey and Rajgopal, 2005; Keum, 2020; Kraus and Strömsten, 2012; Laverty, 1996; Nikolov, 2018; Porter, 1992; Sampson and Shi, 2020). This, of course, does not mean that firms do not engage in explorative activities at all. However, existing literature appeared to have not equally considered the potential for firms to not only maintain their legitimacy through substantive actions that compromise their long-term growth and sustainability, but also extend it to new domains of activity with the assistance of symbolic management. As such, I argued that through strategic communication (symbolic management) executives can proactively persuade analysts about the appropriateness of their explorative activities without having to compromise them, and consequently extend their legitimacy to these new domains of activity.

Armed with a rather unconventional mix of analytical tools (i.e., conversation analysis, argumentation analysis, cognitive linguistics and interpretive content analysis) I embarked on a mission to (i) identify the ways analysts guide their ECC conversations with executives, (ii) identify the specific communication strategies used by executives in these ECC conversations, and (iii) distinguish between those strategies that are successful in persuading analysts about the appropriateness of firms' explorative activities and those that are likely to lead them to contest firms' legitimacy. Applying these analytical tools to ECC transcripts and corresponding analyst reports of three NASDAQ-listed high-technology firms (i.e., Facebook, Zynga and Splunk) generated rich insights. Specifically, my findings provided support to the argument that analysts may be positively predisposed toward explorative activities and will approve of them as long as firms persuade them that the explorative activity in question conforms to the shareholder-value principle. Moreover, my empirical work resulted in a number of communication devices analysts use during ECCs. Furthermore, my empirical work resulted in my Communication Process Model consisting of 3 potential outcomes (i.e., legitimacy extension, neutral which manifests as either legitimacy maintenance or going back to the beginning via follow-up questions, and legitimacy contestation) and 6 alternative pathways to arrive at them.

Through my empirical work, I make a number of theoretical, methodological and practical contributions. Offering an alternative perspective, whereby substantive management is not the only way for firms to signal conformity to stakeholders' expectations and maintain their legitimacy, my study makes important contributions to existing research on legitimacy and strategic communication. With regard to methods, my study adds to conversation analysis, argumentation analysis, and the operationalization of legitimacy extension, maintenance and contestation. Last, my findings provide executives with a comprehensive communication guide to assist their efforts. In fact, the strategies comprising this communication guide may initially appear rather intuitive or even self-evident. However, the communication errors made by both good and bad communicators in my corpus suggest that executives may use some, or even all, of these communication strategies intuitively, but (i) they are not all necessarily aware or in good command of them, and (ii) they do not all necessarily make conscious use of them. Taking this into account, along with the fact that these communication devices have a level of detail attached to them (i.e., tone, intensifiers, certainty indicators, etc.) that essentially turns them into a clear recipe for success, makes them a worthy addition to knowledge. Of course, despite its contributions, my study did not come free of limitations. Being a theory-building rather than theory-testing study, the applicability and generalizability of my findings need to be further examined by future research. Hopefully, however, my study will spark further discussion in the areas it involved, and encourage practitioners to regain their confidence and engage in further exploration.

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Appendix – Codebook

Categories and codes that emerged from conversation analysis (organised in alphabetical order)	Description
Assertions	The analyst or executive makes an assertion
Attribution to external sources	The analyst attributes their assertion to an external source other than themselves
Factual	The analyst or executive makes a factual assertion
Addressing faulty analyst statements	The executive addresses a faulty analyst statement
Referencing credible/expert sources	The executive is referencing a credible/expert source
Intention	The executive expresses their intention
Opinion	The analyst or executive expresses their opinion
Closings	The analyst or executive closes their turn
Asking operator to move on to next question	The executive asks the operator to move on to the next question
Thanking	The analyst thanks the executive team for their time
Summarizing	The analyst or executive summarizes their question or answer respectively
Exertion of control	The analyst or executive attempts to exert control over the conversation
Adding to a previous answer	The executive adds to a previous answer
Assigning answers to executives	The analyst or executive assigns the answer to a particular executive
Follow-up question	The analyst raises a follow-up question
Noticeably absent/red herring	The executive ignores the question
Refusing to provide an answer	The executive refuses to provide an answer
Openings	The analyst or executive commences their first turn
Accepting question	The executive accepts taking the question raised by the analyst
Enumerating questions	The analyst enumerates the questions they would like to raise
Greeting	The analyst greets the executive team
Reiterating/summarizing analyst questions	The executive reiterates/summarizes the question raised by the analyst
Thanking	The analyst thanks the executive team for taking their question
Questions	The analyst raises a question
Alternative potential answers	The analyst offers alternative potential answers to their question
Customer benefits	The analyst asks about the benefits the explorative activity offers to customers

Customer feedback	The analyst asks about the feedback received from customers about the explorative activity
Future outlook	The analyst asks about the explorative activity's future outlook
Indicators performance is based on	The analyst asks about the indicators the explorative activity's performance is judged on
Progress made since last checkpoint	The analyst asks about the progress made since they last spoke about the explorative activity
Short-term financial performance	The analyst asks about the short-term financial performance of the explorative activity
Strategic fit	The analyst asks about the explorative activity's strategic fit with other aspects of the business
Codes that emerged from argumentation analysis (organised in alphabetical order)	**Description**
Claim	The executive attempts to establish a conclusion
Counterargument	The executive opposes any of their argument components in a negative manner
Counteroffer	The executive opposes any of their argument components in a positive manner
Elaboration	The executive offers further information about any of their argument components
Grounds	The executive offers evidence in support of their claims (or other argument components)
Key claim	The executive attempts to establish a key/overarching claim in an either explicit or implicit manner
Reiteration	The executive repeats information about any of their argument components
Warrant	The executive offers the principle that authorizes the step from the grounds to the claim (or other argument components)
Categories and codes that emerged from cognitive linguistics (organised in alphabetical order)	**Description**
Intensifiers	The analyst or executive alters the semantic intensity of their statement
Amplifier	The analyst or executive uses amplifiers that increase semantic intensity of their statement
Downtoner	The analyst or executive uses downtoners that decrease semantic intensity of their statement

Modality (epistemic)	The executive demonstrates their confidence in the possibility, likelihood or certainty of their statement
Strong likelihood/certainty	The executives uses signifiers that indicate strong possibility, likelihood or certainty
Weak likelihood/certainty	The executives uses signifiers that indicate weak possibility, likelihood or certainty
Time Signatures	The analyst or executive makes a reference to time
Future	The analyst or executive refers to the future
Past	The analyst or executive refers to the past
Present	The analyst or executive refers to the present
Too-soon-to-tell claim	The executive makes a too-soon-to-tell claim
Tone	Linguistic tone of analyst or executive
Negative	Negative linguistic tone
Neutral	Neutral linguistic tone
Positive	Positive linguistic tone
Categories and codes that emerged from analyst reactions (organised in alphabetical order)	**Description**
Mixed	Analyst reaction to the explorative activity is mixed
Direct	Analyst mixed reaction is directly linked to the explorative activity
Indirect	Analyst mixed reaction is indirectly linked to the explorative activity (e.g., cannibalization concerns)
Negative	Analyst reaction to the explorative activity is negative
Direct	Analyst negative reaction is directly linked to the explorative activity
Indirect	Analyst negative reaction is indirectly linked to the explorative activity (e.g., not acknowledged as a solution)
No reaction	Analyst has no reaction
Positive	Analyst reaction to the explorative activity is positive
Direct	Analyst positive reaction is directly linked to the explorative activity
Indirect	Analyst positive reaction is indirectly linked to the explorative activity (e.g., positive reaction for the broader category)