# A RHETORICAL-DISCURSIVE ANALYSIS OF THE INSTITUTIONALISATION OF LONG TERM INCENTIVE PLANS IN THE UK 1992-2014

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# A RHETORICAL-DISCURSIVE ANALYSIS OF THE INSTITUTIONALISATION OF LONG TERM INCENTIVE PLANS IN THE UK 1992-2014

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# Abstract

In the context of increases in both the quantum and complexity of executive remuneration in the UK, understanding the rapid diffusion of pay-for-performance models, and in particular Long Term Incentive Plans (LTIPs), has become a focus of extensive analysis and debate. The absence of unequivocal evidence of a strong correlation between the adoption of LTIPs as an element of executive remuneration and improved company performance entails the need to develop supplementary explanations for the rapid diffusion of LTIPs. A neglected aspect of the explanation of the diffusion of LTIPs is an understanding of the rhetorical-discursive framework used to legitimate their use. This thesis uses a rhetorical-discursive methodology, within a rhetorical institutionalism theoretical framework, to disclose and analyse the rhetorical devices and structures used to legitimate LTIPs, with particular reference to the role of wider cultural templates and social endoxa. The findings identify three empirical rhetorical-discursive structures - the *rhetoric of the metonymic mask of relative and comparative performance*, *rhetoric of transparency*, and the *rhetorical deflection of the human resource argument* – that inform and respond to a central aporetic tension that arises within the discourse between the evaluation an individual director's performance in terms of their differential impact on company performance, and the use of external, aggregated and comparative statistics to infer that differential performance. This analysis contributes a new understanding of the nature of the discursive phenomena that have informed the diffusion and institutionalisation of LTIPs in the UK over the period 1992-2014. The thesis also extends our understanding of rhetorical

institutionalisation by demonstrating how the institutionalisation of LTIPs can be understood as an iterative process, in which the construction and reconstruction of arguments mirrors the cycloidal path of a stone on a wheel, with alternating periods of increasing ‘taken for grantedness’ and periods of conflict and contestation engaging with the rhetorical tension created and maintained by the central aporetic of executive pay.

# Declaration

No portion of the work referred to in this thesis has been submitted in support of an application for another degree or qualification at this or any other university or institute of learning.

Signed

Steven John Wynne

Date

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# Chapter One: Introduction

## 1.1 Research Background

In the context of increases in both the quantum and complexity of executive remuneration in the UK over the last two decades (High Pay Centre 2014), the rapid diffusion of 'pay-for-performance' models, and in particular Long Term Incentive Plans (LTIPs), has become the locus of extensive analysis and debate. The potential for a dysfunctional disconnection between corporate performance and executive earnings has been the impetus of recurrent regulatory intervention (Greenbury 1995, Combined Code 1998, Financial Reporting Council 2008, 2014), and the perception of pervasive 'rewards for failure' has become a *bête noire* of the public discourse regarding senior executive remuneration. However, the discourse of legitimation relating to the adoption of LTIPs has had to engage with a recurrent puzzle: the absence of unequivocal evidence for a strong correlation between the adoption of pay for performance models and company performance (Frydman and Jenter 2010, Bruce and Skovoroda 2015). This absence of evidence regarding the post-adoption impact or influence of contingent compensation models entails the need to develop supplementary explanations for the rapid diffusion of LTIPs across the FTSE 100 population, as the rapid and comprehensive diffusion of such models cannot be explained wholly in terms of the principal-agent incentive alignment model (Jensen and Meckling 1976) that dominates the executive compensation literature (Davis 2005). Importantly, it remains an open question as to how the configuration of executive compensation packages may invoke or reflect wider societal understandings of the value of

performance-related pay. Whilst the relevance of institutional theory (Suddaby 2010) for 'bringing society back in' (Friedland and Alford 1991) to the explanation of an observed homogeneity of executive remuneration practices has long been acknowledged (Westphal and Zajac 1994, 2004), there is a growing recognition that the quantitative modelling approach typical of structural-functionalist institution-theoretic research may not adequately engage with the dynamic micro-processes that create, maintain and disrupt institutionalisation (Zilber 2008, Green, Li and Nohria 2009, Sillince and Barker 2012). A neglected aspect of the development of a more complete account is the exploration of how the rhetorical-discursive justification for the use of LTIPs has been constructed and maintained in the UK context. Hence the purpose of this thesis is to contribute a novel empirical exploration of the diffusion and institutionalisation of LTIPs across the FTSE 100 population by developing the theoretical insights of an emergent *rhetorical institutionalism* grounded in a rhetorical-discursive methodology (Suddaby and Greenwood 2005, Green and Li 2011). The findings disclose how the diffusion of LTIPs across the population of FTSE 100 companies can be understood in terms of an iterative, inherently rhetorical process of cyclical argumentation and legitimation within the textual universe of relevant Codes of Practice, Remuneration Reports and Newspaper Articles over the period 1992-2014. In particular, the analysis of the rhetorical and discursive construction of arguments used to legitimise LTIPs as a model for rewarding senior executives is explored and explained with reference to the role of wider cultural templates and societal norms as resources within a rhetorical-discursive space.

## 1.2 Research Context

There are a number of cross-sectional quantitative studies investigating the performance criteria used in LTIPs (Pass, Robinson and Ward 2000; Pass 2006; Bruce, Skovoroda, Fattorusso and Buck 2007, Zakaria 2012) as well as studies that have attempted to model the LTIP performance-pay sensitivity in UK executive compensation (Buck, Bruce, Main and Udueni 2003; Bruce et al 2007). There are also several qualitative studies focused on investigating factors that determine the selection and justification of elements of the structure of LTIPs (Ogden and Watson 2008) and the efficacy of LTIPs as a device for motivating executives (Pepper, Gore and Crossman 2012). However, whilst there have been studies outlining the initial stages of evolution of LTIP use in the UK after their introduction (Pass et al 2000; Bruce et al 2007), the research orientation is primarily descriptive rather than analytical and explanatory, and limited to network or 'point-to-point' models of diffusion. In particular, the literature has yet to examine aspects of the social construction processes of diffusion of LTIPs in the UK context, which constitutes an important gap in the understanding of the role and influence of cultural norms and societal endoxa[1] in the adoption and justification of LTIPs as a vehicle for senior executive compensation.

[1] Endoxa is a term used in rhetorical studies to refer to social context as a set of commonly-held beliefs (taken-for-granted ideas) that have developed through the process of public discourse and that can be utilised in argumentative activity (Clegg 2010).

The primary aim of this thesis is to shift the analytical focus of LTIP research *away from* a macro-level preoccupation with (i) the measurement of the degree of statistical correlation between compensation models and company performance, and (ii) the measurement of the degree of homogeneity of espoused organisational practices, *to* an approach that investigates the complex, micro-level dynamics informing the adoption and adaptation of LTIP practices. This aim is motivated by the need to understand how the configuration and justification of senior executive compensation packages incorporates cultural, organisational and individual understandings of the role of performance related pay. Though a small number of quantitatively-oriented studies (Zajac and Westphal 1995, Jensen and Murphy 2009) have acknowledged the existence of different types of arguments being invoked by CEOs and company boards to legitimise particular compensation models, there remains a significant gap in the literature for a sustained, qualitative investigation of the complex constructive processes informing the development and diffusion of LTIPs in the UK. In employing a rhetorical-discursive analytical methodology, the analysis of textual artefacts relating to the development of the discourse relating to executive pay and LTIPs presents a novel contribution to the literature by disclosing the constructive processes, rhetorical structures and discursive devices that inform the textual embodiment of senior executive pay-for-performance models.

## 1.3 Summary of the Thesis Findings

This thesis offers an exploration of the distinctive insights that the theoretical framework of rhetorical institutionalism yields regarding the social construction processes informing the diffusion and institutionalisation of LTIPs in the UK. The manifold rhetorical processes and devices disclosed in the findings are a concrete example of how durable, institutionalised practices such as LTIPs are 'complex' social products rather than the simply the outcome of low-construction contagion within network diffusion processes (Jepperson 1991, Meyer 2008, 2009). The empirical findings bring an analytical focus to the pervasive influence of *social endoxa* and cultural templates on the rapid diffusion and institutionalisation of LTIPs. The theoretical and methodological lens of rhetorical-discursive analysis, applied to the textual universe in which LTIPs have developed, reveals the way in which the process of institutionalisation of LTIPs has invoked a rhetorical *externalisation* of the basis for the evaluation of senior executive action and performance away from the individual director as individual towards an abstract notion of class membership. This externalisation is theorised as a form of textual 'resolution' of a central discursive element, the identification of which emerges from the empirical analysis. This central discursive element in the executive pay discourse is denoted the '*reward for performance aporetic'*, i.e. the tension between the theoretical need to evaluate an individual director's performance in terms of their differential impact on company performance, and the use of external, aggregated and comparative statistics to infer that differential performance from comparative company performance.

The discursive constructions disclosed in the analysis are interpreted as rhetorical responses to the problems and puzzles posed by this aporetic tension. The thesis contributes to an understanding of the discourse that constructs a textual 'resolution' of the aporetic by identifying and analysing three fundamental rhetorical themes that inform the process of rhetorical externalisation and that contribute to the construction of central aporetic. The rhetoric of the *metonymic mask of relative and comparative performance* effects a transition to a 'data primacy' model of evaluation, as the *metonymic substitution* of the relative performance metrics of comparator groups comes to replace a more direct, situated judgement of director performance; the *rhetoric of transparency* constructs a textual focus on the impersonal procedural dimensions of remuneration determination and reporting rather than the assessment of chains of influence and causation on the part of the executive director; and the *rhetorical deflection of the human resource argument* secures *grammatical impersonality* within the executive pay discourse, as the executive director is located in the supra-organisational space of the 'market for talent'.

The findings also illustrate how the three fundamental rhetorical themes combine to construct a rhetorical *theorisation* of executives as a *class of essentially equivalent actors*. Through close-range analysis of the selected texts, the analysis reveals how the constructed theorisation requires the deployment of abstract concepts and societal endoxa to project homogeneities across the population of FTSE 100 executive directors regarding their role and capacity, constructing a rhetoric of similarity despite the differences between those individuals. This mapping of abstract or universal concepts onto

concrete individuals is interpreted as an empirical application of the discursive device of 'category entitlement' (Potter 1996). The rhetorical device of 'category entitlement' identifies the executive as an *agent-type* that is entitled to significant performance related rewards based on their ability to make a differential impact on company performance. This is presented as an 'alchemic moment' (Burke 1969) in the rhetorical and discursive structure of the executive pay discourse. The analysis explores how the intrinsic and extrinsic exchange place as the individual executive is no longer evaluated with reference to a direct analysis of their intrinsic, intra-organisational performance, but by reference to the extrinsic context in which they operate, i.e. to an external space of comparative metrics, and to an abstract concept of executive efficacy that is not tied to any individual executive.

However, the findings presented in the thesis also contribute more than the disclosure of the operation of theorisation and externalisation within the textual space of executive pay discourse. The findings extend our understanding of how 'theorisation' operates in a specific rhetorical-discursive form. The rhetorical-discursive theorisation of executive directors as 'equivalent' is shown to be grounded in an *empiricist repertoire* that divests agency from the individual director and invests it in 'impersonal' data and procedures. The intensity and contradictoriness of this development is acute: whilst the abstract concept of the executive suggests that the executive belongs to a class of individuals that possess superior expertise and influence, rhetorical devices transfer the evaluation of that purported agency to an assessment of external, comparative company performance. The empiricist repertoire is thus critical in achieving wider rhetorical equivalence, as it de-situates the executive,

sublimating the evaluation of executive action away *from* the individual executive as an individual in bounded organisational space, to the executive as an individual instance of an abstract, or universal, concept of 'executive-ness'.

The rhetorical-discursive construction of the theorised equivalence of individual directors via the device of category entitlement discloses an empirical example of the way in which prevailing societal endoxa are concretised in the linguistic and textual spaces in which the institutionalisation of LTIPs develops. This insight emerges in relation to a problem within the discourse closely connected to the rhetorical device of 'category entitlement'. As has already been noted, the gap between the concrete singularity of the director whose action is to be rewarded, and the abstract concept of the executive, is mediated via 'category entitlement'. This closing of the 'gap' via category entitlement is 'resolved' is itself an example of within the a '*rhetorical hylomorphism'*, i.e. the (rhetorical) union of *form* (the abstract concept of executive-ness invoking cultural templates and societal endoxa) and *content* (comparative and relative external performance data). This hylomorphism effectively 'organises' comparative company performance data in accordance with the imposition of 'form', i.e. abstract concepts, and the influence of the societal endoxa is thus, empirically, the imposition of abstract order onto diverse phenomena. The findings thus contribute to an empirical understanding of how 'theorisation' can effect institutionalisation, and indeed why institutionalisation driven by theorisation is not necessarily strongly structured by social relations and differences within the adopting population.

The analysis also illustrates the importance of recognising that it is not the LTIP as a remuneration package that constitutes an 'institutional' object as such. The *diffusion* of LTIPs across FTSE 100 companies is a phenomenon that can be measured using quantitative techniques; but the institutional effect is, as an analytical object, a standardised set of activities or practices that have 'taken-for-granted' rationales, some common social account of their existence and purpose (Meyer 2009). Importantly, the issue as to what 'taken-for-granted' means shifts in the rhetorical-discursive analysis away from a concern with the existence of interior states of mind and belief to the analysis of rhetorical-discursive constructions within a textual space. This is a concrete demonstration of the value of eschewing a cognitivist (Potter and Wetherell 1987) preoccupation with interior psychological phenomena in favour of an analysis of the rhetorical strategies used to organise discourse that presents LTIPs as credible and rational approaches to executive remuneration.

The findings also contribute an empirical elaboration of the manner in which the rhetorical structures that inform a textual universe constitute and drive social processes within that context. The rhetorical tension inherent in the reward for performance aporetic emerges out of the discursive dynamics of the metonymic mask of comparative performance, the rhetoric of transparency and the rhetorical deflection of the human resource argument; but the aporetic, in a recursive relationship, is also understood as the driver of those dynamics. Hence the social diffusion process identified is contingent on the way in which the discourse regarding executive remuneration and LTIPs engages with the central aporetic tension. The recursive nature of the engagement with the central aporetic is expressed in the cycle of institutionalisation, destabilisation

and deinstitutionalisaton that is captured in the image of the cycloidal path of a stone on a wheel. Through the disclosure of the cycloidal path of the never-resolved tension of the executive pay aporetic, the thesis provides an insight into how social processes can develop out of rhetorical-discursive tensions that inhere in textual spaces that endure even as social contexts and social actors change.

The findings also contribute to understanding how multiple myths (Thornton et al 2012) interact in a complex rhetorical-discursive space, and in particular how multiple myths can be combine in the rhetorical-discursive arguments used to legitimise the adoption of LTIPs and create an integrated response to rhetorical tensions with the textual universe of LTIPs. The value of this rhetorical-discursive approach to the interaction of multiple myths is the contribution it makes to the empirical investigation of the extent to which organisations can be understood as 'interpretive systems' (Suddaby 2010) through which societal-level endoxa are *interpreted*. This thesis provides an empirical example of how the institutionalisation of pay for performance can be traced to 'acts of interpretation' as a specific textual phenomenon, and not necessarily tied to relational, point-to-point action. The empirical analysis resonates with the contention that an institutional effect is not the mere diffusion of a practice across an organisational population: it is also the embedding of multiple myths within discourse in a manner that interprets those myths in a situated context. The findings provide a concrete empirical response to the call in Suddaby (2010) to reconnect with the ideational aspects of institutions, and to engage with a perspective that views organisations as

interpretive mechanisms that filter, decode and translate the semiotics of broader social systems (Rao and Giorgi 2006).

The thesis also contributes to a reorientation to the phenomenological tradition of institutionalism which conceptualises 'institutionalisation' as an inherently linguistic process. This tradition recognises that legitimation is built using language as its principal instrumentality (Berger and Luckmann 1966). Thus the thesis addresses the lack of empirical research in the institutionalism tradition regarding the *constructive processes* that support institutionalised practices by refocusing the research away from the analysis of outcomes of institutionalisation (the adoption or non-adoption of a practice) towards an understanding of the micro-level processes by which cultural templates and social endoxa are embodied in practice. This transformation of analytical perspective is effected by a move to a qualitative approach to research (Ocasio and Joseph 2005), and contributes to developing the theoretical insights and qualitative research methods arising in an emergent *rhetorical institutionalism* (Suddaby and Greenwood 2005, Green and Li 2011). In doing so, the thesis presents an illustration of how the rhetorical institutionalism perspective can become analytically tractable (Friedland 2012), providing a concrete example of how the theoretical framework can be subject to a 'micro-translation' and how social endoxa are invoked and deployed in concrete social practices. In tracing the development of rhetorical processes in relation to the diffusion of LTIPs, the findings present an empirical illustration of how the problem of cognitive limits to knowledge, ambiguity of action and the uncertainty of causal-explanatory models means that rhetorical and discursive

devices are a critical component of the legitimation and institutionalisation of organisational practices (Alvesson 1993).

The thesis also contributes to understanding analysis how the rhetorical structures and discursive devices used in the discourse of LTIPs exhibit heterogeneity across the different domains of text. The 'domain dependency' of the rhetorical structures and processes is articulated in the analysis of the empirical application of the Sillince-Barker (2012) tropological process model, in which the findings reveal how the progressive institutionalisation posited by this model can account for the unfolding of the textual dynamics in the Codes of Practice and Remuneration Report domains, but fails to account for the rhetorical phenomena evident domain of newspaper articles. The findings illustrate in an empirical context how interpretive rhetorical structures and processes such as the Sillince-Barker model will vary in applicability depending on the audience for the argument forms. The audience for the Codes of Practice, Remuneration Reports and Newspaper articles are sufficiently different to entails differences in the expansion and contraction of argument forms and the degree to which tropological processes may be present.

The thesis demonstrates that the benefit of adopting a rhetorical institutionalism theoretical framework is not merely the identification of cultural templates and societal endoxa invoked in rhetorical argument; rather, it is the empirical disclosure of the dynamic, agonistic unfolding of institutional processes through the analysis of rhetorical strategies and devices such as the executive pay aporetic, the empiricist repertoire and the phases of the Sillince-Barker tropological process model. The thesis also extends the scope

of rhetorical institutionalisation by demonstrating how the institutionalisation of LTIPs can be understood as an iterative process, in which the construction and reconstruction of arguments mirrors the cycloidal path of a stone on a wheel, with alternating periods of increasing ‘taken for grantedness’ and periods of conflict and contestation engaging with the rhetorical tension created and maintained by the fundamental aporetic of executive pay .

## 1.4 Structure of the Dissertation

This thesis is organised and developed in the form of seven chapters, as described below:

*Chapter Two* reviews the existing literature in the fields of executive compensation, organisational practice diffusion, and institution theory, and develops a theoretical framework for the analysis of the diffusion of LTIPs over the period 1992-2014. The review identifies a gap in the literature for an extended analysis of the rhetorical-discursive phenomena that have informed and supported the diffusion of LTIPs in the UK. In particular, the review identifies the need to reconstruct the complex, discursive, constructive micro-processes informing the diffusion and institutionalisation of LTIPs; to disclose the role of discursive social action in the justification of LTIPs as a form of executive remuneration; to examine the relationship between multiple societal and institutional logics and discourse within the LTIP context; and to explore the processes by which elements of social context are embodied in discourse and practice.

*Chapter Three* provides an argument to support the social constructionist, rhetorical-discursive analytic methodology orienting the empirical analysis. The relevance of this methodological approach is established with reference to the research objectives; the opportunity to contribute an empirical application of the emergent theoretical literature of rhetorical institutionalism ; and the need to address a gap in research that has been overly-focused on entitative, variance-based analysis of institutional phenomena rather than the constructive processes underlying institutionalisation.

*Chapter Four* outlines the data analysis strategy adopted in the analysis of empirical data. This chapter discusses the practical procedures and protocols implemented in analysing the discourse relating to LTIPs, with consideration of the boundaries for analysis; the identification of appropriate sources of data; the coding strategies applied in the successive phases of analysis; the approach taken in applying the analytical tools of a rhetorical-discursive methodology; and issues related to the validity and reliability of the findings.

*Chapter Five* presents a detailed and transparent account of the empirical data analysis and the interpretation of these findings, with a view to enabling the reader to judge the arguments and interpretation presented. The analysis of textual data reveals how the application of the theoretical framework of rhetorical institutionalism to the diffusion of LTIPs across the field of UK executives in the period 1992-2014 facilitates a more nuanced understanding of the legitimation of executive remuneration, foregrounding the dynamic use of rhetorical devices that address particular audiences at particular points in time and across particular domains of reference.

*Chapter Six* provides a discussion and synthesis of the extent to which the findings presented in Chapter Five address the research objectives, and the extent to which the findings can be explained or interpreted within the theoretical and methodological frameworks adopted in the analysis. There is also a discussion of the contributions of the research to the theoretical and empirical knowledge in the field.

Finally, *Chapter Seven* contains the key conclusions reached as a result of the empirical data analysis and discussion, and provides suggestions for further research. The theoretical implications of the research are explored with reference to existing understanding of the diffusion of LTIPs across the population of FTSE1 100 directors, and outlines recommendations for future research linked to a consideration of the limitations of the study. The chapter concludes with a final statement of the significance of the research.

# Chapter Two: Review of Literature

## 2.1 Introduction: Contingent Compensation Schemes in the UK

Chief executive officer (CEO) compensation[2] continues to be the locus of public discourse and debate in the UK, both in academic literature (for an overview of historic and recent developments, see Devers, Cannella, Reilly and Yoder 2007, Gregg, Jewell and Tonks 2011, Bruce and Skovoroda 2015, Van Essen, Otten and Carbury 2015), amongst regulators (Financial Services Authority 2010, 2012, Financial Conduct Authority 2016), the government (Walker 2009, The High Pay Commission 2011, Department for Business Innovation and Skills 2011, 2012) and other stakeholder groups (Association of British Insurers 2011, 2013, The High Pay Centre 2014). The public discourse with respect to executive pay is characterised by a wide range of concerns, including the methods and procedures by which executive pay is determined, particularly the role and independence of non-executive directors (Brennan 2006); the degree of transparency in the pay-setting process (Park, Nelson and Huson 2001, Schmidt 2012); and the extent to which shareholders are engaged in monitoring executive rewards (Bruce and Skorvoda 2015). There is also considerable anxiety regarding the eventual outcome of pay-setting processes: the quantum of pay received by executives (The High Pay Commission 2011) is regarded as unjustified, excessive or reflective of an endemic spread of inequality in income distribution (Bell and Van Reenen

[2] For the purposes of this thesis, the discussion will be limited in scope to CEOs of FTSE 100 companies. This is in part an acknowledgement that the discourse relating to the use of Long Term Incentive Plans (LTIPs) has been conducted primarily with reference to this reference group.

2014). However, whilst it is the case that each of these issues has informed the development of the discourse relating to UK corporate governance over the last 30 years (Thompson 2005), it is arguable that these themes are all subsidiary to the main preoccupation of regulatory reform: the attempt to ensure that senior executive pay is contingent on corporate performance.

### 2.1.1 Reward for Performance: The Principal-Agent Theory

The regulatory objective of improving the sensitivity of executive rewards to company performance is consistent with the dominant theoretical paradigm informing both public policy with regard to corporate governance and a significant proportion of the executive compensation literature (Brandes, Dharwadkar and Das 2005). *Principal-agent theory* (Jensen and Meckling 1976) explains innovation and change in the form of executive remuneration, such as the diffusion of LTIPs in the UK, as a function of the alignment of the divergent interests of executive managers and shareholders in the context of a teleological orientation to maintaining appropriate pay-performance relationships. The agency theory perspective reflects a 'contractarian' theory of the firm (Davis 2005) that is essentially *functionalist* in nature, i.e. the executives of public companies are taken to communicate their fitness to financial markets and shareholders by demonstrating that they are oriented to shareholder value. The 'signalling of fitness' can include the adoption of remuneration practices that accord with stakeholder expectations, and agreement with general theoretical models of appropriate incentive arrangements (Davis 2005). Hence the agency theory explanation for the rapid diffusion of LTIPs is premised on there being a demonstrable link

between the use of LTIPs and the positive observable outcomes that shareholders expect.

However, meta-analyses have found at best weak empirical support for agency explanations of executive compensation (Jensen, Murphy and Wruck 2004; Dalton, Daily, Certo and Roengpitya 2003; Tosi, Werner, Katz and Gomez-Mejia 2000, Main and Gregory-Smith 2015); and The High Pay Commission (2011) notes that the use of LTIPs is not strongly correlated with superior company performance, which suggests that the adoption of LTIPs cannot be a simple function of principal-agent incentive alignment (Bruce et al 2005). In addition to the lack of statistical-empirical evidence linking particular executive compensation arrangements to company performance, critics of agency theories of executive compensation (Bebchuk, Fried and Walker 2002) suggest that the explanatory power of the principal-agent model is undermined by the persistence of phenomena that appear to be inconsistent with explanations of executive pay in principal-agent terms: these phenomena include the ability of CEOs to exert coercive influence on independent directors; the weak power of shareholders in the determination of director selection; and the continuing phenomenon of 'rewards for failure'. The inconsistencies are seen as indicators of the theoretical importance of understanding executive pay using a 'self-serving executive model' (Bruce et al 2005) in which pay structures are an artefact of socially-derived executive power that allows company managers to extract rent at the expense of shareholders. Change in remuneration structures is explained with reference to changing power relationships between executive directors, shareholders and regulators. However, whilst this managerial power theory approach has

yielded important results concerning the overt socio-political aspects of CEO compensation, it has generally overlooked the nuanced, symbolic aspects of CEO compensation (Westphal and Zajac 1994) that cannot be interpreted in terms of direct power relationships and has underplayed the importance of the influence of the wider societal context (Scott and Meyer 1991) for organisational behaviour.

A particular concern for regulators has been the extent to which senior executive pay distributes risk between shareholders and executives, as reflected in the relative proportions of executive remuneration that are fixed (in the form of base salary) and variable (linked to annual bonuses and longer term incentives). The positive endorsement of relatively high proportions of contingent compensation (Greenbury 1995) has been underpinned by a rhetorical framework that suggests that by making executive compensation contingent on company performance, the downside consequences of company underperformance are shared with the executive. This stance assumes that underperformance is a concept tied to low profitability. However, the measurement of company performance is problematic: the reported profits in a single financial year are no guarantee of long-term performance. Indeed, the use of contingent compensation may increase exposure to risk-taking as senior executives engage in short-termism to meet performance targets at the expense of longer-term losses for the company (Aggarwal and Samwick 1999). The difficulty of securing an effective measure of *executive performance* is indicated by the problems of early forms of contingent pay vehicles such as executive share options (ESOs) which rewarded executives in the basis of simple share appreciation over a defined interval. The absence

of specific and tailored performance criteria for ESOs allowed executives to access automatic rewards for share price appreciation in bull markets even if the company was performing poorly in comparison to peers (Buck and Main 2005).

Whilst it is perhaps the case that the overall quantum of remuneration received by UK executives has begun to rival the concept of contingent compensation as an area of regulatory disquiet, it is the case that the two concerns are closely interlinked. There are a broad range of socioeconomic and political factors that have contributed to the rapid increases in CEO remuneration (Bender 2004, 2006), but there is clear recognition (The High Pay Commission 2011, Department for Business Innovation and Skills 2011, 2012) of the significance of 'pay for performance' or 'contingent compensation' models for both levels of total remuneration received and the relationship between such remunerative rewards and company performance (Renneboog and Zhao 2011). A further concern of regulatory agencies (Financial Conduct Authority 2016) and shareholder representatives (ABI 2013) is the relevance and reliability of the metrics selected to evaluate senior executive performance, given the difficulty of measuring sustainable performance over the short and long term. These concerns have motivated academic research focused on the pay-performance relationship in the form of large-scale, *post factum* statistical analyses of the correlation between executive remuneration and company performance (Jensen and Murphy 1990, Sigler 2011).

### 2.1.2 Compensation Models and Company Performance: Inconclusive Results

However, quantitative research focusing on the degree of reliable or sustainable correlation between contingent compensation and company performance is notable for the lack of any strong consensus regarding the pay-for-performance relationship (for reviews of this literature, see Devers, Cannella, Reilly and Yoder 2007, Bell and Van Reenen 2012, Main & Gregory-Smith 2015). The immediate implication of this absence of consensus is that the empirical analysis of pay and performance does not support a straightforward functional connection between contingent compensation and company performance, and that the lack of such a reliable correlation does problematise the rationale for the implementation of such remuneration models. The lack of unequivocal evidence regarding the post-adoption efficacy of contingent compensation models raises the question as to *why* and *how* such models have rapidly diffused across the FTSE 100 population if the answer is not located in a reliable, rational cause-effect relationship being observed and acted upon by executives and remuneration committees. It may be the case that relevant actors *believe* there to be a rational basis for the adoption of contingent compensation schemes rooted in efficiency gains: but if such beliefs are not derived from unambiguous empirical evidence, the source of those beliefs, and the manner in which they are maintained, becomes an important avenue for research. There are a limited a number of studies (such as Zajac and Westphal 1995, Jensen and Murphy 2009) that examine the types of rhetorical and discursive arguments invoked by CEOs and company boards to justify particular compensation models, but it remains uncertain as to how to explain why, and when, companies adopt particular

forms of pay-for-performance models, or how the configurations of compensation packages reflect cultural understandings of the role of performance related pay.

Given the difficulty of fully explaining the empirical development of executive compensation models using traditional principal-agent and managerial power theory theories, Bruce et al (2005) suggests institution theory as an alternative theoretical approach with which to investigate the adoption of organisational practices, contending that it 'cuts across' the agency and managerial power perspectives on executive pay determination in its recognition of the influence of institutional environments on the relative applicability of each executive pay perspective. Agency theory exhibits a 'dyadic reductionism' (Aguilera and Jackson 2003) that fails to incorporate the role of social influences in the determination of executive pay: this is a critical shortcoming given the importance of institutional influences that have affected UK corporate governance including codes of practice for remuneration recommended by associations of institutional investors, such as Association of British Insurers (ABI 2011) and a series of self-regulatory committees that have exerted influence over the development of corporate governance, including Cadbury (1992), Greenbury (1995), Hampel (1998) and Higgs (2003). The impact of this series of committee reports can be viewed as a legitimation process (Bruce et al 2005) in which external pressures have led to a 'coercive institutional isomorphism' (DiMaggio and Powell 1983) in executive pay practice. The process engenders isomorphism, as executive pay determination has become 'relatively standardized', with conformity to recommended codes and adherence to standard procedures seen as

providing access to legitimacy for executive pay decisions. Westphal and Zajac (1994, 1995, 1998, 2001) support the relevance of institutional arguments to remuneration practices (in the US context), in studies that have explored the influence of both structural and broader cultural factors in the explanation of changes in the prevailing rhetoric of corporate governance impacted on discrete corporate practices.

Whilst the observations of Bruce et al (2005) indicate the potential role for institution theory in explaining the widespread adoption of executive pay structures in the UK context, the emphasis on macro-level 'surface isomorphism', i.e. the homogeneity of formally-espoused practices and structures across an organisational field, elides the micro-level social processes informing institutionalisation. In the case of LTIPs, it is important to move beyond an empirical orientation that merely 'counts' the presence or absence of an LTIP to consider, in a systematic manner, how LTIPs are legitimised within a social, dynamic process. This research will also need to be cognisant of the fact that the development of the LTIP is situated in a complex web of (distal) events and processes initiated by the regulators and stakeholders.

## 2.2 The Long Term Incentive Plan

As noted in Chapter 1, an important form of contingent compensation model in the UK, the adoption of which has been a key driver of growth in CEO compensation in the FTSE 100 (The High Pay Commission 2011), is the *long-term incentive plan*[3] (LTIP). An LTIP operates by way of a grant of shares (as an element of executive remuneration) that is subject to financial performance conditions that are taken to be 'stretching' and contingent on company performance in the context of peer-comparison metrics (Greenbury 1995). An LTIP is in effect a form of conditional share option scheme in which the shares are awarded at zero price (Keasey, Thompson and Wright 2005), with the award of shares contingent on the achievement of a predetermined level of relative performance (i.e. performance measured against a relevant benchmark, often a financial metric which is subject to peer comparison). The fact that LTIP performance metrics are not necessarily tied to share price movements is presented as a means to implement executive pay structures that exhibit a company-specific nature, and one that does not simply reward (or penalise) executives who happen to be in office during the development of periods of general stock market price appreciation or depreciation (Pass 2006).

[3] In the UK context, LTIPs are also referred to as Performance Share Plans (PSPs). In the US, the LTIP designation is applied to a much wider range of forms of incentive remuneration, including ESOs.

### 2.2.1 The Design of Long Term Incentive Plans

However, the fact that LTIPs can be customised and modified to reflect the local conditions of a particular company is both a virtue and a vice. The potential for idiosyncratic schemes, and the lack of standardisation (Keasey et al 2005) in design, renders LTIPs a relatively complex form of remuneration, and one which is exposed to the risk of manipulation by self-serving executives (Porac, Wade and Pollack 1999). In particular, the use of peer-comparison provides an opportunity for the selection of a portfolio of relatively weak comparator companies, with a consequent increase in the probability of meeting performance metric benchmarks. The opportunity to 'game' the system in this way was particularly acute prior to 2002 in the absence of any clear regulatory guidance regarding the degree and kind of disclosure of LTIP arrangements required or expected within financial statements. An important consequence of this lack of systematic disclosure was that LTIP performance measures were often opaque (Bruce, Buck and Main 2005). In response to this perceived weakness, the introduction of the Directors Report Remuneration Regulations (DRRR) (HMSO 2002, 2008, 2013) led to firms having to disclose performance measures, targets and related benchmarks to shareholders via the remuneration report within the financial statements. The impact of this enhanced transparency on the structure and configuration of LTIPs is an important site for further research. The theoretical literature (Sahlin and Wedlin 2008) suggests that the result of an increased focus on transparency and accountability in relation to organisational practices, and the consequent reduction in the possibility for organisations to avoid or control the

process of scrutiny, should be an observable modulation in the arguments invoked to justify such practices and respond to the demands for greater accountability.

### 2.2.2 The Historical Development of Long Term Incentive Plan Usage in the UK

The field of LTIPs is a particularly interesting site for executive remuneration research as LTIPs are the focus of several enduring controversies. As already noted, LTIPs have contributed to a relatively large proportion of the growth in executive pay in the UK since their regulatory endorsement; as organisational practices, they diffused rapidly across the population of FTSE 100 companies (Pass, Robinson and Ward 2000); and LTIPs have become one of the more publicly contested forms of executive remuneration (Department for Business Innovation and Skills 2011, High Pay Centre 2014). The *normative* pressure applied to UK-listed companies to adopt LTIPs as an element of executive remuneration is an example of a 'local innovation' (Bruce, Buck and Main 2005) in UK corporate governance discourse that is part of a broader response to the perceived problems of traditional long-term compensation models (see Conyon, Fernandes, Ferreira, Matos and Murphy (2011) for a discussion of the responses in the US and other parts of Europe).

Another source of impetus to attend to LTIPs as executive compensation models are the two key empirical patterns that have characterised the diffusion of LTIPs across the FTSE 100 population. The first is the transition from relatively heterogeneous and customised (i.e. individualised and adapted to particular company circumstances) LTIPs in the earlier phases of diffusion and development (Pass 2000) to an increased homogeneity in form (MM&K 2011). Understanding this empirical pattern in rhetorical-discursive terms is important, as it addresses a critical question: the issue as to how do

organisations that exhibit significant degrees of heterogeneity in terms of structure and operation justify the adoption of homogeneous forms of organisational practices, given the *prima facie* efficiency benefits of company-specific customisation. The fact that initial adopters did customise the LTIPs (Pass 2000), but yet, over time, convergence in form has arisen, suggests that some form of social conformity pressure modulated the behaviour of the adopters, or the action of some form of vicarious learning rooted in rational concerns that transcend individual organisational boundaries. The second empirical feature of the development of LTIP use is that between 1992 and 2000 there was a relatively widespread formal adoption of LTIPs, but much less substantive use, i.e. a relatively low number of CEOs actually received LTIP awards as part of their remuneration package (The High Pay Commission 2011). However, since 2000, there has been significant growth in both the relative proportion of CEOs receiving LTIP payments and the absolute value of such payments. The High Pay Commission (2011) notes that:

1. There has been a rapid growth in the average value of LTIP awards received by FTSE 350 CEOs: the average reward has increased by over 700% over the period 2000-2010;
2. Whilst the number of FTSE 350 CEOs receiving an annual bonus payment has shown little variation over the period 2000-2010, the number of directors receiving LTIP awards increased from just 16.7% to 50.25% of all directors over the same period.

The High Pay Centre (2014) identifies that between 2000 and 2013 the weights average LTIP gain increased by over 1000 percent.

Importantly, there is little evidence to support rational-economic explanations of the growth in the value of LTIP awards or the rate of incidence of such awards amongst CEOs: the performance criteria used in LTIPs do not seem to have been reduced in stringency (Pass 2006), nor do UK companies appear to have exhibited superior performance in the latter part of the period of observation (The High Pay Commission 2011, High Pay Centre 2014). It is in this context that the discursive justification for the use LTIPs becomes a particularly interesting site for research.

## 2.2 Theoretical Frameworks for the Diffusion of Practices

The discursive and rhetorical elements of the rapid diffusion and robust justification for the use of LTIPs in the UK is a question that has been largely overlooked in the executive compensation literature. Cross-sectional statistical studies have the selection of performance criteria used in LTIPs (Pass et al. 2000; Pass 2006; Bruce, Skovoroda, Fattorusso and Buck 2007, Zakaria 2012) or attempt to model the LTIP performance-pay sensitivity in UK executive compensation (Buck, Bruce, Main and Udueni 2003; Bruce et al 2007, Bruce and Skovoroda 2015). Qualitative studies have focused on case study analysis of the factors that inform the selection and justification of elements of the structure of LTIPs (Ogden and Watson 2008) and the efficacy of LTIPs as a device for motivating executives (Pepper, Gore and Crossman 2012). Studies which have considered the dynamic processes which support the diffusion of LTIPS (Pass et al 2000; Bruce et al 2007), have been primarily descriptive rather than analytical and explanatory. Importantly, the literature has yet to examine the rhetorical-discursive dynamics aspects of the diffusion of LTIPs in the UK context, which constitutes an important gap in the understanding of the role and influence of cultural norms and societal endoxa in the adoption and justification of LTIPs as a vehicle for senior executive compensation. The next section of the review takes the adoption of LTIPs in the UK to be a member of a class of social diffusion phenomena, and delineates the broad theoretical frameworks used to understand and examine practice diffusion

## 2.3 LTIPs as an Organisational Practice: Explanatory Models of Diffusion and Institutionalisation

The objective of this section of the review is to position the spread of LTIPs in the UK within a broad diffusion theory context. The relevance of diffusion theory for researching key empirical phenomena associated with LTIPs is emphasised throughout, and the particular significance of institution theory as a framework for social accounts of the diffusion of organisation practices is discussed.

Social science has repeatedly engaged in enquiry regarding the conditions and mechanisms underpinning the flow of social practices among actors within some larger system (Strang and Soule 1998, Meyer 2009). The rapid spread of LTIPs across the FTSE 100 population is a phenomenon that is usefully located within a social diffusion theory framework, where diffusion is defined as the socially mediated spread of some practice within and across a relevant population (Strang and Meyer 1994). As a minimal analytical condition, a process of diffusion occurs when an innovation or practice is adopted over time among the members of a population (Rogers 1993). However, the social dimension of diffusion is not tied to the simple presence of a population substrate: it is often a more expansive social process in which diffusion is driven by some form of non-atomistic, inter-subjective, communicative process informed by shared understandings, social schemas, norms and values (Meyer 2009).

Research into the diffusion of practices has developed parsimonious models of practice adoption that theorise both economic (Lieberman & Asaba 2006) and sociological mechanisms (Strang and Macy 2001). The literature relating to diffusion of practices among organisations is thus characterised by two key modalities of explanation for processes leading to adoption of practices: *rational accounts* and *social accounts* (Ansari, Fiss and Zajac 2010). The two accounts do not constitute a dichotomy: their theoretical separation is motivated by the need to achieve clarity regarding the analytical categories used to understand social processes, rather than to assert the existence of wholly distinct and unconnected empirical phenomena. The rational and social accounts are to be understood as two poles of a continuum, where both can explain diffusion under different conditions (Ansari et al 2010, Hinings & Tolbert 2008); and the combination of the two perspectives recognises the dynamic interplay between proximate local interaction effects and global distal pressures within an organisational field as an organisational practice spreads and undergoes modification. The following discussion will briefly contrast the rational and social accounts, before progressing to a more detailed review of the relevance of institution theory to the issue of practice adoption, and the extent to which there is a need to distinguish diffusion as a contagion process from the institutionalisation of a practice.

### 2.3.1 The Rational Account

Rooted in methodological individualism (Friedland and Alford 1991) and built on rational actor models (Coleman 1990), the *rational account*[4] of the social diffusion of organisational practices conceives of adopters of as rational[5], utility maximising actors that scan their environment (which includes the network of social relations in which they are embedded) to gather information to guide efficient choices that deliver presumed economic benefits. The rational account of social diffusion has produced theoretical and empirical research focusing on the relational aspects of diffusion, in which flows of social practices between prior and potential adopters are expected to vary with rates of interaction[6] and available information. Two primary forms of the rational account have provided explanatory mechanisms for diffusion outcomes: an evolutionary process account in which selection forces eliminate performers that fail to adopt efficient practices (Katz & Shapiro 1987); and an optimising account in which rational decision makers only adopt beneficent innovations (Williamson 1979). The evolutionary and optimising accounts are unified in that they both rely on the same form of underlying mechanism: increasing levels of adoption are dependent on information cascades (Banerjee 1992), as organisations use the observed behaviours of early adopters to update their own evaluation of a diffusing practice. Hence, rational accounts of diffusion

[4] The designation 'rational account' is not meant to imply that there exists a single, undifferentiated version of rationality that is universal and independent of social and cultural context; rather it operates as a category term for a range of competing 'rational' accounts.
[5] Here the problematic notion of a single mode of rationality will not be explored further, other than to note that much of the literature informing social accounts of diffusion is developed in a manner that recognises the multiple forms of rationality that can be observed across different social settings (Weber 1949).
[6] The analytical reduction of social diffusion to an interactional phenomena is consistent with 'point-to-point' and 'chain' models of diffusion used in related empirical research (Dearing 2008).

processes posit imitation as arising from a *heuristic of social proof*[7] (Ansari et al 2010): firms infer from the actions of others what constitutes appropriate action to minimise search costs, avoid the costs of experimentation and reduce uncertainty (Rao, Greve & Davis 2001).

In the context of corporate governance, studies have investigated the impact of relational ties embodied in board interlocks (Davis 1991, Westphal and Zajac 1997, Westphal, Seidel and Stewart 2001, Renneboog and Zhao 2011, Larcker, So, and Wang 2013) and the impact of social connectedness on the temporal dynamics of board processes (Ryan and Wiggins 2004). However, in this relational orientation research, the 'social' aspect of diffusion is merely incorporated as the source of information and the locus of relations to other actors: hence the 'social' is conceived as another dimension of interaction that provides information to inform rational choice, rather than being constitutive of identity or a constraining form of embeddedness (Meyer 2009). This framework invokes low orders of social organisation in explaining social diffusion, and prioritises the micro-order of social objects over the macro-order of social organisation (Jepperson 1991).

[7] Where the heuristic of social proof obtains, it is logical to conclude that, as the proportion of a given population adopting a practice increases, there is an increase in information about the utility of a practice and hence less associated uncertainty – thus the risk of adoption is lower and the rate of diffusion increases (Strang and Meyer 1994). However, in an alternative scenario another mechanism may obtain: some rational models allow that information cascades may also result in 'herd behaviour' in which it is (perceived to be) optimal for an individual to follow the behaviour of other individuals without regard to his own information (Bikhchandani, Hirshleifer and Welch I1992).

### 2.3.2. The Social Account

As has been noted, rational accounts model social diffusion as primarily a relational phenomenon that occurs via interactional connectedness in social networks (Strang and Meyer 1994). However, this approach does not account for social practices embedded in a complex matrix of social and cultural norms that include the rhetorical-discursive frameworks within which justification for the adoption of practices such as LTIPs occurs. Rational accounts of social processes are 'under-socialised' (Granovetter 1985) as they elide the nature of societal context as a source of the values, logics and schemas that influence the formation of preferences (Friedland and Alford 1991). The underplaying of the role of social structures and schemas leads to the analytical myopia of 'dis-embedded agency[8]' (Friedland 2012), a myopia that misses the fact that, empirically, diffusion processes often look more like complex exercises in social construction than the mechanical-interactional, 'point-to-point' spread of information via social networks. Indeed, many social diffusion processes exhibit a 'wave-form' that operates in rapid, global manner, rather than a series of temporally-extended, discrete local interactions (Meyer 2009). Hence social accounts of diffusion aim to 'bring society back in' (Friedland and Alford 1991) as a constitutive force shaping organisational phenomena.

Social accounts of the diffusion of practices invoke a social legitimacy argument that has both a weak and strong form. The weak form posits a 'rational to ceremonial shift' model that theorises early adopters as concerned with the utility of a practice, but, as the number of adopters increases beyond

[8] In contrast to the 'paradox of embedded agency' that problematises the possibility of agency in social structures (Battilana and D'Anno 2009).

a critical point, the later adoption process is theorised as driven by 'bandwagon' pressures and legitimacy concerns (Tolbert & Zucker 1983). The strong form of the legitimacy argument suggests that at all times during the diffusion process, the primary determinant of adoption will be the normative expectations of outside stakeholders (DiMaggio & Powell 1983, Scott 2008) and the need to obtain the perception of legitimacy, both of which elements feature in the discourse relating to executive remuneration. Furthermore, the relatively durability of LTIPs in the UK in the context of the lack of evidence to support their efficacy highlights the insufficiency of the rational account in which adopted practices are taken to be fragile and contingent on new information that can produce dramatic reversals in practice (Ansari et al 2010). In contrast, social accounts suggest that once a practice is established, it is considerably more durable and less open to abandonment and variation without significant social change (Tolbert & Zucker 1996).

*2.3.2 (i) Social Accounts and the Rapid Diffusion of Organisational Practices*

The rapid and durable diffusion of LTIPs in the UK requires the incorporation of a social account explanation. A focus on the social discourse supporting this diffusion needs to include an elaboration of those rhetorical and discursive devices that support the rapid diffusion of organisational practices.

*2.3.2.(ii) (a) Perception of Similarity*

*Firstly*, the 'perception of similarity' between organisations can provide a rationale for the diffusion of practices (Strang and Meyer 1994). The relevance of perceived similarity to the rate of practice diffusion is linked to both the rational account's 'heuristic of social proof' argument and to the social

conformity argument. The impact of perceived similarity is included in sophisticated relational models such as Burt (1987) which examines diffusion between actors in structurally equivalent positions (similar relations to other members of a population but not necessarily connected to each other). Burt (1987) finds that diffusion is more rapid between structurally equivalent actors than those that are directly connected.

The significance of perceived similarity can be identified in the context of the FTSE 100 population, and the perception of similarity arises both as a feature of external investor judgement, and as a factor in an individual organisation's self-perception. DiMaggio and Powell (1983) points to the homogenising effects of coercive pressures from the state, regulators or other organisations in the field. The impact of perceived similarity is such that it leads stakeholders, such as regulators or industry associations, to promote solutions to problems that demonstrate little concern for differences in industry, market position or historical / cultural background across organisational populations.

In the case of investor judgement, the importance of the FTSE 100 companies for investment purposes has the effect that each FTSE 100 company is, for institutional investors concerned with share price appreciation and dividend flows, culturally constructed as *formally equivalent* insofar as it is treated as a potential investment (the homogeneity in status arises due to the purposes of classification, and the judgement employed attends to a limited range of attributes rather than to the sources of heterogeneity between organisations). The argument developed in Strang and Meyer (1994) suggests that diffusion is facilitated by the perception of the formal equivalence of each FTSE 100 entity. The perception of similarity is also operative in the organisation's

individual *cognitive map* which identifies appropriate reference groups (Merton 1969) to bound social comparison processes (Meyer 2009). Indeed, in the context of the development of LTIPs, this need to identify comparator groups is an explicit feature of LTIP design and operation, encoded in a succession of Codes of Practice documents (starting with Greenbury 1995).

The empirical significance of perceived similarity is that its mechanism of influence does not rely on the degree of connectedness between organisations in a field, and hence it can be decoupled from interactional, point-to-point models of diffusion. The absence of a strong correlation between similarity and connectedness (Strang and Meyer 1994) and the pervasiveness of perceived similarity in modern systems means that diffusion is often less structured by direct interaction and interdependence than expected. This is an important instance of a shift in modality away from a local to a global view of social processes leading to adoption of practices, and one which focuses on 'vertical, nonlocal' relationships between levels of social reality (Thornton, Ocasio and Lounsbury 2012) rather than horizontal network ties.

*2.3.2.(ii) (b) Theorisation*

A *second* condition that is argued to accelerate and redirect the diffusion of practices is the process of *theorisation* in which abstract cultural categories are developed to frame the understanding of phenomena and patterned relationships are formulated (such as chains of cause and effect) to direct behaviour. Such general models must exist for perceived similarity to gain force (Meyer 2009). Theorisation increases perceived similarity by simplifying

the phenomena; and as organisational practices and structures are simplified and generalised, they can be more easily appropriated (Strang and Meyer 1994). All theorisations propose homogeneities within the populations or categories they analyse, as theoretical models simplify the diversity of reality. The importance of theorisation is most acute when prevailing theories are 'institutionalised', in which case perceived similarities may be constructed despite substantial differences, i.e. organisational actors can be theorised as equivalent even if they differ along a variety of un-theorised dimensions (Meyer 2009). Theorisation goes beyond the construction of a typology of firms with which to classify organisations as members of a set of objects endowed with particular properties: theories predict that similar practices can be adopted by all members of a theoretically defined population, with similar effects.

Two general arguments emerge from the consideration of the first two factors identified in Strang and Meyer (1994) and Meyer (2009): (1) diffusion becomes more rapid and universal as cultural categories are informed by theories at higher levels of complexity and abstraction, and (2) theorisation renders diffusion less structured by social relations and differences across adopters. Importantly, this second argument moves away from the hegemony of an interactional, point-to-point diffusion model towards a view that allows for diffusion to occur via wave-like processes that are global rather than local in nature. This notion is relevant to the LTIP context as general models of 'pay-for-performance' facilitate meaningful communication and lines of influence between theorists (such as the various regulatory bodies and remuneration consultants) and a relevant population of adopters (FTSE 100 companies) and stakeholders. The momentum of this analysis extends to contrast local,

adopter-level theorising (which is an inward-looking, individualised rationality employed by potential adopters in a manner that affects the individual organisation's adoption pattern, but not those of others) and global theorising imported into local contexts from higher-order social phenomena. Global theorisations induce much broader diffusion processes as their effects do not vary across sites or adopters, and they tend to be more observable than individual theorising, and hence can provide a basis for explanation that can complement (or counter) relational arguments and notions of individual utility maximisation (Meyer 2009). Importantly, theorised diffusion is likely to be relatively unconstrained by relational structures (Meyer 2009) and provides a substitute for close, inductive examination of the experiences of others i.e. an alternative to the heuristic social proof model.

## 2.4 Institution Theory: Explaining the Adoption of Organisational Forms and Practice

The social account of diffusion practices entails that a distinction needs to be made between the mere diffusion of a practice as a non-enduring fad or fashion (Abrahamson 1991) and the durable persistence and institutionalisation of a process (Colyvas and Jonsson 2011). It is important not to conflate institutionalisation with mere diffusion, as institutions place higher-order constraints on the social forms and practices that are distinguishable from merely contingent contextual effects (e.g. the impact of a financial crisis) and relations forms such as social network configurations (Colyvas and Jonsson (2011). This distinction is explored in the next section in the articulation of the valuable insights that institution theory affords for understanding practice diffusion. However, it is argued that there are weaknesses in both the theoretical statements and empirical applications of institution theory that can be addressed by a shift to a rhetorical institutionalism perspective.

### 2.4.1 Institution Theory

The most important theoretical framework invoked in social accounts of practice diffusion is institutional theory. Neoinstitutional theories of organisational homogeneity (Boxenbaum and Jonsson 2008) account for the convergence of forms and practice across organisations in an organisational field by making two related claims. The first claim is that organisations adapt to not only technical, efficiency-driven pressures to change form or practice, but also to wider societal expectations as to how the organisation will structure itself and conduct its behaviour – a pressure that leads to *institutional isomorphism.*, and conformance to societal expectations motivated by the need to gain *legitimacy* as an organisation within the relevant field (DiMaggio and Powell 1983). The second claim is that where adaptations to external institutional pressures conflict with internal efficiency needs and internal practices, an organisation may *decouple* their formal conformance with societal expectations from the reality of their internal structure or the impact of practices on performance in order to maintain internal efficiency and intra-organisational practices (Meyer and Rowan 1977). This section analyses the both the key contributions and shortcomings of institution theory in regard to the understanding of the diffusion of organisational practices.

As intimated in the review of the rational accounts of social diffusion, the dominant, policy-driven, scientistic-atomistic conceptions of social life (Toulmin 1990) often portray organisations as empowered actors responding to the situational circumstances (Greenwood, Oliver, Sahlin and Suddaby 2008) rather than as agents embedded in constraining institutional contexts

(Meyer 2008). Within the domain of organisation theory, *structural-contingency theory* posits organisations as adaptive to circumstances of scale, task uncertainty and strategic scope by the appropriate selection of structural arrangements (Greenwood et al 2008). *Resource-dependency theory* is predicated implicitly on a rational actor model of decision making in organisations, though the dimensions of action extend beyond mere technical efficiency to encompass the maximisation of power and autonomy in relation to the supply of critical resources by managing dependency on other organisations (Tolbert and Zucker 1996). Even the *behavioural theory of the firm* (Cyert and March 1963) assumes adaptation to market circumstances. Each of these models posits the diffusion of a particular practice as an instance of 'rational decision-making' senior executives taking action to ensure an appropriate adaptive 'fit' between the organisation and its environment (Greenwood et al 2008). All three theoretical perspectives are united in both their conception of executives as acting in an intentional, purposive, but boundedly rational, manner (Meyer 2008), and in their reduction of the 'environment' to a sparse technical-market setting (Greenwood et al 2008) that forms part of information set used in a rational decision making process.

However, organisations are also influenced by dimensions of their environment that are not tied to merely technical or 'objective' considerations, namely an *institutional context*, i.e. the widespread social understandings ('*rationalised myths*') that define what it means to be rational for an organisation (Meyer and Rowan 1977). Much of organisational reality is based on myths and ceremonies constructed from prevailing and highly rationalised expectations of how an organisation should function (Suddaby, Elsbach,

Greenwood, Meyer and Zilber 2010) and hence formal structures and practices have symbolic as well as action-generating properties (Tolbert and Zucker 1996). Institution theory is thus an antidote to overly atomistic, rationalist perspectives in organisation theory (Greenwood et al 2008). The primary analytical force of institution theory lies in an emphasis on the role of social context and cultural forces and the development of sets of concepts and relationships that tie institutional structures to organisational forms, practices and conduct (Lawrence and Suddaby 2006). The theoretical distinctiveness of institution theory is the focus on the capacity of cultural understandings as determinants of structure and behaviour (Tolbert and Zucker 1996). Given the assumption that organisations are expected to behave rationally, rationalised myths are attended to as accepted prescriptions of appropriate conduct (Zucker 1983, Greenwood et al 2008) that are expressed in rules and norms (Meyer and Rowan 1983); and the rationalised myth function as normative and cognitive belief systems (Scott 2008) that shape and inform behaviour. Organisations conform to the rationalised myths (i.e. become *isomorphic* with their institutional context) in order to obtain legitimacy in the eyes of key constituencies (Greenwood et al 2008). The rewards for conformance to these institutional norms include the avoidance of social censure, the minimisation of demands for external accountability and increased probability of survival (Scott 1983). This theoretical framework recognises that the social evaluation of an organisation can rest on the observation of adopted practices and formal structures, rather than the evaluation of actual task performance (Meyer and Rowan 1977).

### 2.4.2 Institution Theory as a Foil to Rational-Economic Explanation

Hence what is critical to the institutional explanation for the adoption of particular organisational forms and practices is not the calculated self-interest of organisational actors, nor the imperatives of instrumental functionalism, but rather the need for organisations to obtain social legitimacy (Greenwood et al 2008). Thus institution theory is a 'foil to economic rationality' (Suddaby et al 2010) that provides a framework to explain why organisations exhibit organisational arrangements that defy traditional rational-economic explanation. The relevance of institution theory to the phenomena of the diffusion of LTIPs in the UK is it capacity to provide a theoretical lens in the context of the absence of conclusive, or even persuasive, evidence for the efficacy of LTIPs from a rational-economic perspective.

Institutionalised rules can conflict with the intra-organisational requirements of technical efficiency for particular organisations (Meyer and Rowan 1977) and institutionalised practices may not deliver expected or theorised benefits. In which the case the organisation has to resolve the tension between its own internal demands and external expectations regarding organisational form and practice. This tension can be resolved by a either a strategy of 'ceremonial conformity', in which there is a deliberate decoupling of an organisation's symbolic practices and its technical core (Meyer and Rowan 1977) or by engaging in symbolic implementation (in which a practice is adopted intra-organisationally but without clear evidence as to its efficacy) of a practice (Bromley and Powell 2012).

*2.4.2 (i) The Decoupling of Policy and Practice*

Indeed, there is a profound philosophical tension in the relationship between the two key claims of institution theory, viz. a homogenisation of espoused, reported policy across an organisational field, and the maintenance of organisational heterogeneity via the decoupling of policy from practice (symbolic adoption) or the decoupling of means from ends. This tension reflects a context-specific instance of the traditional structure-agency problem: the question as to whether social action is determined by 'higher-order' structural processes or is the result of the exercise of purposive agency on the part of social actors (Reed 2003). The concept of institutional isomorphism stresses the possibility of the structural determination of organisational forms by the influence of the external context in which organisations operate. The rationalised myths and social schemas invoked by institutional accounts of social practice diffusion represent the accepted solutions to 'problems' within a particular field; conformance with the rationalised myths enables an organisation to 'appear to be rational' and signal adherence to appropriate conduct (Meyer and Scott 1983). The positive endorsement of LTIPs in Greenbury (1995) can be interpreted as an example of such a macro-level rationalised myth in the field of UK FTSE 100 companies, as it represented a condoned solution to the problem of incentive alignment (the principal-agent problem) at a time when ESOs were viewed with scepticism.

*2.4.2 (ii) Process Studies of Diffusion Over Time*

Within the institution theory framework, there is a class of empirical studies that have examined the diffusion of forms and practices over extended historical intervals. A two-stage model (Tolbert and Zucker 1983) proposed that the diffusion of a practice can partitioned into an initial stage of early adoption of a practice motivated by technical or efficiency concerns, and a later stage in which adoption is due to reasons of social conformity to established norms. Institutionalisation is modelled as a progressive process (Greenwood et al 2008) that begins with adoption driven by technical concerns and ends with genuine 'institutional' effects. Many studies (see Schneiberg and Lounsbury 2008 for a review) have replicated the large-scale, quantitative, historical analysis of institutional effects in an effort to test the two-stage model. Three broad approaches have developed in this quantitatively oriented framework. Firstly, a dominant quantitative, *macro-structural* approach examines how institutional prescriptions are mediated by an organisation's relative position (in terms of centrality, status or ties to other organisations) in a social network structure. The complexities of diffusion through board interlock networks was examined in (Davis and Greve 1997) in which it was demonstrated that different executive remuneration practices (poison pills and golden parachutes) can diffuse in very different manners (one rapidly and linearly, the other slowly with a classic S-curve profile) through the same network. However, macro-structural paradigm has often failed to deliver clarity as to whether diffusion or isomorphism is the focal interest of the research (Greenwood et al 2008). Indeed, few studies go beyond rates of adoption as an indicator of institutionalisation, and the diffusion of 'presumed' institutional

effects has become taken as evidence of underlying institutional processes. .

A second approach to understanding organisational responses to institutional pressures focuses on the role intra-organisational factors such as the presence of political coalitions within organisations, the effects of boardroom demographics (Kossek, Dass, and DeMarr 1994) and the effect of organisational size (Beck and Walgenbach 2005). These studies emphasise that organisations are unlikely to respond uniformly to institutional pressures due to role of a range of contingency variables, even if the 'choice-set' of options is institutionally defined (Greenwood and Hinings 2006). A third approach attends to the role of organisational identity and the extent to which the response to institutional pressures is mediated by an organisation's history and the norm-universe of its members (Greenwood et al 2008). Each of the above approaches is predicated on the notion that institutional models are 'out there' to be interpreted and reacted to by an organisation: each theory seeks to explain how variation in response can be located in some attributes of the organisation or its relative position.

### 2.4.3. Limitations in the Formulation of Traditional Institution Theory

#### *2.4.3 (i) Ambiguity in the Conceptualisational of an Institution*

There are a number of theoretical limitations in the formulation of institution theory that need to be addressed in the empirical analysis of the diffusion of LTIPs. *Firstly*, the conceptual specification of an institution is often vaguely defined in organisation theory literature. The range of competing definitions and interpretations of the term suggest the need to adopt an almost axiomatic stance[9] that at least attains the virtue of clarity, by selecting a definition form amongst those available to guide the analysis and discussion. The present study follows Friedland (2012) in taking the term institution to define not the stabilised practice as such, but rather a rational myth or set of normative or cognitive values that have attained the state of being chronically reproduced within a particular substrate. This definition adopted is related to the notion of 'taken-for-grantedness' developed in early accounts of institution theory (Tolbert and Zucker 1996, Zucker 1983), but without the phenomenological commitment to the idea that an institution is an almost unquestioned, routinised mode of behaviour and conceptualisation. The status of an institution is not dependent on the cognitive understanding of actors: an institution may be treated as taken-for-granted even if not understood (Jepperson (1991, 2001). Critically, an institution can be taken-for-granted in the sense of not thought about by actors, or subject to repeated scrutiny and still taken for granted. Furthermore, taken-for-grantedness is distinct from the

[9] Not axiomatic in the sense of a self-evident proposition, but rather in the sense of an unproven foundational principle.

evaluation of an institution as positive or negative. An institution is, as an analytical object, better thought of as a standardised set of activities or practices that have taken for granted rationales, some common social account of their existence and purpose. Within this perspective, it is not LTIPs as a form of embodied practice that have become 'taken-for-granted' institutions: rather it is the institutionalised concept of performance-related pay (Colyvas 2012), a dominant taken-for-granted social endoxa, that is given concrete form as an LTIP.

*2.4.3 (ii) The Property and Process Conflict*

*Secondly*, whilst the conceptual categories developed in institution theory have reintroduced societal and field-level phenomena back into accounts of practice adoption and implementation, there are number of difficulties that remain to be resolved. The first subject source of concern is the concept of institutionalisation as a process, which has proved problematic in many aspects, not least because it has a *dual* status as both a process and a property variable. From a property perspective, an institution can be located either as a property of the exterior arrangement of structures and practices or as an interior state of taken-for-granted status amongst actors. As noted, the institution theory literature is host to very different possible *axiomatic* positions regarding the ontological and epistemological status of an institution. Meyer and Rowan (1977) and Scott (2008) develop a pragmatic, practice-based notion that extends to include regulative formulations and legal structures, whereas Tolbert and Zucker (1996) propose a strict phenomenological test

that defines an institution as a fully taken-for-granted, internalised practice that is subject to little debate or contestation.

The resultant notions of 'institutionalised behaviour' are conflicted, and contradictory. At one extreme, institutionalised rules have been theorised as 'beyond the discretion' of any individual organisation (Meyer and Rowan 1977), with organisations 'captives of the institutional environments in which they exist' (Tolbert and Zucker 1983). This conceptualisation of institutionalised practice is consonant with the image presented in Berger and Luckmann (1966), in which institutionalised practices have the attributes of 'exteriority' and 'objectivity': as such, they require no monitoring or enforcement (Zucker 1977). This pole represents institutionalised practices as hegemonic, unquestioned and homogeneous across relevant populations. However, the capacity for organisations to engage in ceremonial adoption and decoupling, and the consequent implication of foresight and choice on the part of organisations, runs counter to the strongly deterministic overtones of the notion of institutionalisation presented in the preceding paragraph. Furthermore, the relationship between the institutional environment and individual organisations is more complicated than a unidirectional flow of constraining institutional norms would entail (Meyer and Rowan 1977). A focus on the active role of organisations in shaping institutional contexts recognises that powerful organisations attempt to 'build their goals and procedures directly into society as institutional rules (Meyer and Rowan 1977). Hence we have two poles in the conceptualisation of institutionalised practices: institutions are sometimes understood as culturally hegemonic, 'taken-for-granted' rationalisations; and sometimes institutions are viewed as

enacted and reconstructed by organisations that respond strategically to institutional pressures.

*2.4.3 (iii) The Existence of Multiple Institutional Environments*

*Thirdly,* the majority of organisations are embedded in institutional contexts containing multiple and inconsistent rational myths. In this context, it is often the case that the complex interaction of several rational myths will allow for multiple but equally legitimate responses to the institutional environment (Greenwood et al 2008). Indeed, institutionalized myths differ in their completeness (Meyer and Rowan 1977), which allows organisations to exercise strategic choice in the interpretation of those rational myths. These factors add further support to the basic notion that organisations will not necessarily align in the same way with institutional contexts (Greenwood et al 2008), though they will all exhibit isomorphism to their institutional context. This theme will be explored in the empirical data analysis presented in Chapter 5, where it argued that variation in the design of LTIPs is reflective of differing invocations of multiple and often contradictory institutional logics that are relevant to FTSE 100 companies.

*2.4.3 (iv) The Conflation of Diffusion with Institutionalisation*

*Fourthly*, another fundamental issue is the tendency for studies to equate the *de facto* diffusion of a form or practice with its institutionalisation. Even in an institutional environment with clear and uniform rational myths, the diffusion of a practice does not in itself signify an institutional effect (Greenwood et al 2008). The spread of a practice could be the result of vicarious learning, i.e. one organisation may have observed another organisation to adopt a practice that is successful and hence adopt the practice itself. An *institutional* effect only occurs if the decision to adopt the practice is the consequence of an institutional mechanism or through the influence of broad social schemas and norms. The disentangling of diffusion and institutionalisation also entails that a lack of convergence in the practice does not indicate the absence of institutionalisation (Greenwood et al 2008).

In the context of the theoretical lacunae and empirical limitations of institutional research, the role of institution theory in understanding practice diffusion can be improved by addressing those limitations. A more nuanced approach to explaining the processes underpinning social diffusion and institutionalisation is required. This is essential to counter the tendency in diffusion studies towards assuming that convergent behaviour indicates the functioning of institutional processes (Haveman and David 2008). It is typical of institution theory-based research to measure the outcome but merely assume the process of institutionalisation (Mizurchi and Fein 1999). In order to ensure a more robust basis for the analysis of convergent behaviour, it is important to understand the arguments developed to legitimise a practice, and how those

arguments are embedded in the social norms and cultural templates within a given social context (Greenwood et al 2008, Sahlin and Wedlin 2008).

In the next section, it is argued that an understanding of the rhetorical and discursive development of LTIPs in the UK can be undertaken using an institution-theoretic perspective, but only if the theoretical limitations outlined in the preceding discussion are addressed. It is proposed that an engagement with an emergent rhetorical institutionalism is a means to address these limitations.

## 2.5 The Linguistic Turn in Institution Theory

Empirical research in the domain of institution theory has focused on describing how institutionalised structures and practices move through the manifolds of time and space (Suddaby et al 2010). However, less attention has been paid to how elements of the broader social environment become manifest in organisational practices, even though institutionalised practices can only exist if internal and external participants within an organisational field engage in the 'institutional work' necessary to maintain and stabilise those practices. The tradition of *phenomenological macro-institutionalism* (Meyer, Boli, Thomas and Ramirez 1997, Suddaby, Elsbach, Greenwood, Meyer and Zilber (2010) focuses attention on institutions as cultural-cognitive social constructions, expressed through collectively shared scripts, frames and taken-for-granted assumptions (Boli and Thomas 1997, Meyer and Jepperson 2000).

### 2.5.1. Organisations as Interpretive Systems

Suddaby et al (2010) argues that organisations should be understood as interpretive systems through which societal-level values, symbols and meanings are interpreted. This perspective entails understanding social agency less as action and more as an act of interpretation**.** The concept of the 'organisation' as a bounded entity has become entrenched and routinised in society (Suddaby et al 2010), leading to a diminution in awareness of the contingent nature of organisations as social artefacts. Institutional theory needs to return to its more phenomenological and structuralist form (Jepperson 1991, 2001) and emphasise the role social construction and

'higher-order effects'. The value of adopting a rhetorical-discursive perspective to explore diffusion processes is that it provides an insight into how higher-order, social-level concepts have effect and become manifest in concrete settings through the ongoing enactment of organisational practices (Mohr 1994), e.g. the manner in which rational myths regarding performance related pay are concretised as specific forms of LTIP in organisations.

### 2.5.2. The Linguistic Turn

As noted, the need to examine the relationship between social norms and values and organisational practices has become an increasingly important theme in the literature (Lounsbury and Boxenbaum 2013). A key impetus for this analytical focus has been the move to revivify the focus on language within institutional arguments. The phenomenological tradition suggests that institutionalisation is an inherently linguistic process – the edifice of legitimation is built upon language and uses language as its principal instrumentality (Berger and Luckmann 1966). Indeed, it is arguable that the most significant lacunae in contemporary institutional research is the lack of a serious engagement with language, and the ideational (Suddaby 2010, Scott 2008) aspects of organisations. This absence is a serious flaw if the central question of institution theory is why and how do organisations adopt structures and practices for their 'meaning' or symbolic value (Meyer and Rowan 1977) rather than their productive or efficiency value. Suddaby (2010) rightly suggests that a preoccupation with traditional quantitative methods that rely on linear regression models to establish correlations between proxy variables and outcomes has occluded the capacity of institution-oriented research to

foreground meaning. The dominance of quantitative methods can be traced, at least in part, to the duality inherent in the influential work of DiMaggio and Powell (1983), which both recognises the critical importance of the ideational components of institutional processes (i.e. rational myths and taken-for-grantedness), but also contains a structural component that has been pursued in much subsequent research, particularly the structural implications of isomorphism and decoupling (Mizurchi and Fein 1999). However, despite a theoretical emphasis on institutionally shared meanings, empirical research by institutionalists has largely failed to engage in the analysis of the *constructive processes* that support institutionalised practices. Engagement with constructive processes requires institutional theory to adopt a perspective that views organisations as interpretive mechanisms that filter, decode and translate the semiotics of broader social systems (Rao and Giorgi 2006). Hence the focus of research needs to shift away from the outcomes of institutionalisation (adoption or non-adoption of a practice) towards an understanding of the social processes by which cultural templates and social endoxa are embodied in practice. This transformation of analytical perspective requires a qualitative approach to research (Ocasio and Joseph 2005), and the next section explores the developing theoretical insights and qualitative research methods arising in an emergent *rhetorical institutionalism* (Suddaby and Greenwood 2005, Green and Li 2011, Sillince and Barker 2012). The rhetorical institutionalism perspective prioritises the investigation of the rhetorical-discursive processes underlying institutionalisation, and focuses on legitimation practices as iterative, inherently rhetorical cycles of argumentation which inform the construction, contestation and reconstruction of

institutionalised practices by individual and collective actors, e.g. remuneration committees, investors and regulators.

## 2.6 Rhetorical Institutionalism

The inherently symbolic systems of institutions have important ideational and linguistic components that provide organisational practices with meaning and legitimacy (Berger and Luckmann 1966, Friedland and Alford 1991, Green 2004, Sillince and Barker 2012). Following the linguistic turn in the social sciences (Alvesson and Karreman 2000), there is a growing interest in using *rhetorical analyses* in organisation theory to understand the diffusion of organisational practices (Zbaracki 1998, Phillips and Hardy 2002, Green 2004). The impact of the linguistic turn within an institution theoretic is an *analytical distinction* between basic ideals, discourses and techniques of control (Hasselbladh and Kallinikos 2000). Institutions are understood to consist of *basic ideals* that are *developed* through 'discourses' into distinctive ways of defining and acting upon reality, and supported by elaborate systems of measurement and documentation. Each of the three modes differ in the degree and kind of their articulation: basic ideals expressed in a relatively vague fashion, whilst control techniques specify precisely the relationships they seek to regulate, and discourses occupy an intermediate position. The process of institutionalisation as a linguistic phenomenon begins with initial narrative descriptions that demonstrate the importance of particular goals; this general orientation is then developed as a discourse that details relationships, social roles and rules of conduct; and finally the units and categories of the discourse are embedded in organisations through the development of systems and measurement (Townley 1994, 1995).

The basic ideals are stable, pervading and valorising ideas that delineate social expectations and provide orientation in complex social relations (Hasselbladh and Kallinikos 2000). Narrative knowledge provides the stability to communicate ideals in new contexts. Ideals that are developed into systems of relationships and causal models are transformed into a discourse. Discourses are primarily constructed by means of written language (Hasselbladh and Kallinikos 2000) and, as such, a discourse, as a form of written language, constructs a system of knowledge from a dense supply of meanings underlying the narrative constitution of ideals (Goodman 1976) and help to transcend the context-bound character of oral communication.

### 2.7.1 Process, Rhetoric and Changing Argument Structures

In order to explore the rhetorical-discursive aspects of social diffusion processes, research needs to focus on the arguments and language used to connect competing conceptions of new practices to broader templates and discourses to understand the processual aspects of legitimacy (Suddaby and Greenwood 2005). The early stages of the acquisition of legitimacy relies on comprehensibility, i.e. employing symbolic devices that connect new ideas to established cultural accounts (Meyer and Scott 1983, Van de Ven and Garud 1993, Suchman 1995). The conditions that favour such change are frequently linked with exogenous ‘jolts’ such as technological or regulatory discontinuities (Clemens and Cook 1999). However, endogenous change can also occur where there is ambiguity or contradiction within field-level institutions (Seo and Creed 2002).

Rhetorical institutionalism reconceptualises institutionalisation in terms of observed changes in the structure of arguments supporting an organisational practice. (Green, Li and Nohria 2009) examines the rhetoric informing the institutionalisation of total quality management (TQM), with the institutionalisation process mapped onto changes in the form of syllogistic arguments used to support the adoption of TQM practices. The initial claim supporting an organisational practice is theorised as using a 'full syllogism' argument form, with an explicit invocation of all major and minor premises. The beginnings of an institutionalisation process coincides with the collapse of the syllogism into an enthymeme, an argument with the major premise omitted. There may be a transitional stage in which the enthymeme may represent an opportunity for the audience to supply the major premise. Finally as, the degree of institutionalisation increases, the minor premise is suppressed, leaving only the claim and the 'audience' must now 'provide' both the major and minor premises. Thus rhetorical institutionalism seeks to describe how the linguistic and symbolic aspects of institutions coevolve; and to establish if persistent organisational practices are the result of institutionalisation, rhetorical institutionalism focuses on the structure of arguments used to justify those practices. The state of institutionalisation is indicated by the structure of argument at a particular point in time; the process of institutionalisation is indicated by a changing argument structure over time (Green et al 2009). This approach decouples diffusion from institutionalisation and provides an empirical framework for understanding institutions as more than just the spread of social practices, i.e. it brings back symbolic element. A rhetorical model of institutionalisation focuses on the fact that arguments that support a

practice are primary levers of its diffusion and institutionalisation, as opposed to its actual effectiveness.

The emergent rhetorical institutionalism literature helps to explain how language shapes legitimacy. An organisational practice becomes legitimate to the extent it is supported by a compelling and convincing rationale that accounts for its existence and enables its reproduction – these rationales are an instance of 'theorisation' (Strang and Meyer 1994), the process of matching adopters to practices and practices to adopters via abstract categories and chains of cause and effect. The process defines who should adopt, how, when and to what effect. Theorisation is thus the representation, interpretation and legitimation through language (Phillips et al 2004) of a practice as legitimate. Hence, as a *state*, institutionalisation is embodied in the structure of arguments used to justify a practice at a given point in time. As a *process*, institutionalisation can be modeled as changes in the structure of arguments used to justify a practice over time. Hence institutionalisation can be understood as a transition: as a practice acquires legitimacy and institutionalised, the complexity of the argument used to support that practice collapses. The collapse and simplification of an argument provides a robust symbolic measure of institutionalisation. Thus the rhetorical institutionalism approach provides a basis for the development of an empirical examination of the process of institutionalisation that avoids the limitations of traditional accounts of institutionalisation and diffusion (see Green 2004). It allows for the premise that practices are institutionalised to the extent that they become taken-for-granted (Zucker 1977), but suggests that institutionalised practices are embedded in reasons or arguments rather than in subjective beliefs.

Hence it allows institutionalisation to be conceived as an a empirically accessible *processual* phenomena as reasons, arguments and linguistic tropes such as metaphor and metonymy (as opposed to beliefs and subjective mental states) can be empirically measured as present or absent as practices diffuse and change. The focus on argument form and rhetorical structures that characterises the tradition originating in Suddaby and Greenwood (2005) and Green, Li and Nohria (2009), and invoked in Sillince and Barker (2012), is one that is consistent with using rhetorical and tropolgical analysis with a projective orientation to impose trope-constructs on organisational data to reveal aspects of organisational phenomena in an alternative manner (Oswick, Putnam and Keenoy 2004). Sillince and Barker (2012) proposes a tropological model of institutionalisation that integrates linguistic and practice-oriented approaches into a four-stage sequence that imposes the tropes of metaphor, metonym, synecdoche and irony onto an institutionalisation. However, rhetorical institutionalism has yet to sufficiently engage with a reflective orientation that seeks to expose the embedded 'tropes-in-use' in the textual spaces that support institutionalisation processes, and the research undertaken in this thesis begins to address this gap in the literature.

### 2.7.2 Rhetorical Institutionalism: A Return to Fundamentals

Rhetorical institutionalism is an approach that attempts to explore further the possibilities of a linguistic based approach to institutionalisation as an adjunct to the more prevalent macro-scopic approaches. In doing so, rhetorical institutionalism returns to the fundamentals of institutional thinking. The importance of language and discourse was clearly recognised in early theoretical statements of institution theory, in which the evolution of organisational vocabularies was regarded as the most important aspect of isomorphism with the institutional environment (Meyer and Rowan 1977). The integration of rhetorical analysis with institution theory, i.e. a *rhetorical institutionalism* (as recommended by Suddaby and Greenwood 2005, Green and Li 2011), provides a way to systematically extend the analysis of language and discourse within the institution-theoretic context. Rhetorical institutionalism recognises that the production of the institutional myths (Meyer and Rowan 1977) required to create and sustain institutionalised practices requires that organisations and their employees engage in rhetoric as a way of providing convincing accounts in support those practices (Alvesson 1993, Hasselbladh and Kallinikos 2000). The rhetorical nature of argumentative discourse concerning executive pay is not intended to denote a cynical use of 'empty rhetoric': rather it is a recognition that the legitimation of remuneration practices is inherently ambiguous due to information asymmetry between, for instance, shareholders and boards of directors and the difficulty of establishing clear, auditable chains of influence linking executive performance or actions to aggregate company outcomes. The problem of cognitive limits to knowledge, ambiguity of action and the uncertainty of causal-explanatory

models means that rhetoric and symbolic action is at the core of how individuals and organisations legitimise practices (Alvesson 1993).

Rhetorical theory provides the tools required to study the 'practical reason' manifested in the concrete, historically-situated public performance of discourse (Charland 1999), and an emphasis on rhetoric shifts attention from institutional outcomes to the dynamic, agentic micro-foundations of institutional processes. The rhetorical model of institutionalisation retains the contextual focus of institution theory, by recognising that social endoxa and rhetorical tropes and devices provide the *socially constituted resources* that enact institutions. The arguments employed are not generated *de novo*, but instead draw on social schema that constitute the historically contingent, socially constructed beliefs, rules and practices by which individuals produce and reproduce social reality (Friedland and Alford 1991).

However, the relationship between rhetorical argument and institutional practices is neither unidirectional nor deterministic: as much as rhetorical argument stabilises existent practices, it also provides an arena for contradiction and conflict, and hence institutional change (Phillips, Lawrence and Hardy 2004). The focus of rhetorical institutionalism is not the merely the description of rhetorical devices, cultural templates and societal discourses, though this is a necessary propaedeutic to rhetorical analysis; rather, it is an investigation of the dynamic, agonistic unfolding of institutional processes through the analysis of rhetorical strategies and devices.

## 2.8 Conclusion: The Emergent Research Objectives

For ease of reference, the research objectives emerging from the review of literature are summarised below:

### 2.8.1 Research Objective One (RO1):

To reconstruct the complex, discursive, constructive micro-processes informing the diffusion and institutionalisation of LTIPs in the UK 1992-2014

A primary objective of the research is to shift the analytical focus of LTIP and institutional practice research *away from* a macro-level preoccupation with (i) correlation between compensation models and company performance, and (ii) the homogeneity of espoused organisational practices, *to* an approach that investigates the complex, micro-level dynamics informing the adoption and adaptation of LTIP practices. This objective is oriented to addressing the question as to how the configuration and justification of CEO compensation packages reflects cultural, organisational and individual understandings of the role of performance related pay. A small number of quantitatively-oriented studies (Zajac and Westphal 1995, Jensen and Murphy 1990) have identified different types of arguments invoked by CEOs and company boards in favour of particular compensation models, there remains a significant gap in the literature for a sustained, qualitative investigation of the complex constructive processes informing the development and diffusion of LTIPs in the UK.

2.8.2. Research Objective Two (RO2):

To disclose the role of discursive social action in the justification of LTIPs as a form of executive remuneration

The research undertaken seeks to emphasise the role of *discursive social action* as a motive force for the diffusion of LTIPs, and this emphasis acts as a counterbalance to undersocialised (Granovetter 1985), rational-individualistic explanations of social processes. As discussed, the rational accounts assume that diffusion and institutionalisation is primarily a relational phenomenon (Strang and Meyer 1994): hence the focus of institutional research in this tradition has been the spread of practices through interactional networks and via chains of proximate causation and influence (Strang and Soule 1998). However, this approach seems insufficient where social practices are embedded in a nexus of social and cultural meaning that transcends local conditions. A combination of simple relational connectedness and rational decision-making does not provide an adequate matrix of explanation for institutionalisation processes that appear, as empirical phenomena, to depend on complex rhetorical-discursive phenomena rather than on the spread of information via social networks (Strang and Meyer (1994). The development of LTIPs in the UK is research site that is particularly aligned with these concerns: it has exhibited many of the 'wave-like[10]' features consistent with institutional processes propelled by discursive argument in the public sphere; and the justification of LTIPs has invoked a wide range of societal and cultural norms.

[10] This 'wave-like' phenomena is explored in its linguistic form within the data analysis presented in Chapter Five.

### 2.8.3 Research Objective Three (RO3):

To examine the relationship between multiple rational myths, cultural templates and social endoxa and discourse within the LTIP context

The majority of organisations are embedded in institutional contexts containing multiple and inconsistent rational myths (Meyer and Rowan 1977, Scott 1983, Friedland and Alford 1991, Thornton et al 2012). The complexity of the institutional environment is a function of the fact that institutionalised myths differ in their degree of completeness (Meyer and Rowan 1977). Hence the research has as an objective the exploration of how different accounts of, and justifications for, LTIPs are constructed through the invocation of the multiple and often contradictory cultural templates and societal endoxa (Thornton et al 2012).

### 2.8.4. Research Objective Four (RO4):

To explore the process by which elements of social context are embodied in discourse and practice

A key impetus for the emergence of rhetorical institutionalism as a theoretical framework is a renewed engagement with the role of language in institutional legitimation (Suddaby 2010). Hence the focus of research is not the outcomes of an institutionalisation process (adoption or non-adoption of the LTIP as a practice) but rather understanding the process by which social context, in the form of prevalent social schemas and cultural norms, is embodied in discourse and practice. This objective will be supported by the adoption of a qualitative, discourse-analytic approach to empirical research (Ocasio and Joseph 2005)

which allows the researcher to attend to the dynamics of the institutional construction, maintenance and disruption (Zilber 2008) over time.

The next chapter considers the dominant knowledge traditions and research paradigms informing the empirical research of institutional practices, and examines the appropriateness and efficacy of these traditions in the context of the research objectives outline above.

# Chapter Three: Methodology

## 3.1 Introduction

The following chapter presents an argument to justify the selection of a social constructionist research paradigm, and micro-discourse analytic methodology, in the context of research examining the institutionalisation of Long Term Incentive Plans (LTIPs) as an element of remuneration for the CEOs of UK listed companies. The argument presented is developed with reference to: (i) the congruence of a social constructionist and micro-discourse analytic orientation with the research objectives; (ii) the opportunity for social constructionism to contribute to emergent theoretical developments within the institution-theoretic literature, as identified in Chapter Two; and (iii) the capacity of micro-discourse analysis to examine institutionalisation from a process perspective (and hence to address a gap within a corpus of empirical research that has emphasised entitative, variance-based analysis of institutional phenomena). In presenting the justification of the selected paradigm, pragmatic, micro-political and philosophical issues will be explored in connection to the domains of organisational and institutional research. The delineation of appropriate *methods* and specific sources of *data* for the particular research questions relating to LTIPs will be addressed in the separate Data Analysis Strategy Chapter[11].

[11] The separation of methodology from methods (or the data analysis strategy) is motivated by the recognition that social enquiry cannot be adequately defined as an activity that requires only skilled application of method (Schwandt 2003). The very activity of generating and interpreting data, and transforming it into public knowledge, inevitably leads to questions of what constitutes knowledge and how it is to be justified from a philosophical perspective. It is this task that defines the nature and scope of the present chapter.

The investigation of the diffusion and institutionalisation of LTIPs presents a number of important challenges in relation to the justification of an appropriate research paradigm and methodological framework. The literature review identifies a set of research objectives oriented to (i) the exploration of the discursive processes (including the employment of rhetorical argument forms and the development of particular descriptive accounts of reality) informing the adoption of organisational practices and (ii) the social contexts that shape certain types of social action. This dual focus requires the selection of an appropriate *research paradigm*[12], i.e. a set of core assumptions that determine an approach to research (Karatas-Ozkan and Murphy 2010) through the articulation of interconnected responses to ontological, epistemological and methodological questions (Guba and Lincoln 1994). Accordingly, the selection of an appropriate paradigm has to attend to the *ontological question* concerning the form and nature of reality, i.e. what type of entities and processes exist; the *epistemological question* concerning the theory of knowledge (Dancy 1985) defining the nature of the relationship between the researcher and what can be known; and the *methodological question* concerning the problem of how a researcher can most appropriately conduct enquiry (given the ontological and epistemological principles adopted for a particular instance of research). More generally stated, there needs to be a consideration of both the *context of discovery* (why and how knowledge is learned) and the *context of justification* (how and why such knowledge can be

[12] The intensive and extensive definition of the term paradigm varies with context. The notion of a paradigm can be developed in connection to general methodological issues (as here), but Merton (1967) develops the concept of a paradigm as a codification of theory (Merton 1967) that orients research.

established as valid and reliable). The present chapter addresses the context of discovery for the research and related philosophical issues. A discussion of the validity and reliability of research findings from the perspective of method and practical analysis can be found in the subsequent Data Analysis Strategy Chapter.

Consistent with a reflexive approach to research (Alvesson and Skoldberg 2000), it is useful to preface the discussion of the choice between competing research paradigms with a short excursus on the very notion of paradigm justification, as the selection of an appropriate paradigm can be warranted in a variety of ways, not all of which are necessarily compatible. A brief sketch of the possible modes of justification for a chosen methodology might include:

1. Justification that appeals to a (micro)-political consensus in a research community;
2. Justification by appeal to conventional practice in a sphere of research;
3. Justification that appeals to the exigencies of a particular situation (a form of pragmatic justification);
4. Justification that suggests that a context-specific instance of research can be demonstrated to be theoretically congruent with a particular research paradigm;
5. Justification that appeals to epistemological and ontological beliefs about the nature of knowledge and the consequent validity of particular methodologies of research in general.

Though this list is presented as a set of distinct elements for the purposes of typological clarity, the various modes of justification can and do overlap in empirical practice. It may be more accurate to conceive of the modes of justification as a spectrum, with one pole presenting an appeal to authority (whether that be micro-political or conventional) and the other pole representing an attempt to develop cogent, valid philosophical arguments that *compel* the choice of methodology by force of logical argument and the need for logical consistency. Of course, the development of particular justifications will often present an argument that is intermediate between the two poles, albeit with a bias towards one end of the spectrum. The following chapter develops an argument that is consistent with the fourth mode of justification (i.e. context specificity) and with a bias towards selection based on the grounds of logical consistency. It is argued that the social constructionist research paradigm selected for examining LTIP use in the UK is theoretically consistent with the knowledge objectives of the proposed research. It will, however, be noted that the research paradigm, in using a social constructionist approach, is situated in a conflict within the academic community that will limit any justification by appeal to political consensus or convention.

To achieve the objective of justifying the choice of research paradigm, and to address the ontological, epistemological and methodological issues that both the proposed research and the associated knowledge traditions raise, the remainder of the chapter is structured in a systematic manner. The first part critically evaluates the predominant structural-functionalist knowledge tradition that has informed empirical research relating to the institutionalisation of

organizational practices: this tradition is assessed as inconsistent with the knowledge aims and research objectives emerging from the literature review. An alternative social constructionist approach is then justified as both consistent with emerging trends in organisation theory scholarship that advocate the development of various forms of rhetorical-discursive institutionalism (Suddaby and Greenwood 2005, Green 2004, Green and Li 2011), and as a contribution to a wider debate that seeks to bring greater analytical clarity to the debate between proponents of positivism and social constructionism (Hibberd 2005). Finally, there is an assessment of the extent to which anti-realism and epistemological and ontological relativism present theoretical challenges to the social constructionism paradigm.

## 3.2 The Research Objectives

As identified in the introduction, one element of the critical analysis of philosophical and methodological issues relating to researching LTIPs is the development of a *contextualised* argument that justifies the selection of a social constructionist paradigm with reference to the research objectives identified in the review of literature (Chapter Two). A brief summary of the research objectives developed in Chapter Two, Section 2.8 is provided below:

*RO1*: To reconstruct the complex, discursive, constructive micro-processes informing the diffusion and institutionalisation of LTIPs in the UK 1992-2014;

*RO2:* To disclose the role of discursive social action in the justification of LTIPs as a form of executive remuneration;

*RO3*: To examine the relationship between multiple rational myths, cultural templates and social endoxa and discourse within the LTIP context;

*RO4*: To explore the process by elements of social context are embodied in discourse and practice.

## 3.3 The Dominant Methodological Paradigm: Structural Institutionalism

Empirical research informing the development of institution theory and the institutional logics perspective has largely avoided the statement of explicit epistemological, ontological or methodological commitments[13]. The standard approach in empirical research (see Fiss and Zajac (2004), Shipilov, Greve and Rowley (2010), Weber, Davis and Lounsbury 2009) is to discuss theoretical frameworks and to describe methods of data analysis without reference to broader philosophical issues. That said, Friedland and Alford (1991), Suddaby and Greenwood (2009) and Green and Li (2011) argue that the empirical study of institutional phenomenon has been primarily conducted within an (implicit) *structural functionalist* or *structural institutionalism* paradigm. The structural functionalist paradigm Merton (1949) and Parsons (1951, 1954)) postulates the objective existence of an entitative 'society' that is permeated by forms of social order: the resultant epistemic focus is the rational explanation of social affairs in order to understand structure, equilibrium[14] and stability (Burrell and Morgan 1979). Green and Li (2011) identify a similar paradigmatic orientation at the core of structural institutionalism: the theoretical goal of empirical research in this tradition is the explanation of an institutional order in the form of the homogenisation of forms and practices (Strang and Soule 1998) across organisational fields. An

[13] Notable exceptions are the articulation of phenomenological macro-institutionalism in Meyer, Boli, Thomas and Ramirez (1997), a post-positivist view in Scott (2008) and a social constructionist orientation in Thornton et al (2012). However, these statements have occurred within theoretically-oriented rather than empirically-focused works.

[14] The structural functionalism of Parsons (1951, 1954) incorporates an analogy between society and biological organisms that posits the homeostatic nature of social systems: such systems are oriented towards maintaining equilibrium conditions, and, following any disruption or perturbation, work towards re-establishing harmony.

implied functionalist paradigm is also evident in the tendency for empirical research in institution theory to operationalise organisations as discrete and relatively autonomous elements normatively oriented to a broader social system (Suddaby and Greenwood 2009). This perspective is congruent with a basic premise of structural functionalism, i.e. that societies represent large-scale, complex systems composed of interdependent social structures and practices (Baronov 2004). Moreover, the focus on structural isomorphism within the empirical research agenda of institutional theory invokes an adaptivist, functionalist conception of organisations as parts or subsystems that respond and adapt to the conformity demands of a larger systemic environment (Hasselbladh and Kallinikos 2000). This functionalist-adaptivist orientation is the source of a significant body of empirical literature that has operationalised the conceptual framework developed in DiMaggio and Powell (1983), i.e. the notions of coercive, mimetic and normative isomorphism. An additional dominant theoretical theme within the structural-functionalist isomorphism tradition is the notion that organisational survival is dependent on the capacity to secure legitimacy within a wider context (Meyer and Rowan 1977, Tolbert and Zucker 1997) in which macrosocial forces (institutional myths and field level relationships) determine organisational-level activities and behaviours (Greenwood et al 2008). Hence, the structural functional tradition in institutional analysis tends to make society a primary causal force, i.e. society has a deterministic relationship to organisations (Friedland and Alford 1991). In evolutionary versions of this deterministic model (Djelic 2008), the structural properties of the system orient change towards ends specified in metanarratives such as modernity or rationalisation. This relation of the part

to the whole in terms of functions that contribute to development of the wider social system results in a broadly *teleological* approach to the understanding of organisational practices and behaviour. The teleological approach construes the development of an institution as the outcome of functional purposes that serve the needs of macrosocial interests and forces. It is thus unsurprising that research within this tradition has tended to underemphasise the contingent nature of institutions in favour of a focus on measuring indicators of increasing forms of homogeneity across organisational populations.

### 3.3.1 The Methodological Consequences of Structural Functionalism

The reliance on structural functionalism in much of the empirical work within institutional research has important methodological consequences. In contrast to the early phenomenological conceptual frameworks developed in Meyer and Rowan (1977) and Zucker (1977), empirical institutional research is embedded in the framework of positivism and post-positivism underpinning structural functionalism, and invokes many of the epistemological and ontological presuppositions of the natural sciences. A significant number of empirical studies of institutionalisation exhibit a structure and form that is consistent with the archetype of the 'deductive-objective' scientific method, with its katascopic progression from theory to hypothesis to confirmation by observation of available facts. The domination of institutional research by positivist and post-positivist paradigmatic stances is manifest in the ubiquitous use of multivariate statistical methods to trace the diffusion of a practice or structural feature across a population or field of organisations, measuring the

frequency of appearance or absence of discrete and observable elements of organisations and testing hypotheses regarding the influence of factors that are theorised as promoting or inhibiting institutionalisation (see Strang and Soule 1998 for a review of this tendency in institutional research). This approach is used to justify inferences regarding the theoretical concept and empirical process of institutionalisation from the statistical analyses of observable effects (often the degree of convergence to homogeneous practices and the dependence of adoption on specific independent variables) and is grounded in the realist, dualist ontology and the objectivist, empiricist epistemology (Baronov 2004) characteristic of positivism and post-positivism. The deployment of quantitative techniques, which presupposes an objective and predictable reality amenable to the application of probabilistic, statistical models, is instantiated within the institutional research tradition in both cross-sectional and longitudinal forms (see Thornton et al 2012 for an overview). The supposition of an apprehendable[15] reality and the ontological separation of subject-researcher and research-object (Sandberg 2005) allows for the definition of variables for analysis and the generation of hypotheses to frame relationships between the defined dependent and independent variables that can be tested using quantitative techniques (see Westphal and Zajac 1994 for a paradigmatic example). Events and objects in the objective world of 'social facts' are correlated with the other events and objects to deliver empirical regularities and theoretical generalities, i.e. the combination of an objectivist epistemology and ontological dualism is leveraged within a positivistic

[15] Though simple forms of positivism are grounded in a naïve realism that allows for reality to be fully knowable, post-positivism accepts that reality may be only imperfectly and probabilistically knowable (Guba and Lincoln 1994).

methodology to state and test of hypotheses in a verificationist or falsificationist modification of this approach (that exhibits greater attention to contextual information and a more explicit probabilistic view of truth claims).

### *3.3.1 (i) The Limitations of Multivariate Statistical Analysis in an Institution Theoretic Context*

Whilst it can be acknowledged that multivariate statistical models are powerful tools within their own domains of application, they are limited in the range of theoretical questions they can address (Suddaby and Greenwood 2009). In particular, the quantitative-structural approach cannot capture the connection of social action to meaning, and hence obscures what is most distinctive in the institutionalist account (Scott 2001, Suddaby 2010). Echoing the methodological concerns articulated in Weber (1949) regarding the extent to which statistical regularities have value in the social sciences, Suddaby and Greenwood (2009) note that institutional research has become problem- rather than theory- driven, with a focus on drawing statistical relationships between variables without a substantive theory-story that might allow an understanding of processes of generation (Suddaby and Greenwood 2009, Davis and Marquis 2005). A similar criticism is that empirical research within the institutional tradition is oriented to *analytical reduction* (Zilber 2013), i.e. the attempt to find causal or correlative connections between phenomena, rather than exploring the social textures and dynamics of these phenomena. The structural institutionalist approach has to reconstitute social reality by operationalising it as sets of statistically correlated dependent and independent variables in an attempt to discover evidence for the occurrence

of the institutionalisation process. However, for the concept of institutionalisation to have analytical value, there has to be a differentiation of the causes of practice adoption, i.e. between homogeneity and practice adoption arising from institutionalisation processes and other forms of conformity pressure. It is precisely this task of distinguishing social construction processes that reveals the weakness of multivariate models: they are 'blunt instruments' (Suddaby 2010) to the extent that they measure observable practices and structures, but do not give an account of the social construction of institutions.

*3.3.1(ii) The Need for Qualitative Research*

The difficulty in establishing the presence of institutionalisation on the basis of measurable quantitative indicators undermines the relevance of the structural institutionalism tradition when considering institutionalisation a process rather than a property variable (Zucker 1991). It is not a question of the (in)-sufficiency of quantitative data, however: it is the fact that quantitative data recording the rate and timing of adoption is not capable of revealing the mechanisms of social diffusion processes. Whilst quantitative methods have been a useful tool in the study of the *diffusion* of practices, the *practices* of diffusion (the circulation of ideas and argumentative forms) need to be studied using qualitative techniques that allow the process of diffusion to be studied as a phenomenon in itself rather than just a stage in an overriding sequential process. Indeed, the methodological flaws of the structural functionalist approach entail that the multivariate modelling of empirical phenomena is restricted to assertions of the form 'this particular instance of the

homogenisation of practice within an organisational field is a *plausible* candidate for explanation by institution theory'. A *plausible* explanation is one in which an interpretation is consistent with a set of data (Merton 1967): the majority of multivariate logistic regression studies of institutionalisation processes remain at the level of plausibility precisely because they elide an engagement with the microprocesses of social construction and discourse.

The importance of this critique can be appreciated in relation to the logical fallacy that undermines much of the quantitatively-oriented empirical research in the structural institutionalist tradition. As noted in Chapter 2, institutionalisation is a specific type of diffusive process that connotes 'taken-for-grantedness' on the parts of the participants, but it is not the only potential cause of homogeneity of practice across a population. It is possible to assert the *modus ponens* conditional: *if* institutionalisation has occurred, *then* the measurable impact is likely (but not always[16]) to be convergence on a set of relatively homogeneous practices. One can then investigate the effects of the known institutionalisation in a variety of ways, and quantitative techniques can be helpful in analysing the diffusion process over time and degree of homogeneity across the population. However, it is important to avoid the logical fallacy of *affirming the consequent*[17] (Merton 1967), i.e. it is a fallacy to assert that the measurable homogeneity of a practice in a population can be used to *infer* a process of institutionalisation. The inference that homogeneity

[16] Heterogeneity of form does not in itself imply lack of institutionalisation. Zilber (2002) demonstrates that institutional change can occur (shifts in the meanings of a practice) without the practices themselves changing.

[17] The fallacy of affirming the consequent is illustrated as follows: if we have a conditional 'If A, then B' and we can assert B, it is logically fallacious to assert A simply on the basis of establishing B. Though B does follow from A, the reverse is not valid.

of form entails institutionalisation would only hold if institutionalisation was the only possible source of homogeneity, i.e. if the two phenomena were connected in a relation of lawful dependency (Weber 1949). However, the literature on diffusion has identified a wide range of phenomena that can induce homogeneity of form, including competitive isomorphism and resource dependency[18] (Zucker 1991).

The theme of the inadequacy of quantitative models and statistical methods rooted in a *de facto* post-positivism is developing in a body of literature that seeks to re-establish the social constructionist or phenomenological view of institutions. However, institutional change is better understood as predicated on shifts in values, meanings and norms (Suddaby and Greenwood 2009), i.e. changes in the phenomenological and ideational dimensions of institutional processes. Though structural institutionalism acknowledges *theoretically* that phenomenological, ideational and linguistic elements are important in the process of institutionalisation (Alvesson 1993, Green and Li 2011), empirical studies in the tradition often over-emphasise observable structural and material effects and fail to measure or empirically test appropriately specified linguistic and ideational elements ( such as rationalizing myths, legitimacy claims, and taken-for-grantedness). Hence, empirical studies utilising structural institutional formulations fail to fully incorporate phenomenological

[18] This is an instance of the problem of induction: given a particular set of facts, it is never possible to arrive, by induction, at a single (ineluctable) theory that is the only possible explanation of those facts (Guba and Lincoln 1994). As Merton (1967, p.152) argues: “It is well known that verified predictions derived from a theory do not prove or demonstrate that theory: they merely supply a measure of confirmation, for it is always possible that alternative hypotheses drawn from different theoretic systems can also account for the predicted phenomena”.

insights into their explanations: language and meaning are collapsed into merely semantic and denotative artefacts that reflect social structures, fields and identities (Green and Li 2011). The structural institutionalist tradition is thus criticised for engaging in a *sleight-of-hand* that attempts to collapse meaning into structure. By suggesting that meaning is capable of being mapped onto elements of structure, multivariate analyses can work with material or structural proxy variables for meaning. The assumed transitivity of meaning and structure is then the basis for conclusions regarding ideational aspects of the phenomena. Institutional processes are thus modeled as material-structural phenomena that can be used to infer symbolic and cognitive factors (Green 2004) without the need to directly engagement with the social processes of construction and meaning that create and maintain institutions. The practice of prevailing quantitative modelling of diffusion approaches minimises the investigation of the social constructionist and phenomenological underpinning of institutions (Barley 2008) and creates a skew towards evidence for the assumed outcomes of institutionalisation rather than an understanding of the complex microprocesses that create, maintain and disrupt institutionalisation processes (Zilber 2008).

The inadequacy of quantitative techniques to address the core questions of institution theory is also evident in terms of the practical difficulties and limitations encountered when operationalising the structural institutionalist approach. As discussed, the structural institutional approach often relies on modelling institutionalisation using multivariate logistic regression equations in which the independent variables are taken to be factors that promote or inhibit diffusion of a practice. However, the adoption of an organisational practice is

usually coded as a binary variable with little scope for incorporating nuanced analysis of degrees of adoption (Zbaracki 1998) or the microelements of diffusion (Brunsson 1989). The presumed causality between independent and dependent variables is predicated on theorised mechanisms for the relationship between often weakly operationalised proxy (Boxenbaum and Jonsson 2008) variables, or, more simply, the correlation between changes in environmental conditions and patterns of adoption. Thus the regression analysis approach has a tendency to treat the institutionalisation process as a 'black box' that omits the agents who promote or inhibit diffusion and who create the rational myths (Zilber 2013). The use of quantitative approaches also leads to a focus on selected subsets of measurable variables: this can lead to *context stripping* (Guba and Lincoln 1994) and risks eliding important contextual information. This limitation is particularly significant for studying processes of institutionalisation, as the role of wider societal myths and changes in the environment are critical to the explanatory force of institution theory but these phenomena are difficult to capture in the form of proxy variables. Hence, the practical limitations of quantitative, multivariate methods entail that they are better equipped to describe the outcomes of institutional change than to identify the processes by which change is precipitated (Suddaby and Greenwood 2009).

*3.3.1 (iii) The Indicator Approach*

Another important methodological feature of the structural functionalist approach is the tendency of empirical studies to view the adoption of a practice or structure by an organisation as an *indicator* of the institutionalisation of social norms. Extant organisational-field studies of institutionalisation (Thornton 2004, Lounsbury 2007) assume (either axiomatically or with some limited anecdotal illustration) coherent and encompassing pre-existing societal schemas and logics and then proceed to examine how these logics affect action or how they interrelate with other aspects of the social context. This 'indicator-approach' starts with the *assertion* of a cultural template, or element of social endoxa, based on an understanding of the field, and then traces the its development over time or in comparison to others: the 'key indicators' of the social endoxa becoming embodied in practice are tracked using quantitative methods such as event history analysis (Thornton and Ocasio 1999) or through methods such as content analysis (Nigam and Ocasio 2010). Whilst this approach offers an indirect pragmatic illustration of the conceptual utility of the societal logics concept for understanding social phenomena (Weber, Patel and Heinze 2013), it has limited capacity to add to our understanding of the generation, construction and maintenance (Zilber 2008) of the logics themselves.

To address the 'indicator approach', research needs to attend to the internal properties and dynamics of institutionalisation processes and how they are structured over time (Weber et al 2013). A significant development in this direction has been the use of rhetorical institutionalism (Green 2009, Suddaby and Greenwood 2005, Nigam and Ocasio 2010) as a means to understand how rhetorical processes and strategies, such as *theorisation*[19] (Strang and Meyer 1994), lead to the emergence and construction of institutional logics. Rhetorical institutionalism[20] has been translated into empirical approaches that use inductive text analysis on key texts to identify patterns that reveal distinct logics, and, at least implicitly, assume that logics emerge from cultural processes of social construction (Weber and Dacin 2011). However, these studies have only just begun to engage with the temporal dimensions of institutional logic development (Green et al 2009, Sillince and Barker 2012). Additional analytical work needs to focus on the empirically construction and use of cultural templates and societal endoxa, assessing their distinctiveness and coherence over time, rather than assuming the existence of particular schema at the start of the analysis.

Weber et al (2013) also argue that to begin to understand the processes of construction that underpin institutionalisation, the study of institutional and societal contexts requires us to investigate when and how cultural templates have the structuring power suggested by institutional theorists. Weber et al (2013) implements a content-analytic method for studying logics as semiotic

[19] Theorisation is the development of abstract categories and the formulation of patterns of relationships such as cause and effect models.
[20] The development of rhetorical institutionalism is discussed in detail in later sections of this chapter.

systems over time grounded in a repertoire view of culture (Swidler 1986, Weber 2005). This approach identifies a set of cultural categories that make up logics and measures empirically the dimensions that mark a cultural system as more or less logic-like. Whilst recognising the value of the approach used in Weber et al (2013), the next section proposes a modification of that incorporates a more qualitative, social constructionist, discourse analytic orientation, the efficacy of which has been recognised in Zilber (2012), Alvesson and Karreman (2000, 2011) and Phillips, Lawrence and Hardy (2004).

## 3.4 A Social Constructionist Paradigm

The foregoing critique of positivist, multivariate regression modelling in empirical institutional research is not intended to present an indictment of positivism or quantitative methods in general, nor a simple valorisation of qualitative enquiry. From a logical point of view (rather than say, a pragmatic or micro-political perspective), the choice of research paradigm should not be justified (or rejected) in terms of a set of methods that are habitually conjoined to its implementation: the commitment to positivism or constructionism (or any other alternative) precedes such considerations. If the researcher[21] is a realist and accepts that objectivity in the 'natural sciences' sense is achievable within a particular social science context, then the choice of a positivistic methodology is at least logically consistent. If the researcher is not explicitly committed to a particular philosophical position with regard to knowledge, then the choice of positivism might be made on pragmatic grounds, possibly influenced by the politics of research. However, if the researcher holds that the social phenomena being investigated are dependent on understanding social constructions and discursive practices, then the methodology of positivistic science might be conceived as *logically inconsistent* with the type of knowledge that is being sought in a particular instance of social research. In this circumstance, positivistic science becomes problematic in that it cannot yield knowledge of the relevant or correct type. The need to adopt a research

[21] How and why these philosophical beliefs arise is, of course, another question. It might well be that a researcher is trained in a positivistic tradition and as such inculcated with related philosophical dispositions; or the adoption of such belief could be arrived at through conscious critical reflection.

paradigm that departs from positivism is a move that is aligned with a Weberian concern (Weber 1975) for recognising the specific nature of social phenomena and that fact that the interpretation of social processes cannot be reduced to the statement of empirical regularities or relationships.

The rejection of the post-positivistic, functionalist methodology in institutional research thus reflects a more general movement within social science which highlights the *inadequacy* of post-positivism when attempting to understand human phenomena in its full socio-cultural complexity. (Prasad, A., Prasad, P. 2002) question the validity of conceptualising human and societal phenomena as a natural world of 'objective facts', and suggest that this methodological stance is motivated by a desire to achieve nomothetic[22] knowledge in a social science context. The positivistic tendency to regard social phenomena as subject to general laws and amenable to investigation by an independent, external observer[23] is criticised for producing analysis that is simplistic, ahistorical, decontextualized, reductionist and non-reflexive (Sandberg 2005). Indeed, there has been a general theoretical shift in the social sciences from positivistic approaches towards interpretivist-constructionist approaches (Schwandt 2003) located in the demise of positivistic social science and in a rejection of its key assumptions, i.e. its ontological dualism, an objectivist epistemology and the notion of language as a mirror of reality. Hughes (1990) summarises the rejection of positivism in

[22] Nomothetic representations of reality as those which seek to discover general laws, and the contrasting ideographic representations as concerned with concrete, unique instances of phenomena (Hughes 1990).
[23] A practice that Schwandt (2003) refers to as a mode of the 'philosophical anthropology of disengagement'.

the claim that the theories of social science cannot be studied independently of a social grounding in inter-subjective, public meanings and discourse. The implication is that social reality is not an objective reality, but rather it is inter-subjectively constituted or constructed by social actors through sets of practices identified and given meaning through language.

The rejection of positivism and its associated emphasis on quantitative methods has most notably unfolded in a reformist movement that seeks to prioritise qualitative methods. However, there are a range of alternative paradigms that can be used to provide support to qualitative inquiry, including interpretivism, hermeneutics and social constructionism. Each paradigm embraces different perspectives on the aim and practice of understanding human action and each adopts different positions vis-à-vis epistemological and ontological issues (Schwandt 2003). The following discussion will not focus on a systematic review of the manifold varieties of interpretivism and hermeneutics, but will instead seek to establish the positive meta-theoretical contribution that social constructionism can offer institutional research[24]. This justification of a social constructionist approach is cogniscant of the need to separate two analytically distinct issues: the need for a social constructionist research paradigm is not established simply because institutions are created through a process of social construction, but rather on the basis that to understand the social construction processes associated with

[24] Schwandt (2003) provides a brief but insightful analysis of the philosophical presuppositions of interpretivism and hermeneutics.

institutionalisation one needs to adopt a social constructionist paradigm to guide methodological reflection and empirical investigation.

### 3.4.1 The Ontological and Epistemological Dimensions of Social Constructionism

A brief overview of the ontological and epistemological presuppositions of the social constructionist paradigm[25] is a necessary preparatory stage in establishing the appropriateness of social constructionism as an alternative to structural-functionalism in the context of institutionalist research. Of critical importance is the departure of social constructionism from a realist ontology and empiricist, representationalist epistemology (Schwandt 2003). Within a social constructionism orientation, the research focus is neither the representation of objects in the world[26] nor the giving of expression to already well-formed thoughts (Karatas-Ozkan and Murphy 2010). Rather, the focus is the disclosure of the ways in which forms of communication create and maintain patterns of social relations, and the ways in which descriptions and accounts are made to appear objective, neutral and independent of the actors generating text (Potter 1996). Critically, social constructionism is interested to investigate the social and discursive *processes* that have led to institutions becoming taken for granted.

[25] Of course, there are many interpretations and versions of social constructionism across a range of academic disciplines. The version that is specified in this chapter is consistent with the 'micro' discourse analytic perspective discussed in later sections of the present chapter.
[26] Potter (1996) argues that representationalist epistemologies are, in more-or-less sophisticated manners, founded in the metaphor of the language as a *mirror of reality*, i.e. a set of things in the world are reflected onto to the smooth surface of language.

### *3.4.1 (i) Ontology*

A commonly criticism of the *ontological* position of social constructionism is that the assertion of a constructed social reality entails the existence of multiple realities (Hosking and Bouwen 2000) that vary depending on the relative social positions of particular actors. The existence of multiple realities is then taken to entail the abandonment of any notion of a separation between the knowing subject and the world. However, this criticism is derived from of a failure to separate ontology from epistemology: social constructionism does not deny the possibility of social events, relations and structures that have their own conditions of existence (Alvesson and Karreman 2011, Hibberd 2005), though it can entail that epistemological barriers prevent the simple, immediate statement of what these events, relations and structures might be outside of their representation in social action and discourse. A *logically consistent* position within a social constructionist paradigm is one of agnosticism[27] with respect to the traditional concerns of ontology[28] (Schwandt 2003, Gergen 1994). Potter (1996) argues that social constructionism is not an ontological doctrine in the sense that its concern is with how language is socially constructed and made to appear stable, factual, neutral and independent of the originator of an utterance or text and argues that the *metaphor of*

[27] Nothwithstanding avowals of ontological neutrality, Potter (1996) acknowledges that social constructionism has inevitable implications for broader debates about realism and relativism. However, it is important to stress that social constructionism is not denying the existence of anything as such. Instead, it is noting that discourse is not the same as its referents (of whatever ontological status), i.e. it is not denying the reality of tables, but is concerned with the ways in which the 'reality' of tables is constructed (and undermined) by discursive processes. Gergen (1994) argues that social constructionism is best thought of as 'ontologically mute'.

[28] Though Hibberd (2005) suggests that Gergen (1994) develops a version of social constructionism that cannot maintain this position due to its reliance on relational theory of meaning that lacks any referents external to discourse.

*construction* works on two levels, i.e. that descriptions and accounts construct accounts of the world and that these descriptions and accounts are themselves constructed. It is seeking to reveal that accounts are assembled by dint of human practices and that they are contingent on who, why and when they are constructed. Importantly, social constructionism asserts that 'reality' enters into human practices by way of the categories and descriptions that are part of those practices (Potter 1996), i.e. accounts of reality are constituted by human discourse and activity.

### *3.4.1 (ii) Epistemology*

From an *epistemological* perspective, the social construction paradigm takes a critical view towards taken-for-granted knowledge (Burr 2003, Karatas-Ozkan and Murphy 2010) and interprets language as a form of social action. Knowledge is taken to be an artifact that is socially constructed and socially sustained; and the significance and meaning of knowledge is contingent on the manner in which it is situated in its social and historical context (Burr 2003). Hence, social constructionism rejects the notion that the inquirer can objectively describe phenomena 'as they really are': rather, findings are created through an interaction between the inquirer and the phenomenon under consideration. Accordingly, the researcher *invents or deploys* concepts, models and schemas to make sense of experience, and the researcher is involved in a continuous process of reflexively reviewing those constructions in the light of experience (Schwandt 2003). Within the social constructionism paradigm, the orienting theoretical framework of institutional logics, institutionalisation and institutions is not taken to refer to objects that exist in

an external, extra-social, independent reality (Zilber 2013). Instead, the theoretical framework is conceived as a tool to organise and interpret complex, ambiguous and evolving events, actions and meanings. The analytical value of institution theory is not then assessed in the terms of an epistemology of representation, but rather in terms of the degree to which it can help produce more informed and sophisticated reconstructions of the meaning of social phenomena and the social processes that help construct accounts of those phenomena. This approach recognises the *theory-ladenness of facts*, i.e. that facts and theories are not independent of each other, that a fact is only a fact within some theoretical framework (Guba and Lincoln 1994). The extent to which this position commits the researcher to a form of relativism is considered in the Chapter 4.

## 3.5 Institution Theory and Social Constructionism

Having briefly outlined some of the key principles of social constructionism, it is now possible to relate the core assumptions of the paradigm to institution theory. It has been noted that the concept of institutions as *socially constructed* has been a central theme in institution theory (Meyer and Rowan 1977, Zucker 1977, Scott 2008). However, the process of institutionalisation has not been adequately analysed from a *social constructionist* point of view (Hasselbladh and Kallinikos 2000). The lack of research in a social constructionist tradition is inconsistent with the core theoretical foundation of institution theory. Both Meyer and Rowan (1977) and Zucker (1997) develop a theoretical argument drawing on Berger and Luckmann (1967) as the source of conceptualisation of institutions as socially constructed *cognitive* structures. This particular conceptual model suggests that institutions emerge when groups of people come to understand a practice or structure in a manner that becomes shared across a group where the source of that shared understanding is located in the wider societal context. This general conceptualisation is translated into the institutional context as the theory that formal organisational structures reflect the myths of their institutional environment rather than the demands of their work activities and that institutions take on a taken-for-granted status as cognitive rational myths (Meyer and Rowan 1977). Whilst the core concepts of early institution theory were developed at the *macro-level* by DiMaggio and Powell (1983) and Meyer and Scott (1983), the constructed nature of institutions and the process of institutionalisation was de-focalised and replaced with a concern with the effects of institutionalisation, e.g. DiMaggio and Powell (1983) focused on the

homogeneity of organisational forms and practices and isomorphism and Tolbert and Zucker (1983) on the phases of diffusion.

### 3.5.1 The Micro-Processes of Institutionalisation

Phillips and Malhotra (2008) argue that institution theory has lost much of its analytical leverage due to the move away from its social constructionist epistemology towards a preoccupation with quantitative measures of supposed institutional effects and isomorphic outcomes. Without a truly constructionist analysis, it is difficult to explain the mechanisms (the *micro-processes*) by which ideas, intentions, motivations or haphazard modes of action become embedded in social contexts and accepted as standard ways of acting upon reality (Hasselbladh and Kallinikos 2000). As argued in the critique of structural functionalism, the neglect of micro-processes is one of the reasons that empirical research can mistakenly interpret any uniformity of practice to be the result of the acceptance of taken-for-granted cognitive structures, even where competitive or rational forces may be operative (as highlighted in the previous section). It is only through studying the micro-processes through which organisations become homogeneous that we can differentiate between institutional forms of isomorphism and other pressures that lead to conformity. Zucker (1991) articulates the methodological problem with clarity: without a cognitive, micro-level foundation institutionalisation is in danger of being treated as a 'black box' at the organisational level, a property rather than a process. The neglect of micro-processes can lead to institution theory becoming a merely taxonomic rather than explanatory theory-building science.

However, a concern with the micro-processes of social construction that create, maintain and disrupt institutions is not a commitment to a purely actor-centred mode of investigation that seeks only to reveal the subjective states of participants in the institutionalisation process. The social constructionist tradition in institution theory builds upon Berger and Luckmann (1967) in recognising that the creation of an institution is a sequential process (Tolbert and Zucker 1994) that involves: (i) *habitualisation* (the development of patterned problem-solving behaviours that become associated with particular stimuli); (ii) *objectification* (the development of general, shared social meanings attached to habitualised behaviours); and (iii) *sedimentation* (the process through which actions and practices acquire a quality of exteriority). Importantly, this theoretical model of institutionalisation implies that from a methodological perspective, the property of being an institution cannot be explained by attributing it the status of a disembodied idea operating within the human mind. Whilst meaning systems and rationalized beliefs influence actors and define expectations, an institution is a not a free-floating cluster of ideas that exists merely as an inter-subjective construct (Hasselbladh and Kallinikos 2000). Institutions are embodied in texts, models and administrative systems, and hence we need to examine the processes by which social objects and forms of actorhood are constructed.

### 3.5.2 The Exteriority of Social Constructions

Hence, the concern with microprocesses is not an attempt to analytically reduce institutions to the status of interior ideas or motivational dispositions: instead, an institution is taken to be a material-symbolic construction (arising out of inter-subjective interaction) that achieves a kind of exteriority (Thornton et al 2012) from individual actors. Indeed, social constructionism eschews the *intentionalism* (Schwandt 2003) characterising interpretivism and conservative, objectivist forms of hermeneutics (Hirsch 1967). Rather than giving an account of how participants in social phenomena understand their own actions and experiences, a social constructionist focus is concerned with how participants establish accounts as objective and what their accounts are being used to do. Social constructionist research is not an attempt to achieve an interpretivist empathic identification with an actor: it is not an attempt at psychological reenactment seeking to understand or reproduce the intentions and motives of an actor. It is not that social constructionist research denies the existence of intention and meaning, however – it is just that the focus of research is on how 'reported' motives are utilised by actors within the argumentative construction of reality. This perspective recognises the analytical distinction between (i) individual experiences and mental states (ii) the development of public discourse by groups of interacting individuals that contribute to a 'text' that no-one individual owns (Hasselbladh and Kallinikos 2000). It is also cogniscant of philosophical reflections regarding the possibility of a private language and the problem of other minds (Wittgenstein 1953). The orientation to discourse as a construction and locus of action is the ground for the rejection of cognitivist accounts of discourse that suggest that what is

constructed in discourse is an inner representation of some kind (Potter 1996) and is consistent with the *anti-essentialism* that is a defining feature of social constructionism (Burr 2003). This rejection is the result of the ontological agnosticism inherent in social constructionism, as it suggests that claims about psychological states should be treated as social or discursive activities rather than expressions of deeper essences. Importantly, the inference of inner states from features of social action or discourse is at risk of repeating the structural functionalist error of affirming the consequent and descending into circularity in its mode of explanation of social phenomena (Potter 1996). In addition, a cognitivist focus can draw attention away from what is being done with forms of discourse in the specific context in which they are used: it prevents the analytical exploration of reflexive and indexical (the meaning of a word is dependent on the context of its use) properties within discourse. Social constructionism also rejects the *meaning realism* (Schwandt 2003) that is implicit in the interpretivist attempt to understand the subjective meaning of action[29] in an objective manner, as though 'meaning' was a fixed, recoverable entity to be extracted from phenomena through the application of appropriate methods.

Social constructionism replaces the cognitivist premise of the individual as a delimited, autonomous entity in the tradition of dualist Augustinian and Cartesian personality models (Hibberd 2005), with the theory that minds, selves and identities are formed, negotiated and reshaped through dynamic social interaction (Jorgensen and Phillips 2002). Billig (1991) develops a

[29] The self-understandings of actors engaged in action (Schwandt 2003).

rhetorical model of mind that draws on the concept of though as internal dialogue resulting from the internalisation of public debate and discourse resources (Bakhtin 1981). The sense of self inherent in this view is not that of the localised individual but rather that of a self that is distributed across a relational and social field (Wetherell and Maybin 1996). Identities are theorised as formed through the ways in which people position themselves in texts and talk, but whereas interactionism theorizes identity purely as a resource that people use to accomplish tasks such as legitimating attitudes, and post-structuralism sees identities as the products of subject positions within discourses (Parker 1992), the *synthetic* approach of Potter (1996) regards identity as both a product of specific discourses (as a constraining factor) and as a resource used to accomplish social action. The changeable, contingent nature of identity does not imply *de novo* self-creation at every passing moment, however: the form of identity that is articulated is the sedimentation of earlier discursive practices (Wetherell and Potter 1992). Hasselbladh and Kallinikos (2000) and Phillips, Lawrence and Hardy (2004) extend these methodological concerns to a social constructionist institutionalisation by arguing that institutionalisation also depends on 'subjectification', i.e. the construction of recognisable and recurrent social and organisational roles for actors (Meyer 2009). Institutionalisation is sustained by the capacity to constitute distinctive forms of actorhood, and this process is contingent on the socio-cognitive means by which ideas are elaborated and stabilised. The objectification side of institutionalisation is critical, but subjectification is also key as the process is complex accomplishment carried out by social actors in organisational roles (Hasselbladh 2000). However, the

mainstream of empirical research in institution theory has not examined how domains of action, rules of conduct, performance principles and forms of actorhood are constituted. This omission affords an opportunity for social constructionism to make a significant contribution to the study of institutional practices, particularly in the context of the diffusion of LTIPs, as the arguments, ideas and models used to justify their use and efficacy invoke and create specific accounts of CEO actorhood and capacity.

### 3.5.3 The Methodological Implications of Social Constructionist Institutional Research

The impact of shifting to a social constructionist paradigm is manifold, but of particular significance are methodological issues that relate to a change in the types of phenomena that need to be investigated and a change in the interpretation of the output from these investigations. The focus on institutional practices as dynamic social phenomena entails a shift in the aims of social inquiry from causal accounts linking structures and outcomes to the interpretation of meanings and processes (Karatas-Ozkan and Murphy 2010). Hence, a social constructionist approach focuses on how social reality – including institutions and institutional logics –is constructed, by whom and what are the social practices involved (Guba and Lincoln 1994, Zilber 2013). Potter (1996) follows Collins (1981) in arguing that the social constructionist approach to research embodies a *methodological relativism* in that it is not seeking to decide upon the truth of some matter, i.e. the claims of executives and remuneration consultants about the truth or falsity of the efficacy of LTIPs, and the widely accepted beliefs relating to performance-related pay, should not be the starting point for analysis within a social constructionist paradigm. This allows the researcher to engage with research sites in which there is ongoing controversy without having to adopt an 'arrogant stance' and decide 'how things really are in reality', as these types of concerns are beyond the scope of social constructionist research. In particular, methodological relativism allows the researcher to avoid 'vassalage' (Mulkay 1981) to any particular received view concerning LTIPs and their 'real' effectiveness. The methodological relativism stance has significant implications for research, the

most important of which is that research methods should be chosen that avoid the *problem of social realism* (Potter 1996). Social realism is the adoption of a realist stance (i.e. what is *really* going on) towards the activities and beliefs of the actors involved in social phenomena: this presents a problem (and a potential collapse into a critical realist paradigm) for methodological relativism as, in the context of, say, the inevitable variability in participant understanding of the role and efficacy of LTIPs, a social realist stance compels the researcher to judge which participants stories are 'true' in the sense of reflecting 'how things really are'. Social realism also presents a problem if the focus becomes one of disclosing *participant comprehension* within a field, i.e. if texts cease to be the *data* for analysis and instead are treated as an *exemplification* of participants' understanding (Potter 1996): this orientation is not consistent with the avowed social constructionist concern with processes of construction rather than the disclosure of interior mental states.

## 3.6 Discourse Analysis as a Research Methodology

The following section presents a modified version of the Phillips, Lawrence and Hardy (2004) and Phillips and Malhotra (2008) discursive approach to institutionalisation that addresses some of the key weaknesses in extant research and develops a conceptual framework with which to understand the processes through which institutions are socially constructed. A discursive approach facilitates the separation of the *pressures for* institutionalisation (which, as noted, are often modelled as a set of proxy variables in quantitative research) from the actual *process of* institutionalisation. This can help shift analytical focus away from the effects of institutions towards the micro-level processes that inform the construction of institutional practices. The next section develops an approach to discourse analysis that refocuses the model proposed in Phillips et al (2004) to secure a social constructionist model of rhetorical-discursive institutionalism.

### *3.6.1 Social Constructionist Discourse Analysis*

Discourse analysis has become a prevalent theoretical framework for understanding the social construction of meaning and the production of organisational and interorganisational phenomena (Phillips and Malhotra 2008) and this, in part, reflects an increasing recognition that language use is perhaps the most important phenomena in social and organisational research (Alvesson and Karreman 2000, 2011). The importance of language use has both theoretical and methodological dimensions. Theoretically, language is critical as the medium through which social activity is described and organised; methodologically, language use is accessible for empirical investigation in the form of interviews, transcriptions and written texts. However, whilst there is consensus about importance of language use, the term 'discourse' is used in many different ways and terminological confusions abound (Potter and Wetherell 1987). Antaki, Billig, Edwards and Potter (2003) observe that the geography of the discourse analysis terrain is complex, with competing versions of discourse analysis making very different assumptions made about method, theory, cognition and social structure. Phillips and Malhotra (2008) attempt to provide a broad definition of discourse as an interrelated set of texts (anything that has meaning in social interaction, but most commonly talk or written text) and the associated practices of production, dissemination and reception that bring on object into being. *Discourses* are conceptualised as structured collections of meaningful texts (Parker 1992) that make sense of the world to its inhabitants, constructing meanings that generate particular experiences and practices. Discourse analysis is thus conceived as the process of examining how texts, as a material manifestation of discourse,

become meaningful and how they contribute to the constitution and construction of social reality.

However, the definition of discourses as texts is partial and incomplete insofar as it suppresses a more general distinction between two different approaches to discourse. Alvesson and Karreman (2000) make this more general distinction in contrasting the study of the 'social text as social practice' with the 'study of social reality as discursively constituted'. The first approach focuses on how language is used to accomplish social action and is suited to research sites that relate to actual materials, ideally 'natural' texts, e.g. transcripts of talk, articles and formal texts (Potter 1996). The second approach focuses on the determination of social reality through historically situated discursive moves (Alvesson and Karreman 2000).

*3.6.1 (i) The Dimensions of Discourse*

To avoid the tendency for the term discourse to be used in a vague manner that obscures its analytical value, Alvesson and Karreman (2000) classify different versions of discourse analysis with reference to two important dimensions. The first dimension is the extent to which discourse and meaning are treated as autonomous. This relationship can range from the view that discourse and meaning are inseparable or tightly coupled (and often discourse is taken to be determinative of meaning in this case) to the view that discourse and meaning are (almost) decoupled. The second dimension considers the scale and scope of discourse. A close range, micro approach[30] to discourse

[30] Alvesson and Karreman (2011) contrast the local, text-focused approach as 'small d' compared to the 'big D' approach.

(such as Potter and Wetherell 1987) emphasises the local, situational context of specific language use. This *micro-discourse* approach is appropriate when the analytical focus is the performative[31] aspects of language use, i.e. when language is used to accomplish tasks in highly localized settings (Alvesson and Karreman 2011) and its associated research approach focuses on an anascopic, inductive analysis, moving from empirical observation to patterns to reach conclusions, though with some degree of uncertainty. A long-range, macro-systemic approach considers discourses as more universal, if historically situated, sets of vocabularies that might be described as Grand Discourses. This 'big D' approach to discourse analysis (Alvesson and Karreman 2011) is suitable for investigating ideational phenomena on an abstract level, such as Foucault's long-range analysis of the history and sociology of ideas (Foucault 1992), but it relies on abductive reasoning, i.e. explanation of phenomena with reference to non-observable contexts and internal relations, and, as explained below, this is not an approach that is consistent with a micro-discourse analysis.

The virtue of enacting a close range, autonomous approach to discourse is that the research remains attentive to the ideographic specificity of local contexts (such as the local conditions relevant to the diffusion of LTIPs amongst CEOs over a specific time period) and hence avoids the temptation to postulate 'Grandiose Discourses', a common move in post-structuralist studies (Newton 1998), as the extra-discursive cause of texts without sufficient warranted evidence. Indeed, the close-range, autonomous approach is a counterweight to the Foucauldian-style approach that takes it for granted that

[31] Austin

‘Discourses’ constitute and determine reality in both ideational and practical dimensions (Alvesson and Karreman 2011) and approaches texts with the intention of demonstrating this relation of determination. The Grand Discourse orientation reproduces the problems associated with the ‘indicator approach’ to institutional logics: it starts with an asserted determinative discourse and then identifies aspects of phenomena that can be explained by that discourse. This can lead to the reproduction of the error of affirming the consequent within the domain of qualitative inquiry.

*3.6.1 (ii) Close-range, autonomous discourse analysis*

The form of discourse analysis consistent with a social constructionist epistemology and ontology is that which emerged in the close-range, autonomous discursive psychology tradition (Wiggins and Potter 2008) rather than critical discourse analysis which has its roots in post-structuralism (Potter 1996). A close-range, autonomous form of discourse analysis is appropriate when examining LTIPs, as is highlighted by the fact that two of its key analytical assumptions having direct relevance to the social construction of institutional phenomena. Firstly, there is an anti-essentialist recognition that *accounts and uses of discourses* are historically contingent, situated systems of meaning related to interactional and sociocultural contexts (Georgaca and Avdi 2011) that help the analyst understand how accounts of meaning are constructed (Alvesson and Karreman 2000, Phillips and Hardy 2002). The implication is that discourses do not describe a world ‘out there’, but they do help create a world that looks real or true for the actor (Potter 1996). Analysis focuses on questions converge on issues such as what do people do with texts

and how they establish accounts as solid, real and stable representations of the world and how competing accounts are exposed as false and biased (Potter 1996). This is aligned with the objective of disclosing the manner in which LTIPs have been constructed as appropriate vehicles for rewarding a particular conceptualisation of CEOs and their capacity to influence company performance.

The second key theme within micro-discourse analysis is the emphasis the role of discourse in the construction of social reality (Phillips and Hardy 2002) and a concomitant shift in analytical focus away from a *cognitivist* (Potter and Wetherell 1992) excavation of interior psychological phenomena. Rather than subscribe to a representationalist epistemology that understands language as a reflection of the world or as a product of underlying mental representations (Jorgensen and Phillips 2002), the social constructionist paradigm emphasises language as a dynamic form of *social practice* that constitutes mental processes and the categories used to explain and organise phenomena. This contrast has its philosophical roots in the rejection of an Augustinian model of language and the acceptance of a Wittgensteinian understanding of language use as inherently context-bound (Jorgensen and Phillips 2002) and oriented to performative social action (Potter 1996) . Hence, the social constructionist position developed in Potter (1996) implies that understanding discursive phenomena is neither a matter of the cognitive analysis of how mental visions of the world are built, nor merely an empirical analysis of semantic or logical aspects of a text. Instead, understanding how discourse works is a matter of understanding observable talk and texts (Alvesson and Karreman 2011) as situated social practices within a context of

dynamic social interaction and analysis needs to explore the rhetorical strategies used by actors to organise discourse and to present accounts of phenomena as credible, reliable and rational (Schwandt 2003). The rhetorical focus integrates anti-essentialism with a social action perspective, and seeks to identify *reifying discourse* (the use of language to construct factual accounts or to construct objects by converting abstract notions in concrete entities) and *ironizing discourse* (the attempt to undermine the facticity of accounts or objects by demonstrating that a thing is not an independent object but rather the product of interests or strategy). Potter (1996) also develops a double orientation argument in relation to descriptions and factual accounts. The *action orientation* captures the role of description as something used to accomplish an action: this can be analysed to reveal how it is constructed to achieve the action. The *epistemological orientation* is focused on how discourse and description builds its own status as factual and a version of 'how it is'. The study of the epistemological orientation is a study of the construction process (whether or not this is conscious or strategic).

Accordingly, language is examined in terms of both construction and function (Georgaca and Avdi 2011): the locus of research is the construction of accounts of phenomena within discourse, and the analytical focus is the exploration of rhetorical aspects of discourse and the functions of text within contexts of ongoing social interaction (Potter and Wetherell 1987). Potter (1996) positions this as a *synthetic* approach that is broader in scope than a purely interactionist perspective drawing on ethnomethodology and conversation analysis, but more focused on the specifics of *discursive practices* than the post-structuralist, Foucauldian notion of discourse (Willig

2008) as a set of statements that formulate objects and subjects[32]. Wetherell and Potter (1992) suggest that both post-structuralism and critical discourse analysis underplay the importance of meaning production occurring in specific contexts due to a tendency to analyse discourses as reifying, abstract phenomena that are imbued with determinative causal agency, with competing discourses working against each other in agonistic clashes of interests or the statements of a particular discourse smoothly 'producing' objects and subjects (Jorgensen and Phillips 2002)[33]. However, conversation analytic techniques examine the detailed use of language use as activities without systematically linking these phenomena to broader social, cultural and ideological processes and structures (Wetherell 1998, Jorgensen and Phillips 2002). In contrast to these approaches, but as a synthetic combination of both, the focus in social constructionist discourse analysis is how people use the discursive resources available to them to create and negotiate representations of the world and identities within the context of specific forms of situated social interaction (Jorgensen and Phillips 2002). Hence, the focus of analysis is not on the linguistic organisation of text and talk premised on a relation of determinism between dominant discourses and their manifestation in language (avoiding a critical realist position); nor is the focus on simply revealing forms of participant comprehension of the world as manifest in social interaction (it is not a form of

[32] Potter (1996) suggests that the tradition of linguistic constructionism has the virtue of focusing on processes of construction and that it highlights the performative nature of language use. However, it neglects the actual practices of language use in favour of a view of language as a whole system that constructs the world. Post-structuralism focuses on the way in which discourse construct objects, but do so in a manner that obscures the process through which the discourses have an effect, i.e. how they make products of construction seem natural or real.

[33] Jorgensen and Phillips (2002) note the tendency of poststructuralist discourse analysis to view discourses as forms of domination without allowing for the way in which people's language is shaped by specific contexts of interaction.

interpretivism). Instead, the focus is the use of discursive resources and the rhetorical organisation of text and talk as a form of social practice oriented to social action in a particular interactional context (Jorgensen and Phillips 2002). Consistent with the need to differentiate the synthetic approach to discourse analysis, the term discourse is supplemented and sometimes replaced with the phrase *interpretative repertoire* to emphasise that discourses are flexible resources drawn on in social interaction (Jorgensen and Phillips 2002). An interpretative repertoire consists of a limited number of terms, descriptions and metaphorical figures that are used in a particular stylistic and grammatical way (Wetherell and Potter 1988). Each repertoire provides a flexible resource that can be deployed to construct versions of reality. Importantly, interpretative repertoires make available to social actors a choreography of interpretative moves that can selected to fit a particular context (Wetherell and Potter 1992), an image that contrasts with that of the grinding movement of deterministic abstract discourses, acting like tectonic plates on social order.

### 3.6.2 Social Constructionism, Rhetoric and the Process of Institutionalisation: A Modified Discursive Model of Institutionalisation

A social constructionist model of institutionalisation requires a methodology that can disclose the process of social interaction that results in a population of actors accepting or complying with inter-subjective definitions of reality. Accepting the premise that it is through linguistic processes that definitions of reality are constructed (Berger and Luckmann 1966), *language* is clearly a fundamental medium for the process of institutionalisation. Discourse analysis is congruent with the required methodological orientation as it offers a framework ordered around social constructionism (Phillips and Hardy 2002) that interprets institutions as social constructions within discourse, and hence it is a powerful lens in the context of institution theory (Phillips, Lawrence and Hardy 2004). Discourse analysis is also consistent with the notion that institutionalisation involves processes of 'subjectification' (Hasselbladh and Kallinikos 2000) as it is by means of discourses that organisational goals and tasks are constructed, and organisational roles are shaped in ways that construct distinct forms of actorhood (Meyer 2009). However, discourse and institutions are counter-balancing concepts that should not be conflated. Whilst discourse provides the necessary framing for institutions to emerge by stabilising meaning, institutions stabilise collective action and provide frameworks for action and practices (Alvesson and Karreman 2011).

Phillips, Lawrence and Hardy (2004) proposes a general discursive model linking organisational practices to discourse to account for the important aspects of the institutionalisation process that are elided in traditional cognitive institutionalism (Scott 2008) and behavioural views of institutional processes

(Barley and Tolbert 1997). Both the traditional cognitive and behavioural view overemphasise the role of imitative action in explaining institutionalisation and underplay the extent to which institutional processes depend on the construction of discourses through the production of interlinking texts. The argument against the cognitive and behavioural view is based on the insight that actions and cognitive states, as discrete, transitory phenomena, do not lend themselves to the *multiple readings* required for ideas and practices to diffuse through time and space. In contrast, texts allow thoughts and actions to transcend the transitory nature of social processes (Phillips et al 2004). Moreover, the institutionalisation of practices is dependent on the generation of talk and texts that provide meaning to those practices. Actions and cognitive states only become institutionalised when they are understood in a particular way, when they are observed and discussed in a manner that generates stabilised texts (Phillips et al 2004).

*3.6.2 (i) Action and Texts*

The discursive model of institutionalism is also sensitive to the relationship between actions and texts. Of particular relevance is the recognition that not all actions, and not all texts, have a significant impact on the processes of institutionalisation. Only some subset of the actions of individual actors affect the discursive realm through the production of texts; and only a further subset of these texts will leave meaningful *traces*[34] that become *embedded* in discourse (Phillips et al 2004). For a text to become *embedded* in discourse is to imply that it is adopted and incorporated by other organisations to become

[34] In the sense of an enduring residue (Phillips et al 2004).

part of standardised or generalised meanings. An embedded text is no longer just an artefact of a network of actors (Phillips et al 2004) – it transformed into a 'fact' (Potter 1996). The notion of a small subset of significant texts constructing discourses entails that research should attend to texts that are read, interpreted and have impact on the creation, maintenance and disruption of meaning. The empirical identification of such texts, and the concomitant concerns regard the validity of any judgements regarding the relevance of selected texts, is an important issue that is discussed in detail within the separate Data Analysis Strategy Chapter.

*3.6.2 (ii) Discursive Institutionalism*

The general discursive model of institutionalisation avoids an *overly* agentic view of institutionalisation (implicit in the idea that actors produce texts that produce discourse that produce institutions) by recognising that *extant discourses* provide the socially constituted resources that enact institutions and shape the actions that lead to the production of more texts (Phillips et al 2004). There is a reciprocal relationship between institutions and actions as institutions are products of discursive activity that in turn influence further discursive action. In a manner akin to the institutionalist theory of *embedded agency* (Lawrence, Suddaby and Leca 2009), the discursive realm is the ground of social action that both enables and constrains actions. The relationship between discourses and agency is not deterministic: as much as discourses reaffirm and re-enact social structures and practices, they also provide an arena for contradiction and conflict, and hence institutional change

(Phillips et al 2004). Hence, there is thus a mutually constitutive relationship between action, text, discourse and institutions.

However, the model of discursive institutionalism developed in Phillips et al (2004) is aligned with a macro-level, critical discourse analysis perspective and requires modification if it is to be suitable for the purposes of a micro-discourse approach oriented to the construction of arguments justifying LTIPs. The critical discourse analytic strategy emphasises the role of discursive activity in constituting and sustaining unequal power relations (Phillips and Hardy 2002) and focuses on the distal context rather than proximate context. Whilst this approach can generate important insight regarding organisational discourse (Knight and Morgan 1991), it is not aligned with the particular matrix of objectives that inform the research into LTIPs. The research objectives outlined at the beginning of this chapter require a greater analytical emphasis on how rhetorical arguments are deployed in the construction of institutions. This concern with rhetoric is a feature of the linguistic turn in organisational analysis (Alvesson and Karreman 2000, 2011), and has a direct bearing on many of the social constructionist processes associated with accounts of institutional phenomena (Green and Li 2011). Alvesson (1993) argues that in order to produce the institutional myths that create and sustain institutionalised practices, organisations and their employees engage in rhetoric as a way of providing convincing accounts in support those practices. Indeed, organisations are *domains of rhetoric*: the inherent cognitive limits to knowledge, the ambiguity of action and the uncertainty of causal models means that rhetoric and symbolic representation are at the core of how organisations interpret the world and communicate with other entities. These

aspects of rhetoric are exemplified in the information asymmetry that characterises the relationship between shareholders and boards of directors and the difficulty of establishing clear, auditable chains of influence linking CEO performance or actions and aggregate company outcomes. This conceptualisation is consistent with a close-range, autonomous reading of discourse analysis as organisational actors are viewed as rhetors that can deploy language strategically. Critically, as rhetors, organisations construct perceptions of reputation and expertise within a field to construct institutionalized myths. Alvesson (1993) highlights the ambiguity inherent in organizational life: it is this ambiguity that requires actors to use rhetoric to construct institutional myths in order to provide meaning and legitimacy or organizational practices and beliefs. These myths or taken for granted beliefs compensate for the absence of true rationality. An emphasis on rhetoric embeds institutional theory in a social constructionist paradigm and shifts attention from the material to the symbolic, and from institutional outcomes to institutional processes. This shift is not a repudiation of distal context: but it does realign attention on social context as a form of rhetorical *endoxa*, i.e. social context as a set of commonly-held beliefs (taken-for-granted ideas) that have developed through the process of public discourse and that can be utilised in argumentative activity. The notion of endoxa is important as it suggests that when institutional myths fit with endoxa they become more credible, even if there is little technical support for the myths.

### 3.6.3 Rhetorical Institutionalism

The discursive model of institutionalisation proposed by Phillips et al (2004) can be modified to accommodate a *rhetorical* view of institutionalisation. Alvesson (1993), Potter (1996) and Suddaby (2010) argue for a conception of agency as embodied in rhetoric practice that is consonant with the central role of discursive action in the creation, maintenance and change in institutional myths (Zilber 2008). Green and Li (2011) advocates the integration of rhetorical approaches with institution theory in recognition of the central role of meaning and language in the functioning of institutions and the basis of institutionalisation in discursive, cognitive and phenomenological processes that shape the social construction of social action (Phillips et al 2004). The integration of rhetorical analysis and institutional theory has been designated as *rhetorical institutionalism* (Suddaby and Greenwood 2009), i.e. the deployment of linguistic approaches in general and rhetorical insights in particular to explain institutional phenomena.

However, the interrelationship between rhetoric and discourse is subject to variation in interpretation and operationalisation. Suddaby and Greenwood (2005) argue that rhetorical analysis is a subset of discourse analysis on the basis that both approaches view of language as a form of social practice. Rhetorical analysis is then differentiated from discourse analysis to the extent that it restricts its focus to explicitly political or interest-laden discourse and seeks to identify genres or recurrent patterns of interests, goals and shared assumptions that become embedded in situationally-specific, persuasive texts (Freeman and Medway 1994). The micro-discourse tradition is largely

consistent with this position, but it adopts a broader conception of rhetoric that does not delimit it to only those sets of arguments that relate to explicit or avowed persuasive action (Potter 1996). This more expansive view of rhetoric is entailed by the fact that rhetorical institutionalism accepts a social constructionist denial of cognitivism, i.e. rhetorical analysis is not regarded as necessarily disclosing the interior mental states of individuals. The rhetorical approach to institution theory is also consistent with the micro-discourse concern with how offensive and defensive rhetoric is deployed in fact construction (Potter 1996). For instance, the *action orientation* is sensitive to the fact that in using discourse to perform an action, the actor has to manage the *dilemma of the stake* (Edwards and Potter 1992), i.e. the discounting of what is said as a product of stake or interest (problematic identity). This is of particular relevance in the context of the justification of CEO remuneration. Importantly, however, the social constructionist approach to discourse is not an attempt to interpret discourse in terms of individual or group interests (it is not a variety of interpretivism nor an attempt to engage in critical discourse analysis): it is an attempt to understand how such notions of interest are *used* in accounts and arguments. Micro-discourse analysis recognises that organisational actors treat others as if they acting in line with a set of interests and a stake, i.e. interest attribution *is* a feature of discourse, and the *dilemma of the stake* is a participants' issue that can be constructed in many ways: but social constructionist discourse analysis seeks to understand these phenomena as social construction practices within a public discourse, not to give an account of 'how things really are' at the level of interior mental states.

Green and Li (2011) develop a form of rhetorical institutionalism that combines elements of both classical and new rhetoric traditions, and this approach resonates with the micro-discourse analytic perspective. Whilst Green and Li (2011) agree with Suddaby and Greenwood (2005) that the core of the theory of *classical rhetoric* is the assumption of a direct causal relationship between the use of language and cognition (Billig 1996), it is argued that rhetorical institutionalism can be implemented without a commitment to cognitivism. The critical moment in the resolution of the micro-discourse perspective and rhetorical analysis is the recognition that cognitive limits make the world and our actions inherently ambiguous and contingent (Simon 1947) and that this entails that actors respond to symbolic representations of the world as opposed to the world itself (Burke 1966). Hence, classical rhetoric can be interpreted as concerned with how actors with cognitive limits use rhetorical imagination to discover available means of persuasion, whilst new rhetoric recognizes that rhetorical imagination and the choice of argument form is constrained by extant social norms and institutional myths. Cognitive limits mean that rhetoric is also epistemic, i.e. a way of knowing that shapes and constrains rationality, objectivity and morality. Rhetoric is recognised as a form of practice that contributes to the creation of discourse and which changes conceptions of reality through the mediation of thought and action (Zhao 1991).

Rhetorical institutionalism combines a pragmatic (language as figurative, connotative, context dependent) and semantic (language as referential, denotative, literal) orientation towards language and meaning (Green and Li 2011). Classical rhetoric attests to the fact that language is often figurative,

never universal, disembodied and personal: meaning is meaning to specific agents within concrete situations and about particular things. New rhetoric is sensitive to the notion that meanings can be taken for granted and thus may appear as literal definitions of the world (fact constructions). Hence language both constrains through literal and denotative reflections and enables through figurative and connotative constructions. Hence rhetorical institutionalism can help to explain and explore embedded agency through a combination of the classical rhetoric emphasis on the strategic use of language and the new rhetoric understanding of how language constitutes and constrains actors' identities and knowledge.

Discourse analysis shares with rhetorical institutionalism the assumption that discourse produces institutions and that institutions both constrain and enable action (Green and Li 2011). The predominant macro-discourse tendency within organisation studies takes a structural approach to language and adopts a macro approach that examines the link between language and macro-sociological forces (Fairclough 1992). For instance, critical discourse analysis focuses on actors who occupy 'subject positions' that confer them with power, authority, status and legitimacy in an institutional field through processes of domination rooted in macro-discourse. Discourse derives its power through the integration of individual texts in larger collections of discourse that shape the ways in which motives are understood and interpreted. However, as individual texts are embedded in a collection of texts, the critical discourse approach can begin to decouple texts from their authors in a manner that suppresses actor-agency. This can result in the conceptualisation of Discourses as quasi-autonomous, disembodied entities that exert unimpeded

causal force without regard to the complex texture of social interactions that form the matrix-space of discourse.

However, discourse analysis has become more concerned with agency (Phillips et al 2004) and there is a move towards an embodied approach to discourse that focuses on agents strategically deploying language. Hence as discourse analysis incorporates agency into its framework it can benefit from an integration with rhetorical analysis and its emphasis on the assumptions of cognitive limits and persuasion. Alvesson (1993) emphasises the use of language as a tool to construct and share meanings that help us make sense of a problematic, ambiguous and contingent world. Symbol-using, cognitively limited actors use language to give an account to themselves and others about the nature of reality. Rhetorical institutionalism thus avoids a biased picture of human agency. It avoids the oversocialised view that sees humans as cultural dopes and falls into the sociological realist trap of describing how social structures determine the meanings that motivate behaviour. It also avoids the undersocialised view of superhuman agents that can dis-embed themselves from the very structures that construct and define them (Meyer 2009). The goal of rhetorical institutionalism is to demonstrate how the material and symbolic coevolve and to remind theorists that cognitive limits mean that humans respond to their symbolic representations of the world as opposed to the world itself.

*3.6.3 (i) Rhetorical Institutionalism and the Stabilisation of Argument Forms*

A critical contribution of the rhetorical approach to institutionalisation is its conception of institutionalisation as a process that is manifest in discourse through the stabilisation of argument forms (Green and Li 2011). This is congruent with a social constructionist research paradigm that concerned with the process of construction of an institution rather than an attempt to verify that subjective states congruent with institutionalisation exist. The approach is distinctive as it follows Hasselbladh and Kallinikos (2000) in contending that an argument form becomes institutionalised to the extent that it becomes 'taken for granted' within a socially-constructed discourse, where 'taken for grantedness' it not conceptualised in terms of individual subjective states but rather as stabilised forms of public discourse – an 'institution' does not belong to anyone as such, it is a social form. It is this conception that also entails that the methodological focus for research is less concerned with participant reports of comprehension and more concerned with access to and interpretation of 'natural texts'. A social constructionist-discursive approach changes the focus for the empirical research of institutional phenomena: rather than measure the outcome of institutional processes in terms of increasingly similarity or the presence of psychological states, attention is concentrated on the process of institutionalisation itself (Phillips et al 2004). For a rhetorical-discursive theory of institutions, the process of institutionalisation is *empirically accessible* as one can follow the production of *influential* texts and the meanings these texts help to construct relevant and trace the process of institutionalisation as texts accrete over time. A rhetorically-informed discourse analytic approach is also consistent with the theoretical framework developed

in the institutional logics perspective as it reunites symbolic and practice elements of institutions: analysis focuses on the combination of patterned practices and the textual work required to render practices meaningful. This process may be more or less intentional (interests) but intentions may be overshadowed by factors endogenous or exogenous to the discourse itself. Discourse analysis also enables the researcher to 'bring society back in' (Friedland and Alford 1991) as it can accommodate the connection between field-level and societal domain discourses (Phillips et al 2004) through the notion of discourses as resources to be employed within argumentative frameworks.

## 3.7 Conclusion

Neo-institutional theory has been criticised for an overly materialist, realist focus (Green 2004, Phillips et al 2004) that has superseded the ideational and cognitive focus of earlier, phenomenological, discourse-focused institutional research (Strang and Meyer 1994). The dominant structural approach to institutionalisation phenomena has collapsed institutions into a narrow model that focuses on homogeneity and persistent practices: in doing so, it has diverted attention away from the fact that the creation and maintenance of institutions is interwoven with systems of signs and symbols that rationalize and legitimize those practices (Friedland and Alford 1991, Strang and Meyer 1994, Green, Li and Nohria 2009). A response to this perceived neglect of the phenomenological dimensions of institutionalisation, and in particular its linguistic aspects, has been the development of rhetorical institutionalism (Green 2004, 2009). Rhetorical institutionalism seeks to offer a conceptual basis for investigating how shifts in institutional logics can occur, and how symbolic resources can be used to persuade a community of actors to accept institutionalised practices, or change in those practices, in the absence of objective information (Suddaby and Greenwood 2005). It does so by recognising that one of the key mechanisms for shifting or maintaining institutional practice is the rhetorical discourse. Hence we need to focus on the arguments and language used to connect competing conceptions of practices to broader templates and discourses (Suddaby and Greenwood 2005).

This theoretical position needs to be supported by an appropriate methodological orientation, which itself will express particular epistemological

and ontological commitments. This chapter develops an argument for the adoption of a social constructionist, micro-discursive methodology that draws on a phenomenological-interpretive approach to discourse analysis. The key philosophical dimensions of this methodology are that it departs from a realist ontology and empiricist, representationalist epistemology (Schwandt 2003). Within a social constructionism orientation, the research focus is neither the representation of objects in the world, nor the giving of expression to the interior states or motivations of individual actors (Karatas-Ozkan and Murphy 2010). Rather, the focus is the disclosure of the ways in which forms of communication create and maintain patterns of social relations, and the ways in which descriptions and accounts are made to appear objective, neutral and independent of the actors generating text (Potter 1996). Critically, social constructionism is interested to investigate the social and discursive processes that inform the unfolding of phenomena.

From an epistemological perspective, the social construction paradigm interprets language as a form of social action in which knowledge is taken to be an artefact that is socially constructed and socially sustained (Burr 2003, Karatas-Ozkan and Murphy 2010). Hence, social constructionism rejects the notion that the inquirer can objectively describe phenomena 'as they really are': rather, findings are created through an interaction between the inquirer and the phenomenon under consideration. Accordingly, the data analysis strategy adopted has to recognise that the researcher has to *construct* concepts, models and schemas to make sense of experience, and is involved in a continuous process of reflexively reviewing those constructions in the light

of recursive experience (Schwandt 2003). As a corollary, the orienting theoretical framework of institutional logics, institutionalisation and institutions is not taken to refer to objects that exist in an external, extra-social, independent reality (Zilber 2013). Instead, the institutionalisation framework is conceived as an 'analytical lens' with which to organise and interpret complex, ambiguous and evolving events, actions and meanings. Hence, from a social constructionist perspective, the analytical value of institution theory is not assessed in the terms of an epistemology of representation, but rather in terms of the degree to which it can help produce more informed and sophisticated reconstructions and accounts of social phenomena and the social processes. This avowed aim has to be integrated into the process of data analysis.

A common criticism of the *ontological* position of social constructionism is that the assertion of a constructed social reality entails the existence of multiple realities (Hosking and Bouwen 2000) that vary depending on the relative social positions of particular actors that entails the abandonment of any notion of a separation between the knowing subject and the world, and a concomitant collapse into radical subjectivism. However, this criticism is derived from of a failure to separate ontology from epistemology: social constructionism does not deny the possibility of social events, relations and structures that have their own conditions of existence (Alvesson and Karreman 2011, Hibberd 2005), though it can entail that epistemological barriers prevent the simple, immediate statement of what these events, relations and structures might be outside of their representation in social action and discourse. A *logically consistent* position within a social constructionist paradigm is one of *agnosticism* with

respect to the traditional concerns of ontology (Schwandt 2003, Gergen 1994). Potter (1996) argues that social constructionism is not an ontological doctrine in the sense that its concern is with how language is socially constructed and made to appear stable, factual, neutral and independent of the originator of an utterance or text and argues that the *metaphor of construction* works on two levels, i.e. that descriptions and accounts construct accounts of the world and that these descriptions and accounts are themselves constructed. It is seeking to reveal that accounts are assembled by dint of human practices and that they are contingent on who, why and when they are constructed. Importantly, social constructionism asserts that 'reality' enters into human discourse by way of the categories and descriptions that are part of those discourse (Potter 1996), i.e. accounts of reality are constituted by human discourse and activity.

The particular form of social constructionism adopted is the micro-discourse, interpretative repertories approach developed in Potter and Wetherell (1987). Interpretative repertoires refer to recurrently used systems of terms (and arguments) for characterizing and evaluating actions, events, or other phenomena (Potter and Wetherell 1987). This approach enables an investigation of the rhetorical dimension of institutions (Phillips, Lawrence and Hardy 2004), i.e. it can be adapted to take rhetorical discourse as its analytical focus. However, the interpretative repertoire approach does not seek to conflate discourse, rhetoric and institutions: it is just that from an analytical perspective, the diverse dimensions of institutions should be treated separately, and the relationship between discourse, rhetoric and organisational practices is a matter of empirical analysis in its own right.

# Chapter Four: Data Analysis Strategy

## 4.1 Introduction

As stated in the Review of Literature (Chapter 2), a primary objective of the research undertaken was to shift the analytical focus of studies relating to Long Term Incentive Plan (LTIP) and institutional practice away from a macro-level preoccupation with the quantitative measurement of degrees of homogeneity of espoused organisational practices, towards an approach that investigates the complex, processual, micro-level dynamics informing the adoption, adaptation and legitimation of LTIP practices. This objective addresses the open (and contested) question as to how the configuration and justification of CEO compensation packages reflects cultural templates about the role of performance related pay generally and LTIPs in particular. The Methodology Chapter (Chapter 3) has presented a justification for the use of a social constructionist, micro-discursive methodology situated within the theoretical framework, or *analytic lens*, of rhetorical institutionalism. More particularly, it is argued that by adopting a cultural or interpretative repertoire (Potter 1996) approach to rhetorical institutionalism, the research objectives can be addressed in a manner that contributes to knowledge. The present Data Analysis Strategy Chapter outlines the practical procedures and strategies implemented in analysing the discourse relating to LTIPs, i.e. it will describe and justify the data analysis strategy. In doing so, the chapter establishes how the selected data and methods of analysis are consistent with both the research objectives and the methodological principles underlying the investigation.

## 4.2 Relevant Parameters for the Design of the Analytic Strategy

The Methodology Chapter (Chapter 3) established two main issues that need to be addressed in designing the data analysis strategy for researching rhetorical institutionalism in the context of LTIPs: (i) consistency with the philosophical commitments arising out of a social constructionist methodology, and (ii) the need to focus on rhetorical arguments and institutionalisation processes that occur and become manifest within texts.

In selecting appropriate data and designing the analytical strategy, the methodological position of social constructionism, in the micro-discursive form of rhetorical analysis adopted for the research, requires that the following issues are reflected in the methods adopted:

- The focus of the empirical analysis is the manifestation of institutions as embodied in texts, not the disclosure of the interior states of actors (Hasselbladh and Kallinikos 2000). The concern with microprocesses is not an attempt to analytically reduce institutions to the status of interior ideas or motivational dispositions: instead, an institution is taken to be a material-symbolic construction (arising out of inter-subjective interaction) that achieves a kind of exteriority (Thornton et al 2012) from individual actors (denoted SC1);
- The methods is consistent with a close range, micro approach to discourse (such as Potter and Wetherell 1987) that attends to the local, situational context of specific language use. This *micro-discourse*

approach is associated with anascopic, inductive analysis, moving from empirical observation to patterns to reach well-founded conclusions (SC2);

- The methods is consistent with the anti-essentialist recognition that *accounts and uses of discourses* are historically contingent and situated in particular sociocultural contexts (Georgaca and Avdi 2011) that help the analyst understand how justifications and arguments are constructed (Alvesson and Karreman 2000, Phillips and Hardy 2002). The rhetorical analysis in Chapter 5 focuses on how texts establish institutionalised practices. This is aligned with the objective of disclosing the manner in which LTIPs have been constructed as appropriate vehicles for rewarding senior executives (SC3).

The following statement of the Data Analysis Strategy establishes how the Research Objectives[35] (RO1-RO4) and the issues arising from social constructionism (SC1-SC3) are addressed from the perspectives of methods and data analysis.

[35] As stated in Section 2.8.

## 4.3 The Analytical Strategy

The data analysis strategy adapts the approach developed in Weber et al (2013). The resultant five-step protocol for qualitative research into institutional phenomena is designed to allow for the systematic identification and examination of rhetorical arguments manifest in discourse.

### 4.3.1 Step One: Conceptualisation of the Boundaries of the 'Cultural System' under investigation

A first step in examining the rhetorical processes supporting the institutionalisation of LTIPs is the identification and articulation of the boundaries which delimit the 'cultural system' (Weber et al 2013) under investigation. A clear statement of boundaries for the analysis is critical, as the choice of which discursive spaces to include in the analysis, and which to exclude, will impact on the themes and perspectives developed in the empirical work. The choice of discursive spaces can refer to (i) 'social carriers' (in which case the social boundaries of relevant communities will approximate the boundaries of cultural system); (ii) key issues, activities and practices; or (iii) the concept of an institutional field (DiMaggio and Powell 1983).

For the research undertaken, boundary-setting by reference to the set of social carriers of LTIP arguments is implemented. The 'cultural system' under investigation comprises a collection of texts that relate to the development of arguments relating to LTIPs in the UK, and hence the texts are the 'social carriers' of the phenomenon to be investigated. A text-focused approach has

precedents within the emerging rhetorical institutionalism literature (Suddaby and Greenwood 2005, Green, Li and Nohria 2009).

### 4.3.2 Step Two: Identification of Appropriate Sources of Data

As discussed in the Methodology Chapter, only a subset of texts relating to LTIPs will leave meaningful *traces* that become *embedded* in discourse (Phillips et al 2004): research should attend to texts that are read, interpreted and have impact on the creation, maintenance and disruption of practices. The data sources selected allow the researcher to draw valid inferences about the development of rhetorical argument forms and discursive practices within the selected bounded cultural system, and, given the avowed research objectives, the data is collected over an appropriate longitudinal period of time to facilitate the identification of processes of institutionalisation. The following sources of data will be utilised:

1. To gain a robust understanding of LTIP practices and rhetorical devices used in connection to these phenomena, relevant data will be drawn from a detailed literature review of the analysis of LTIPs in both academic and practitioner journals;

2. At the macro-level, data sources will also include selected 'field-configuring texts' (such as Greenbury 1995) and relevant journal / newspaper / periodical articles over the time period 1994-2015;

3. At the micro, organizational level, data will be captured from financial statement remuneration reports.

### 4.3.3 Step Three: Identify and Code the Interpretative Repertoire of Practices and Rhetorical Arguments

A micro-discursive approach uses relatively small samples of texts selected on the basis of theoretical sampling. It is sufficient to use a sample of just a few texts (Potter and Wetherell 1987) as the focus of interest is the use of language, and discursive patterns can be created and maintained by relatively few significant texts. Indeed, it is argued that the success of discourse analysis research is not dependent on sample size (Potter and Wetherell 1987). Rather, the focus is the selection of texts that are justified in the context of the research question and methodology (Jorgensen and Phillips 2002).

Hence, the initial phase of analysis and coding focused on a relatively small number of texts to develop the coding categories used in the detailed analysis of the interpretative repertoires developing across time and amongst social groups. The researcher had to make a choice between three methods that might be used to derive interpretative repertoires or to discern rhetorical arguments. The approach to coding was one oriented to qualitative, *inductive* procedures, using thematic coding to analyse data and to utilise interpretive insight to understand the repertoires and rhetorical arguments used by producers of discourse. This latter approach was adopted for the data analysis as it is consistent with a social constructionist methodology and oriented towards the micro-processual basis of rhetorical institutionalism. However, the interpretive insight brought to bear in the coding and analysis of texts connected to the diffusion of LTIPs is not entirely unconstrained, as it occurs within an avowed rhetorical institutionalism framework.

### 4.3.4 Step Four: Discourse Analysis

The final phase of textual analysis examines how the interpretative repertoires and arguments forms deployed within the bounded population of interest have changed and developed over time. This analysis draws on the analytical lens provided by rhetorical institutionalism: it focuses on the dynamic process by which institutionalised practices are created, maintained and disrupted. Following Green and Nohria (2009), the analysis will be oriented by the recognition that, as a *state*, institutionalisation is embodied in the structure of arguments used to justify a practice at a given point in time; and that as a *process*, institutionalisation can be modelled as changes in the structure of arguments used to justify a practice over time. The identification of interpretative repertoires and rhetorical forms has enabled the articulation of the institutionalisation process over time. Hence this is in essence an empirical technique with which to explore institutionalisation, as it conceptualises and operationalises institutionalised practices as embedded in reasons or arguments rather than inhering in interior states of mind or beliefs. Reasons and arguments (as opposed to beliefs and assumptions) can be empirically measured as present or absent over time as practices diffuse and change.

### 4.3.5 Step 5: Validity and Reliability

The terms reliability and validity are integral to the positivist paradigm of research, and they operate as important sources for the legitimation of research outputs. From a positivist perspective, research findings are reliable if they are repeatable, i.e. not contingent on localised methods, and valid if the research describes the phenomena in a manner that accords with the objective reality. However, these concepts of reliability and validity are inappropriate for social constructionism due to its commitment to the ideas that all accounts of social phenomena are local and historically specific, and that reality may be inaccessible or inseparable from its expression in discursive constructions (Burr 2003).

Whilst there are no universally accepted criteria for evaluating social constructionist research, some of the key concepts within a constellation of criteria include:

*Internal Coherence*

Analytical claims should form a coherent discourse (Potter and Wetherell 1987) and research should be conducted in a systematic manner.

*Usefulness and Fruitfulness*

This denotes the explanatory potential of the analytical framework, including the ability to provide new explanations of social phenomena. As argued in the Methodology Chapter, the orienting theoretical framework is conceived as a tool to organise and interpret complex, ambiguous and evolving events, actions and meanings. The analytical value of rhetorical institutionalism theory is not assessed in the terms of an epistemology of representation, but rather

in terms of the degree to which it can help produce more informed and sophisticated reconstructions of the meaning of social phenomena and the social processes that help construct accounts of those phenomena. In this way, the usefulness and fruitfulness of the research is addressed with the Data Analysis Chapter.

*Trustworthiness and Credibility*

The Data Analysis Chapter itself is part of the validation of the research results as it delivers sufficient transparency to allow the reader to judge the researcher's interpretations (Potter and Wetherell 1987). To address this requirement, the Data Analysis Chapter presents an audit trail of representative examples of data; clear accounts of how interpretation connects the analytical claims to the specific text extracts; and clear demonstrations of logic of the arguments presented.

*Communicative Validity*

Sandberg (2005) suggests that qualitative research should demonstrate *communicative* and *pragmatic* validity and secure reliability through *interpretive awareness*. Communicative validity can be supported through *meaning coherence*, in that it is supposed that the greater accordance of empirical material with a particular interpretation suggests a more coherent interpretation. Another support to communicative validity is the discussion of findings with other researchers, and this was achieved through the researcher presenting an initial developmental paper (Wynne, Rowe and Ndhlovu 2014) at the British Academy of Management Conference 2014 to an audience of academic researchers. This presentation provided the opportunity to present

the methodological principles and approach to methods to a knowledgeable audience.

## 4.4 The Coding Strategy

### 4.4.1 First Cycle of Analysis

The textual analysis undertaken relies on the use of coding to identify and interpret interpretative repertoires and rhetorical argument forms emerging in sites where executive pay is discussed, contested and legitimated. A code engages in the abstract representation of objects or phenomenon, though it has the flexibility to range from descriptive terms to topics to interpretive or analytical concepts. As is common in discourse analysis generally, the coding of textual sites began with detailed, fine-grained analysis and developed into broader categories, though was not a simple linear process but rather a recursive induction. The coding operated via several schemas as not only on the key systems of terms and rhetorical arguments forms needed to be identified, but also the cultural templates and wider societal norms that are being invoked in the text. This multi-level approach to coding is essential to explore the micro-discursive patterns and the manner in which they connect to broader discourses, and can be effected within a consideration of the intertextual chains that connect the different categories of data. At all times, the focus is the text, not speculations on the motives or beliefs of its author(s): the social constructionist methodology adopted interprets the text as a medium of social action that constructs, via a series of textual artefacts, the institutionalisation of LTIPs as a form of executive pay.

The first cycle of coding (Step Three above) implements an initial phase of analysis and coding, drawing on a relatively small number of texts to develop the coding categories that will be used in a wider analysis of the interpretative

repertoires that develop across time and amongst social carriers of LTIP usage. Consistent with the micro-discourse, interpretative repertoire approach adopted, the first cycle of coding uses relatively small samples of texts selected on the basis of theoretical sampling. The focus is the analysis of rhetorical strategies and discursive patterns created and maintained by significant text.

NVIVO was used to sample those paragraphs within the data sources that discuss LTIPs (this does not restrict the coding to text with explicit mention of LTIPS: contextual or linked argument or discussion is also to be included), and an initial coding of nodes was implemented, based on the initial analysis of key terms and arguments relating to LTIPs derived from the literature review. In order to address the need to investigate the development of rhetorical arguments over time, paragraphs were sampled from each year in the time frame 1992-2014. The primary unit of analysis was the proposition due to the focus on argument forms, but key terms were also coded to identify the elements of the interpretative repertoire. In coding these linguistic features, memos were created to record the contextual position of the texts and any first-phase thoughts on how these features link to the rhetorical discourses around LTIPs.

### 4.4.2 Second Cycle of Analysis

The multi-cycle, recursive approach to coding is important, as the analytical value of using rhetorical institutionalism is taken to depend on its capacity to create a coherent, informed and sophisticated account of the adoption and justification of LTIPs. After the first cycle of coding was completed, a second cycle was implemented with a focus on interpreting and analysing the outcomes of the initial rhetorical analysis within the analytical frameworks developed in the Review of Literature and Methodology Chapters.

## 4.5 Philosophical Excursus: Realism, Relativism and Ontology

Given the extent to which the individual researcher brings subjectivity and their individual position and context to bear on interpreting qualitative data, the researcher has to acknowledge important theoretical and philosophical criticisms of social constructionism insofar as they impact the discussion of validity and reliability of the insights generated from the analysis of the data. The following excursus discusses the extent to which the analysis is relativist, and the impact that this might have when evaluating the conclusions reached.

Philosophically, the social constructionist paradigm is criticised along two related lines: (i) as *anti-realist* in its ontology (Burr 2003), with the implication being that the denial of an independent, objective reality capable of description commits the researcher to a 'truth nihilism' (Hibberd 2005) in which no account of social phenomena can be subject to *verification* as true or false due to the lack of any *foundationalist* basis for claims; and (ii) as *relativist*, i.e. the position that there are multiple constructed realities, each of which has equal status from an epistemological and ontological viewpoint.

### 4.5.1 Anti-realism

Sandberg (2005) rejects the possibility of appealing to a *quasi-foundationalist* account of knowledge claims for social constructionism. The quasi-foundationalist approach recognises that knowledge claims are dependent on the person that makes them, but adopts a realist ontology. The implication of this position is that though it might be accepted that the observation of reality is *theory-laden* and socially constructed, this does not entail the abandonment of a concept of truth as correspondence to an independent social reality. Sandberg argues that it is inconsistent to suggest that theory-laden 'social' facts can be tested against an independent, objective reality. Smith & Deemer (2000) contend that the inconsistency is created because a constructionist epistemology entails that there cannot be access to independent social reality in the manner required to establish the validity and reliability of the knowledge claims

Potter (1996) argues that the anti-realism criticism is misplaced as it involves a conflation of epistemological and ontological issues and that ignores the avowed ontological agnosticism of social constructionist, micro-discourse analysis. Social constructionism seeks to understand how knowledge is constructed within discourse and social interaction, and its methodological relativism entails that this is not an exercise in ascertaining which claims or statements within discourse are 'true'. Importantly, social constructionism can logically accommodate the notion of the possibility of an independently existing physical reality with the notion that all knowledge of that reality is socially constructed. Potter (1996) gives disease as an example: what counts

as a disease can vary through processes of social construction, but that is not the same as saying diseases have no independent, extra-discursive existence beyond language. The ontological agnosticism in Potter (1996) is consistent with the 'subtle realism' in Hammersley (1992), i.e. the recognition of an existence of an independent reality but the denial that it can be accessed directly. Subtle realism argues that only *mediated* constructions of reality are available, not direct presentations of it and acknowledges that research findings are researcher-mediated, perspectival and influenced by the researcher themselves.

However, the discussion of whether the knowledge claims of constructionism can be linked back to social reality in the form of a correspondence is misleading. If social constructionism is seeking to make claims to knowledge that relate to the socially-situated constructions of social actors and social structures, then knowledge claims, if they are to 'correspond' to anything, should correspond to the universe of social constructions. The types of claims to knowledge that interest the constructionist researcher are not those they can be traced back to an objective social reality, even if it were accessible. Sandberg is correct in rejecting the quasi-foundationalist account of constructionist knowledge claims to the extent that ontological realism, in the sense of 'social facts' that exist independently of their constructedness, is not the domain of constructionist research as such. Hence, any attempt to secure the validity of constructionist claims on such a foundation would not be relevant.

### 4.5.2 Epistemological and Ontological Relativism

The rejection of positivism and its key assumptions opens up the space for constructionism to operate, but creates a problem with regard to the *justification* of knowledge derived from social constructionist, discourse analytic research. Positivism adopts a *realist*[36] position with regard to knowledge and in doing so it can be said to prioritise the *context of justification* as it seeks to secure a stable, objective test for the validity and reliability of knowledge. Knowledge can be described as valid and reliable with reference to the underlying objective reality. In contrast, social constructionism claims that theories and knowledge about the world are constructions on the part of the theorist that are informed by a creative process that enables the formulation of explanations. The notion of *creative constructionism* allows contingency and choice to inform knowledge, though observation and interaction with the world can act as a constraint the degree of creativity[37]. The contingent, creatively determined nature of knowledge is attributed to the insufficiency of empirical observation to determine theory uniquely and the nature of the inherently linguistic framework on which knowledge is constructed. Constructionism thus prioritises the *context of discovery* as it seeks to recognise the role of culture, social processes, assumptions, language and creative interpretation in the development of theory.

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[36] *Realism* comes in manifold guises, but can be characterised in three fundamental forms: a weak-form realism that posits an objective reality in which the observer participates and theories deal with the observable dimensions of this interaction; an intermediate realism that posits an objective reality that is independent from the observer and theories that are evolving, and improving, attempts to describe reality; and a strong-form realism that posits an objective reality that is independent from the observer and theories directly describe that reality.

[37] Radical versions of constructivism argue that reality is constructed by each individual and that there is no explanatory value in positing an external reality.

However, ‘creative constructionism’ raises the question as to whether social constructionism can avoid a form of *non-trivial epistemological relativism.* Hibberd (2005) distinguishes non-trivial relativism from mere diversity of knowledge (or trivial relativism). Diversity of knowledge describes the fact that there exist different knowledge-claims about the same states of affairs or different criteria for justification; this diversity arises as a function of variable parameters such as time, location, ideology or culture. Non-trivial relativism is stronger than mere perspectivism and the trivial recognition that a researcher’s view of a situation will be influenced by their social position or cultural resources. Non-trivial epistemological relativism requires (i) the thesis that a knowledge claim that is true in one community or framework may be false in another (Hibberd 2005), i.e. that statements that involve either contrariety or contradiction can both be true; and (ii) the assertion of the ontological thesis of subjectivism, i.e. that the world is how it appears to be to any given individual, and hence that contrary and contradictory claims can both be the case in the actual world. These necessary conditions are critical as they entail that non-trivial relativism asserts a contradiction; and from a contradiction, the rules of logic allow the assertion of any state of affairs, i.e. non-trivial epistemological relativism allows an ‘anything goes’ approach to knowledge claims.

In considering the possibility of social constructionism being committed to a non-trivial epistemological relativism, it is important to draw a distinction between *strong holist constructionism* and *weak holist (or contextual) constructionism* (Schwandt 2003), as it is the former that is the target of the accusations of non-trivial relativism (Burr 2003). Strong holists argue that

since we know everything through construction and interpretation, everything is *constituted* by interpretation (Schwandt 2003): since knowledge is perspectival and contextual, it is impossible to distinguish any interpretation as more or less correct. Justifying an interpretation is irrelevant because interpretations are ethnocentric (a matter of personal or political subjectivity) or because interpretations are mere textualisations within a larger language game. For the strong social holist constructionism paradigm, there are no cross-framework criteria to judge whether interpretations are better in terms of content or reasonableness – there is no epistemic gains to be had from such evaluative activity. However, following Hibberd (2005), it can be argued that strong holism is not in itself a form of non-trivial relativism as it does not include a commitment to ontological subjectivism: it remains agnostic regarding ontological matters. The charge of non-trivial epistemological relativism involves the logical fallacy of *ignoratio elenchi,* i.e. the attribution to social constructionism of concepts or assertions that it does not hold. The rejection of ontological subjectivism also undermines any charges of *ontological relativism*, i.e. any suggestion that social constructionism asserts that the way the world 'is' is relative to culture, language or individual perceptions.

As an alternative to strong constructionism, *weak holism* asserts that it is possible to make evaluative judgements of interpretations by invoking the idea of 'contextual empiricism' (Schwandt 2003). Contextual empiricism is a modest form of empiricism in which the world constrains our knowledge construction and that recognises the social nature of processes of knowledge production and that accepts a thesis of objectivity as a function of social interactions. Knowledge is not solely the free creation of an individual

researcher, as each researcher is embedded in a context of inter-subjectively determined background assumptions. However, weak holism does not draw relativistic or nihilistic conclusion from the premise that knowledge is dependent on the background understanding of the researcher. The researchers (mediating) background of understanding is not viewed as sufficiently strong to act as a fixed limit or to make it impossible to make normative judgements regarding competing interpretations. A rational basis can be provided for deciding, comparatively, whether an interpretation is (fallibilistically) valid such as the idea of the epistemic norm of internal coherence (Dancy 1985). Knowledge is thus in part objective and validated in a process of social negotiation and this allows the researcher to avoid relativism.

### 4.5.3 The Researcher: Reflexivity and Politics

A social constructionist research paradigm emphasises the *reflexive* nature of inquiry. A consistent social constructionist position entails that the researcher should consider their own studies as *constructions* that represent only one possible version of the phenomena under investigation, i.e. the research activity is not merely a description of social phenomena but also constitutive (see Hibberd 2005) of that social phenomena. This recognition of the localized nature of the research can entail that there is a need for openness to other interpretations, e.g. from actors involved in the social phenomena and from peers and other interested parties, rather than to close the texts to alternative readings (Parker and Burman 1993).

Reflexivity towards the status of social constructionism as a paradigm is also required, i.e. recognition that social constructionism is itself socially constructed (Burr 2003). Whilst this recognition can logically entail an impractical infinite interpretative regress (Wetherell, Taylor and Yates 2001) with successive layers of analysis demonstrating the constructed nature of preceding analysis, it is important that researchers acknowledge the methodological processes by and through which data was gathered and analysed (Burr 2003).

### 4.5.4 Reflexivity

In any social constructionist analysis, reflexivity is required on the part of the researcher: it is important to recognise that the account of the institutionalisation of LTIPs is itself a social construction that relies on a particular analytical framework**.** Explanatory categories emerge during the research and will reflect the situated point of view of the researcher and the research participants (Pritchard, Jones and Stablein 2004). Hence, the social constructionist oriented data analysis undertaken is not claiming to disclose phenomena 'objectively' or 'as they really are': rather, the findings are created through an interaction between the situated researcher and the phenomenon under consideration. Accordingly, the researcher has *selected* concepts, models and schemas to make sense of experience, and is involved in a continuous process of reflexively reviewing those constructions in the light of experience (Schwandt 2003).

# Chapter 5: Data Analysis and Findings

## 5.1 Introduction

The following Data Analysis Chapter presents the distinctive outcomes that can be revealed when a micro-discourse, rhetorical analysis approach is used to examine the textual artefacts in several domains that accompanied, generated and reflected the diffusion of LTIPs in the UK from 1992 to 2014. The analysis of textual data reveals how the application of a rhetorical institutionalism approach to the diffusion of LTIPs across the field of UK executives in the period 1992-2014 facilitates a more nuanced understanding of the legitimation of executive remuneration, exploring the dynamic use of rhetorical devices that address particular audiences at particular points in time and across particular domains of reference.

There are three key results established in the following analysis, all of which are embedded in the orienting perspective of a social constructionist methodological stance. Firstly, there is the novel contribution of identifying a central rhetorical tension within the textual domains in which LTIPs are discussed, a tension which is expressed as the 'director pay aporetic', i.e. executive pay and reward is tied to notions of merit and individual performance, but its determination is externalised to comparative company performance. The assumption that comparator-controlled company performance is a function of director performance relies on the invocation of a powerful societal rational myth or institutional logic that forms part of the endoxa invoked within the texts The manner in which the discourse and texts rely on rhetoric to resolve and diffuse this core textual tension, and the

discursive constructions that develop, are interpreted as responses to the problem of this aporetic. The reliance on *endoxa* to resolve the tension within the texts highlights the existence of the aporetic, i.e. the inescapable inconsistency at the core of the texts.

Secondly, the analysis of 'field-configuring' (Fligstein and McAdam 2012), significant texts relevant to the development of LTIPs establishes the theoretical power of combining rhetorical institutionalism as an analytic lens with social constructionism: the institutionalisation of LTIPs is reconstructed and reinterpreted as an instance of the unfolding of a tropological process model (Sillince and Barker 2012). The third key theme that emerges is the degree to which the rhetorical institutionalisation of LTIPs in the UK is a phenomena that exhibit discursive patterns and constructions that are domain-dependent, i.e. that the tropological structure and rhetorical devices, and the interpretative repertoires employed, vary across different domains of text. The variations reflect differences in the extent to which particular domains of texts foreground or suppress key elements of the societal endoxa that inform the discourse of LTIPs, and the explanation of such variation is closely connected to the concept of the audience. The three results contribute to the continuing development of a discourse-based approach to institutional phenomena which recognises the linguistic elements of institutional phenomena.

## The Coding of the Textual Data

Given the development of a methodological position (Chapter 4, Section 4.2) that takes the accounts and uses of discourses to be historically contingent, situated systems of meaning, a necessary element of the rhetorical-discourse analytic procedure is the identification and contextual description of the sources of textual data (Potter and Wetherell 1987). This is not required merely to conform to expectations about the transparency of source data and its origins. Rather, the universe of texts selected for analysis has to be delineated as it is the matrix out of which the analysis is developed. This is important as it is conceivable (in fact, probable), that a different set of texts would lead to the construction of a very different analytical edifice, especially in the context of analysis that is anascopic and inductive in nature.

Accordingly, in the following sections, the textual sources of data are identified and described, and the principles underpinning the initial coding of this data are discussed. The results of the coding process are then presented in preparation for the application of rhetorical-discourse analysis in Section 5.3.

### 5.2.1. Data Sources

As discussed in the Data Analysis Strategy Chapter (Chapter 4, Section 4.3), there are three distinct sources of data collected for analysis:

i. Documents that relate to the development of Codes of Practice and guidance regarding director remuneration ("field-configuring texts");

ii. The Remuneration Reports of companies that are obliged to comply with the Codes of Practice;

iii. Newspaper articles that present public reporting, discussion and debate concerning the use of LTIPs.

In each case, the selected period for data collection is 1992-2014. The 1992 origin point is selected as it coincides with the publication of the Cadbury Report (1992), a significant text as its recommendation for the use of contingent performance structures in the design of executive pay has been incorporate into all subsequent Code of Practice texts. The extended period for the selection of sources of data reflects the objective of researching the longitudinal, processual developments of rhetorical devices and arguments concerning LTIPs.

### 5.2.2. The Role of Coding: An Analytic Preliminary

Following Potter and Wetherell (1987), the initial coding of the selected texts is undertaken as an 'analytic preliminary' that will produce a body of instances of text to be analysed using the discourse analysis approach. Given the

methodological principles underpinning micro-discourse analysis (as discussed in Chapter 3), this process is not conceived as an attempt to code data into predetermined categories as a propaedeutic to frequency analysis; rather it is implemented for its pragmatic value in selecting textual instances from the entire corpus of selected texts. That said, it is nonetheless the case that the selection of textual instances (as data) is informed and guided by an existing theoretical framework, i.e. that framework emerging in the analysis of literature relating to rhetorical institutionalism and LTIPs. Accordingly, the following section provides: (i) a discussion of the guiding principles guiding the coding of the data for analysis, with reference to methodological and theoretical considerations; and (ii) a statement of the selected sample texts with a description of the nature of the documents and a brief discussion of the rationale for selection in each case. This disclosure is intended to support the transparency of the analytic procedure.

### 5.2.3 The principles guiding the coding of the sample data

Consistent with the micro-discourse oriented, rhetorical analysis approach developed in the Chapter 4, an initial, preparatory task is the coding of the texts selected on the basis of theoretical sampling. The focus of this coding is the identification of 'instances' (Potter and Wetherell 1987) of data that relate to rhetorical structures and discursive patterns created and maintained within LTIP discourse as it manifests itself in the sample. The selection of texts is one that also allows for the analysis of **'**intertextual chains' (Potter 1996): texts from different modes of discourse are included in the sample to support the

investigation of the production and transformation of discourse across different domains of text.

This initial phase of coding is conceived as distinct from the analysis itself. The coding phase is implemented to identify passages of text for analysis, not as a mechanism to generate 'findings' as such. The coding process implemented qualitative, *inductive* procedures to code the sample texts. As is consistent with the social constructionist acknowledgement of the epistemologically important impact of the researcher in contributing to the generation of findings via the concept and theories they bring to their research activity (Schwandt 2003), the first wave of coding relied on the orientation provided by theoretical schemas developed in the Literature Review and emerging out of the methodological principles of discourse analysis. The coding identified not only instances of key systems of terms, discursive patterns and rhetorical argument forms, but also instances of invocation of cultural templates and wider societal norms within the text. This multi-level approach to coding enabled the identification of both micro-discursive patterns and the manner in which they connect to broader discourses and rhetorical endoxa.

To ensure the requisite degree of researcher reflexivity (Alvesson and Skoldberg 2000), the coding of the sample textual sites began with a detailed, fine-grained coding that was developed, through successive, recursive waves of coding and recoding, into a set of instances of text to inform the discourse analysis itself. The focus on rhetorical tropes and devices in the first wave of analysis is consistent with a 'reflective orientation' described (Oswick et al 2004). Rather than approaching the textual domain and imposing selected

tropes onto the discourse of executive remuneration, or indeed privileging intentional irony, the 'reflective orientation' focuses on identifying tropes in use. This approach eschews a 'laundry list' (Oswick et al 2004) approach to analysing tropes in favour of a focus on the chain of associations within a text and the way in which the meanings of tropes shift, capturing the dynamic fluidity within the texts.

### 5.2.4 Nature and origins of source data texts

The 'Codes of Practice' documents to be used in the initial cycle of coding are discussed below. As discussed in Chapter 4, Section 4.3.2, the texts were selected on the basis of their significance for the development of LTIP usage in the UK in the period 1992-2014. These documents represent 'field-configuring' texts, as they can be taken to be significant 'events' within the LTIPs discourse (Phillips and Hardy 2002). The nature and origins of the Codes of Practice documents are described below:

#### Cadbury, A. (1992) Report of the Committee on the Financial Aspects of Corporate Governance (The Cadbury Report)

Cadbury (1992) was a response to a range of concerns about standards of financial reporting and accountability in the UK in the 1980s in an attempt to restore confidence in the UK's capital markets in response to a series of ethical failures (Spira and Slinn 2013). The report addressed three broad themes: the structure and responsibilities of boards of directors; the role of auditors and recommendations to the accountancy profession; and the rights and responsibilities of shareholders. In doing so, it is the origin of a framework

that continues to underpin the rhetoric of corporate governance in the UK. A particular concern of this report is the frequency, clarity and form in which information regarding the company and its executive directors should be disclosed. The report contains a series of tentative recommendations and comments regarding the structure and form of executive remuneration which have had an enduring influence on executive remuneration discourse.

**Greenbury, R. (1995) Directors' Remuneration: Report of a Study Group Chaired by Sir Richard Greenbury (The Greenbury Report)**

The remit of Greenbury (1995) was rather more narrow and specialised than that of The Cadbury Report, and directly relevant to the rhetoric of pay-for-performance. Its avowed purpose was to identify good practice in determining director's remuneration, and to outline a code of practice in this regard for listed companies in the UK. It emphasised the need to shift the focus of executive remuneration towards alternative forms of LTIP. The important themes of transparency and peer-comparison of senior executive pay are developed within the Greenbury Report, and as such it again represents a 'field-configuring' text.

**Hampel Report (1998): Final Report of the Committee on Corporate Governance**

The Hampel Report was commissioned as a review and comment on the Cadbury and Greenbury Reports, with 'fine-tuning' recommendations made in relation to the contents of those reports. This includes comments and observations regarding executive remuneration and the design and implementation of LTIPs.

**The Combined Code: Principles of Good Governance and Best Practice (1998, 2003, 2006, 2008) / UK Corporate Governance Code (2010, 2012, 2014)**

Prepared by the London Stock Exchange, the Combined Code was derived from Cadbury (1992), Greenbury (1995) and the Final Report of the Committee on Corporate Governance in 1998. Since 2008, the Code has been published by the Financial Reporting Council under the title The UK Corporate Governance Code. The Code is regularly revised in line with the findings of commission reports and consultations with stakeholder groups.

### The Directors' Remuneration Report Regulations (DRRR) (2002, 2008 and 2013)

Following consultation on director remuneration, the UK Government annuounced further requirements regarding remuneration report and the DRRR came into force in 2002, with subsequent revisions issued in 2008 and 2012. The regulations regarding the structure and disclosure of information within the DRRR increased the amount of data disclosed within financial statements in relation to the quantum and form of executive remuneration.

### Walker, D. (2009) A Review of Corporate Governance in UK Banks and other Financial Industry Entities (The Walker Report)

The Walker Report was commissioned to respond to concerns emerging out of the financial crisis about the corporate governance practices of UK banks. Its primary focus is board operation and risk management, but concludes with a chapter on executive remuneration.

### BIS Executive Remuneration Discussion Paper (2011)

The Department for Business Innovation and Skills published the Discussion Paper as a vehicle for summarising and consulting on the ongoing debate as to how best to incentivise and reward senior executives. In particular, the report investigates the extent to which the structure of executive remuneration has become overly-complex and whether the symmetry between pay and performance has been lost. Recommendations are made regarding procedures to simplify remuneration and to link pay to sustainable, long-term performance.

In addition to the Codes of Practice documents, the coding process was undertaken for data samples from:

i. Newspaper articles (1992-2014, *The Financial Times* and *The Guardian*[38]) that discuss the development of LTIPs as a form of director remuneration, with particular emphasis on those that discussed the legitimacy or efficacy such modes of pay, and those that formulated a reaction to developments in the Codes of Practice documents[39];

ii. Remuneration Reports prepared by FTSE 100 companies (again selected from the period 1992-2014).

NVIVO was used to sample those paragraphs within the data sources that discuss LTIPs and an initial coding of nodes was implemented, based on an analysis of key terms and arguments relating to LTIPs derived from the literature review. In order to address the need to investigate the development of rhetorical arguments over time, paragraphs were sampled from each year in the time frame 1992-2014. The primary unit of analysis was the proposition due to the focus on argument forms, but key terms will also be coded to identify the elements of the interpretative repertoire. In coding these linguistic features, memos were created to record the contextual position of the texts and any first-phase thoughts on how these features link to the rhetorical discourses around LTIPs.

[38] The selected newspapers reflect the need to include articles drawn from a specialist financial newspaper due to the technical nature of the subject (*The Financial Times*), and from a source that represents a more 'left of centre' political view, and thus gives expression to political and cultural voices that are not commonly given expression elsewhere (*The Guardian*).

[39] The selected data was drawn from the universe of 'Comment' and 'Analysis' articles that are directly address the debate surrounding executive remuneration and, in particular, the use of LTIPs.

### 5.2.5 Coding Considerations with reference to each type of source data

In this section, consideration is given to the manner in which each type of source document has particular features that need to be considered when coding the sampled texts.

#### *5.2.5. (i) Field-Configuring Texts: The Codes of Practice*

The coding of sample text drawn from the field-configuring Codes of Practice documents used the tools of discursive and rhetorical analysis to code instances of significant terms and structures within the text as well as to identify contextual dimensions. This requires a close textual analysis of micro-discursive practices, as Codes of Practice are presented to the reader as objective, neutral texts, and do not display the more overt rhetorical modes of exhortation and persuasion that characterise informal forms of text such as public speeches and interviews. It is also important to recognise that the Code of Practice texts are not produced by a single author, but are the result of the deliberations of committees, the outcomes of public consultation and other manifestations of collective effort. As is consistent with the argument developed in the Methodology Chapter (Section 3.5.2), the coding is not conducted with a view to revealing or reconstituting individual opinion or belief; nor is the analysis attempting to disclose what the authors, singular or collective, had hoped to achieve in writing the Codes; nor indeed is the coding focused on how the texts are understood and interpreted by their audiences as an empirical phenomenon, though the concept of audience is used in analysing rhetorical devices. Instead, the focus is on identifying instances of

the discursive, and more particularly, rhetorical devices and interpretative repertoires in the text, and how these devices function within the text in which they are embedded.

*5.2.5. (ii) Remuneration Reports*

Company remuneration reports allow access to cultural discourses and discursive practices and thus are a site in which the development of rhetorical tropes and devices relating to LTIPs can be examined. As with all the empirical, textual data analysed, the analysis is focused on the micro-level terminology and structures operating within the remuneration reports, and the implications of those rhetorical developments, not on discerning the motivations of the groups of actors who produced them. This methodological orientation does not, however, preclude the recognition of the actant status of the texts, i.e. their capacity to have an effect or impact on the LTIP discourse.

*5.2.5. (iii) Newspaper Articles*

Journalistic discourse has its own specific textual characteristics and methods of production and consumption, and has a particular set of relations to agencies of symbolic and material power (Richardson 2006). In analysing the traces of LTIP discourse in the domain of newspaper articles, attention has to be paid to the use of language to inform, or to expose wrongdoing or to lobby or argue for a particular stance on an issue. It is also to be recognised that the financial press may both react to and create trends of rhetorical development in relation to LTIPs. Indeed, this power of journalistic language to index rhetorical power is of critical importance. It is recognised that a fundamental aspect of journalistic discourse is the extent to which it is shaped by personal,

social and political bias and values that inform its dissemination and reception, but the scope of the rhetorical analysis undertaken here is limited to the tropes and structures that appear and how they relate to other structures in other textual domains. Hence the important aspects of politics and power will not be addressed directly, nor the 'veracity' of the journalistic evidence or arguments presented.

### 5.2.6. The Reflexive Outcome – The Emergence of Three Themes in Coding

The recursive process of coding and recoding the source data developed three main themes that organised the final form of coding across all of the textual data, resulting in a final coding schema. The three themes were as follows:

i. Coding the text under significant or recurrent *terminological* categories;

ii. Coding the text in relation to *tropological* features and structures;

iii. Coding the text with reference to *contextual* resources or factors that appear in the discourse.

#### *5.2.6. (i) Coding by Terminology*

In coding the sampled texts in preparation for the final phase of discourse analysis, the recursive coding process signalled the importance of 'key terms' occurring in the texts. This theme emerged as the result of the open, inductive coding approach. The key terms were identified as they occurred, with careful consideration being given to their wider manifestation as both lexical synonyms and substitutable technical terms. However, as recognised in Section 5.2.3, the analysis was oriented and framed by the conceptual framework emerging in the review of literature (Chapter 2), and thus this phase of analysis reflects the prior situational context of the researcher in terms of the engagement with the extant academic literature. The acknowledgement of this prior situational context is consistent with the avowed social constructionist methodological orientation, which seeks to recognise the important role of the researcher as an integral component of the process of data interpretation (as discussed in Chapter 3).

*5.2.6. (ii) Coding by Tropological Elements*

Another key theme emerging in the coding process was that of tropological structure. As discussed in Chapter Two, tropes are an inevitable and unavoidable aspect of organisational life (Oswick, et al 2004) and they inform and underpin the linguistic study of organizations (Manning, 1979). The coding process revealed the importance of tropes within the texts, and an appropriate schema for coding tropological features was adopted. There are many competing schemas for tropological analysis, but the one selected for the coding follows that used by Sillince and Barker (2012)[40] as it is consistent with the theoretical lens of the rhetorical institutionalism, and hence consistent with the wider research objectives. Accordingly, the texts were analysed for occurrence of the four master tropes of metaphor, metonymy, synecdoche and irony within discussion of LTIPs. This analysis required repeated iterations as the exact tropological classification requires a considerable amount of interpretive effort and careful reading of the text, a feature also noted in Sillince and Barker (2012).

[40] This schema is analysed in both the Review of Literature (Chapter 2) and the Data Analysis Strategy (Chapter 4). Of course, the selection of a different tropological schema would certainly produce differences in coding, and potentially differences in the emergence of the identified themes.

### *5.2.6. (iii) Coding Contextual Elements*

The third broad element of the coding schema emerged in the form of the coding of contextual aspects occurring within instances of the sample data. The contextual aspects of the manifestation of rhetorical terms and tropes were carefully considered to provide an understanding of the social positioning of the texts. As discussed in The Methodology Chapter (Chapter 3), even where the focus of textual analysis is the micro-discursive operation of rhetorical terms and structures within a text, this does not preclude consideration of the wider context as the invocation of wider societal myths, logics and endoxa are an integral element of rhetorical argument and form.

### 5.2.7. The Outcome of the Initial Coding Process

The terminological, tropological and contextual coding of the Codes of Practice, Remuneration Reports and Newspaper articles yielded instances of data that were organised under these main coding themes. In this section, there is a brief discussion of the clusters of terms, tropes and contextual elements within each domain of selected text (as displayed in Tables 5.2-5.4 below). This discussion is intended to be a preface to the extensive analysis presented in the remainder of the chapter. As such, textual instances of the phenomenon discussed below are located in these later sections rather than at this point of the analysis.

*5.2.7 (i) Coding the Codes of Practice*

A summary of the outcome of the initial coding the Codes of Practice documents is shown in Table 5.1:

Table 5.1: Coding the Codes of Practice

| Terminology | Tropological and Discursive Features | Contextual Elements |
|---|---|---|
| Company performance<br>Relative performance<br>Comparator group<br>Transparency<br>Reward<br>Alignment<br>Performance measure | Metaphor<br>Metonymy | Market forces<br>Political pressures |

The coding of the Codes of Practice documents (and other field-configuring texts) identified terminology relating to performance (company specific, relative to comparator groups) and the notion of reward (aligned with shareholder interests, transparency, performance measure). These key terms are consistent with the findings presented in the Review of Literature (Chapter 2), and to this extent constitute an important part of the operational language of the executive remuneration debate. The coding of tropological elements of

the text, and specifically the way that the key terms were deployed within tropes, identified a recurrent use of metaphor and metonymy. In both cases, the tropes acted to connect the terms within the distinct clusters. Metaphor is often used to create equivalence between different modes of performance; whereas metonymy is used to substitute alternative textual constructs for the concepts of transparency and performance measure. Instances of these textual tropes are provided later in this chapter. The prevalent contextual elements invoked in the text were the need to pay executives in a market for talent, and reference to wider political pressures to address income inequality and the perception of excessive pay amongst elites.

*5.2.7 (ii) Coding Newspaper Articles*

A summary of the outcome of coding the newspaper articles is shown in Table 5.2:

Table 5.2: Coding Newspaper Articles

| Terminology | Tropological and Discursive Features | Contextual Elements |
|---|---|---|
| Alignment<br>Excess<br>Failure to moderate pay<br>Complexity | Irony<br>Extremisation and minimisation | Corporate failures and excess<br>Shareholder disquiet |

The coding of the sampled newspaper article texts led to the identification of two distinct groups of articles: those articles that purported to offer an objective review of LTIPs within particular companies, and those that engaged in critical discussion of LTIPs as a form of executive reward. The key terms that emerged over the period of time under review focused on the extent to which LTIPs delivered excessive remuneration to senior executives without alignment with shareholder outcomes; the failure of LTIPs to moderate executive pay levels, and indeed the fact that LTIPs have contributed to the rapid growth in executive income; and finally, there was a prevalent reference to the complexity of LTIPs and the extent to which they remained opaque as

a result. The main tropological element within the newspaper articles was irony, in the sense of the exposure of contradictions inherent in the growth and institutionalisation of LTIPs: the deployment of irony was closely linked to disruptive contextual events and the wider perception of executive pay being excessive. The sample of newspaper articles also contained many instances of 'extremisation and minimisation' (Potter 1996) devices[41] used with the rhetorical argument structure to either maximise the impact of descriptions or to minimise the emphasis or implications of an argument. The contextual elements were organised around widely publicised corporate failures and the 'reward for failure' narrative, along with the recurrent reporting of shareholder disquiet with regard to the procedures used to determine and evaluate executive remuneration.

[41] Extremisation and minimisation can operate via modalising terms to manipulate scope or value, e.g. *completely* innocent or through the rhetorical constructions relating to quantity or through particular style of reference that minimise the force of descriptions through abstract description or by uniting motive and mechanism in a single description (Potter 1996).

*5.2.7 (iii) Coding Remuneration Reports*

A summary of the outcome of coding the sample of Remuneration Reports can be found in Table 5.3:

Table 5.3: Coding the Remuneration Reports

| Terminology | Tropological and Discursive Features | Contextual Elements |
|---|---|---|
| Skill<br>Talent<br>Market<br>Long term growth | Synecdoche<br>The 'dilemma of the stake'[42]<br>Stake inoculation[43] | Adherence to regulatory norms<br>Transparency |

The coding of the selected remuneration reports generated a set of terms that relate to the qualities of senior executives that make them valuable assets (skill, talent, market forces), and the theme of delivering long-term growth. The first set of terms stress the rhetorical construction of a model of executive agency that has a direct and differential impact on company performance, and the focus on contribution to the long-term performance appeals to the concerns of investors and regulators. The main tropological device employed was synecdoche, as with the text of the remuneration reports senior

[42] The dilemma of the stake (Edwards and Potter 1992) is that anything a person or group says or does may be discounted (or treated) as a product of stake or interest. It is a mode of 'interest imputation'.
[43] Stake inoculation is the use of rhetorical constructions to undermine the imputation of stake or interest (Potter 1996).

executives are recurrently taken to be substitutable for the company itself: the text creates a sense that company performance is convertible with director performance, rather than primarily a function of (non-controllable) external factors. However, there is also a tension within the remuneration reports that seek to address the accusation that directors are inevitably representing information in a manner that serves their interests: the text is often attempting to engage in ‘stake inoculation’. The main contextual themes are the extent to which remuneration reporting achieves transparency as to how executive rewards are determined and the adherence to external regulatory norms that secure a sense of validity regarding the process by which executive pay is determined.

## 5.3 Data Analysis: Discourse Analysis of the Coded Text

### 5.3.1 Introduction

In the previous section, the selected texts were coded to identify instances of data that can be subject to analysis. As discussed in The Methodology (Chapter 3), discourse analysis in general focuses on how discourse is put together, and what is gained by this construction in the sense of the function of discursive structures and features (Potter and Wetherell 1987). The analysis is framed by a 'double orientation' (Potter 1996) in relation to the discourse embodied in the sample texts. The discursive patterns in the texts are conceived as having an *action orientation* in that the texts are used to accomplish an action: this can be analysed to reveal how the text functions to achieve the action. The texts are also approached from an *epistemological orientation*, focusing on how the discourse builds its own status as 'factual' and a version of 'how it is'. The study of the epistemological orientation is a study of the construction process (whether or not this is conscious or strategic) of the textual arguments from a rhetorical perspective.

In *analysing* the coded data collected in the preliminary coding presented in Section 5.2, care has been taken to avoid going 'beyond' the text: the analysis retains its micro-discursive focus on how discourse is constructed, and how this construction *functions* in its textual, discursive context (Georgaca and Avdi 2011). Accordingly, the analysis is implemented within the framework of the two dimensions of discourse analysis identified in Potter and Wetherell (1987): firstly, the search for patterns in the data, whether it be in the form of variability of discursive elements or in the identification of similarity; and secondly, the

discussion of the function and consequence of the discursive patterns identified with reference to the textual evidence. At all times, the focus is the text itself, not speculations on the motives or beliefs of its author(s). This is consistent with the adoption of a social constructionist methodology[44] that interprets the text as a medium of social action that constructs, via a series of textual artefacts, the institutionalisation of LTIPs as a form of executive pay. The analysis presented in the remainder of this chapter is not an attempt to assess the claims of executives and remuneration consultants regarding the efficacy of LTIPs – rather it is informed by a 'methodological relativism' (Potter 1996) towards such issues, in recognition that the assessment of the truth or falsity of such claims is beyond the scope of a social constructionist, micro-discourse analytic approach.

Of course, the following analysis does rely on researcher skill in the interpretation of discursive and rhetorical structures, forms and terminology. It is also the case that the process of analysis is itself undertaken through a lens of theoretical constructs and conceptual schemas identified in the literature review, and from an avowedly social constructionism perspective. In particular, the analysis draws on a theoretical architecture of rhetorical institutionalism (as analysed in Chapter 2). However, the analysis presented in this chapter is not in itself constrained by the researcher's reading and experience, as the textual evidence itself provokes the development of responses to identified patterns and devices.

[44] This position reflects the concept of the 'exteriority of social constructions', discussed in Chapter 3, Section 3.5.2.

### 5.3.2 Summary of the Analysis

The rhetorically-oriented discourse analysis presented in the following Sections 5.4-5.6, identifies three key discourse analytic findings with respect to the textual data:

1. The emergence of three key rhetorical-thematic constructions that individually and collectively reveal a rhetorical tension in the texts, interpreted in discursive terms as the 'executive pay aporetic'[45];
2. The variation in foregrounding of the identified key themes over time, as conceptualised through the model of tropological institutionalisation;
3. The phenomenon of discursive domain dependency within the discourse of LTIPs.

Each of these findings is presented in a separate section below. As will become evident, each phase of analysis is engaged with the concept of processual, discursive dynamics, and as such each phase of analysis represents a distinct analytical tool utilised to understand the dynamic textual process of rhetorical institutionalism.

[45] This is a phrase whose origin point in the context of research in the field of executive remuneration is the researcher. The term 'aporetic' is used in the context of Aristotelian metaphysics, and the researcher first encountered it when reading Booth (1983). It is not drawn from the corpus of Derrida (Glendinning 2011), though the concept of aporia developed here has some resonances with the Derridean notion.

## 5.4 Presentation of Findings I: Thematic Elements- Metonymic Substitution, the Rhetoric of Transparency, and Executive Expertise

### 5.4.1 The Metonymic Mask of Comparative and Relative Performance

This first rhetorical theme to be analysed is the textual assertion that grouped comparator company performance can be used to assess relative individual company performance; and that individual company performance is an indicator of executive director performance. Given the linguistic-rhetorical perspective and social constructionist methodological stance adopted, the following discussion is not attempting to resolve the question as to whether there is a demonstrable statistically significant correlation between company performance and director pay, or to consider the contentious issue as what extent the selection of constituent companies in comparator groups can undermine the effectiveness of measuring relative performance. The analysis is concerned, however, with how the text constructs such arguments and ideas, and what rhetorical devices are deployed in this process.

The ‘comparator group - individual company - director performance’ theme transforms in its rhetorical presentation and structure over time. In Greenbury (1995), the following statement is made:

“In considering what the performance criteria should be, remuneration committees should consider criteria which measure company performance relative to a group of comparator companies in some variable, or set of variables, reflecting the company's objectives such as total shareholder return. (However, there are a range of possible measures)”

This passage of the text is addressing how the performance of directors should be assessed if remuneration is to be properly aligned with 'performance' within an LTIP or other performance-related structure. Remuneration Committees are 'exhorted' to measure company performance relative to a 'group of comparator companies'. The use of the term 'comparator' rather than 'comparable' is *rhetorically* significant in this context. A set of 'comparable companies' would entail a set of companies that share key, empirically-verifiable characteristics with each other and with the company in question (a 'trait-based' classification); but the phrase 'comparator group' implies a set of companies that can be used simply as a reference point for measurement, and this in turn allows for much a greater degree of freedom in the determination of its constituents. Notwithstanding the epistemological issues associated with trait-based classification[46], a set of 'comparable companies' can be described as subject to a 'natural ordering' constrained by their (purported) common characteristics. A comparator group, however, is not constrained in this way: the term allows for its own definition of how to determine the range and type of its constituents. The emphasis on comparator rather than comparable groups is consistent with the contention in Strang and Meyer (1994) that though the 'perception of similarity' is a condition for practice diffusion, that 'similarity' can be limited to 'formal' or 'structural' equivalence only. Here, the constituents of the comparator group are those that meet the formal, structural condition of being in the FTSE 100. The rhetorical force of the concept of a comparator group is clear in its role as supporting a 'theorisation' process (see

[46] See Wynne (2008) for a discussion of trait-based classification.

Chapter 2) that constructs similarities between organisations despite substantial differences: organisational actors are theorised as formally equivalent even if they differ long a variety of un-theorised dimensions (Meyer 2009).

The degree of freedom in selecting the elements of a comparator group is also consistent with the text suggesting that Remuneration Committees need to exercise *judgement* in selecting and 'operationalising' performance criteria. The text is incorporating the rhetoric of discretion and freedom into the concept of measuring an executive director's performance. This discloses the recurring problem with the rhetoric of 'measuring performance': how to define what performance is (here, it is taken to be performance in some data variables), and how to measure it. The measurement of director performance in LTIPs is, in this instance of text, tied to comparing individual company performance with a comparator group, and in doing so the text exhibits a rhetorical identification of individual director performance with the concept of the 'relative performance' of the company. As a textual-social construction, this is very different from, say, tying director performance measurement to a set of variables that relate only to pre-determined targets for the individual company. The concept of measuring director performance by reference to external comparator groups as a form of 'relative performance' is 'expansive': it constructs a narrative suggests that senior executive performance is properly assessed by partial 'dislocation' from their immediate bounded organisational space. This is significant as a rhetorical theme as it discloses that the individual executive director should be evaluated against other representatives of that 'type', where the type is an abstract concept of 'the executive'. This in

turn supports the construction of executives as inhabiting a space that is supra-organisational, and resonates with the degree to which the contemporary class of senior executives is able to switch between industries and sectors on the basis of their leadership capacity or strategic acumen, suggesting that their value is not tied to technical or industry-specific knowledge but to executive power and capacity.

The text constructs this linkage between the performance of companies and executive directors through the device of *metaphor*: it 'carries over' (Morgan 1996) one element of experience (individual company performance relative to a predefined comparator group) to another element (individual executive director performance). This rhetorical device functions by invoking the rhetorical *endoxa* of 'leadership capacity and impact' as an accepted commonplace that requires no formal demonstration. Further, the text screens a movement that has substituted an inherently problematic, internal measure (individual executive director performance in terms of the difference that a director has made to company performance) with a measurable 'external metric', i.e. financial performance relative to a selected comparator group. The text thus operates a *metonymic substitution*: the complex relationship between executive director action and financial performance is *simplified* by constructing, via substitution, an identification between the performance of a company relative to its comparator group and the extent and evaluation of executive director performance.

However, relative performance arises in the Combined Code 1998 and the UK CGC 2014 in subtly transformed versions:

"Remuneration committees should judge where to position their company relative to other companies. They should be aware what comparable companies are paying and should take account of relative performance." Combined Code 1998

"The remuneration committee should judge where to position their company relative to other companies." UK CGC 2014

The judgement and discretion required of the Remuneration Committee remain in each extract. However, the degree of ambiguity as to what constitutes judging relative performance is greatly increased. The committees are enjoined to 'position' their company relative to other companies. To have to 'position' a company relative to other companies is a spatial metaphor that reasserts of the degree of freedom embedded in the Greenbury 1995 'comparator group', whilst masking the extent of that freedom. The remuneration committee is tasked with deciding where in the organisational landscape of companies it 'fits', yet again invoking the image of a 'natural fit', invoking the idea of other companies with which it has an affinity, as though the company was positioned within a continuous space of companies that exhibit proximate similarity. However, 'to position' a company relative to others can also be a process of simply constructing a group of companies from a wider set, with position then determined merely as a set of vectors to other companies within the universe of companies, with no notion of trait-based 'affinity' or natural 'proximity' required. This is tempered by the phrase 'comparable companies' in the Combined Code 1998 extract, and this tempering emphasises the notion of 'position' as a 'natural ordering' based on the comparison of traits. It is precisely this trait-based concept that is absent in the later UK CGC 2014 extract, and hence a rhetorical shift has been effected.

### 5.4.2 The Rhetoric of Transparency

A second key rhetorical theme that emerges in the textual constructions of the sample data within the Codes of Practice is a foregrounding of transparency and disclosure. An early statement of the principle of transparency is made in Cadbury 1992:

"The overriding principle in respect of board remuneration is that of openness. Shareholders are entitled to a full and clear statement of directors' present and future benefits, and of how they have been determined."

The 'overriding principle' is a phrase that emphasises, firstly, the extent to which 'openness' is constructed as an enabling characteristic of remuneration reporting, one which will improve the alignment of shareholder and director interests. However, the phrase is also resonant with the shift in discourse in the 1980s and 1990s from management to regulation, from an intraorganisational to an interorganisational focus, and from the discourse of efficiency to the discourse of transparency (Sahlin and Wedlin 2008). The 'openness' is presented as a principle, a mode of 'soft regulation' (Morth 2004) rather than a rule or binding condition. This 'openness' is taken to support the ability of shareholders to judge the appropriateness of both the structure and quantum of remuneration: both in terms of a statement of the facts that can be inspected ('the clear statement of director's present and future benefits') and the presentation of the rationale for determining remuneration. In this early statement of the principle, the 'rational myth' (Meyer and Rowan 1977) of transparency as a guarantor of accountability is invoked, drawing on the resources of an endoxa that asserts the efficacy of 'openness' as a technology for achieving fairness and equity. The rhetorical position is that if

the shareholder community can inspect director remuneration, then alignment between shareholder and director interests will follow; that 'auditability' entails accountability.

The text in Greenbury (1995), whilst continuing to *exhort* the move towards 'openness', also begins to complicate the notion of 'openness':

"Full disclosure does not mean swamping shareholders with a mass of detail in which the essential points risk being lost. The important point is rather that companies and their remuneration committees should adopt a new philosophy of full transparency such that shareholders have access to all the information they may reasonably require to enable them to assess the company's general policy on executive remuneration and the entire remuneration packages of individual Directors."

The concept of 'openness' undergoes a rhetorical transformation. It is suggested that a 'mass of detail' would mean 'swamping shareholders' and risk the beneficial aspects of transparency being lost. In Cadbury (1992), 'openness' suggests the free access to remuneration details that can then be judged and digested by shareholders; but Greenbury (1995) begins to imply that too much 'openness' is a barrier to the effective functioning of 'full transparency'. The locus of the imagery is shifted to construct a new notion of what the shareholder needs. In Cadbury (1992), shareholders are envisaged as entitled to 'openness', a 'full and clear' statement that they will then subject to their judgement as shareholders; in Greenbury (1995), shareholders are no longer entitled to 'full' access, but rather they will be afforded the information they 'reasonably require' to guide them in their assessment. The Remuneration Committee becomes a filter for information, a conduit which shareholders must rely on to discern the elements of information required for

director pay to be properly assessed. This suggests that 'transparency' is not equivalent to 'full disclosure' or unmediated openness, but rather 'full transparency' is rhetorically constructed as the delivery of a suitably filtered set of information that enables the 'correct' judgements to be made by its target audience. Hence here the adjective 'full' is not functioning in the sense of 'completeness' or 'exhaustiveness', but rather as a synonym for 'effective'. Indeed, the text constructs completeness of data and information as a barrier to transparency, as a source of disorientation. This is emphasised in the pejorative use of the phrase 'mass of detail'. Transparency as a term has thus ceased to be coextensive with 'openness': it is not functioning in the same way from a metaphorical perspective. Whereas the Cadbury (1992) audience was constructed as a set of agents given access to data who would then make judgements on the basis of that which they inspected, the Greenbury 1995 audience is constructed as agents who are guided to make the 'correct' judgement by the elimination of a 'mass of detail' that might obscure rather than illuminate the information provided.

The shift away from undifferentiated openness continues in the Combined Code 1998 and UK CGC 2014:

"Companies should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors."

This extract reveals how the rhetorical construction of transparency has shifted away from openness of access to transparency of procedure. This extends the movement away from the concept of providing shareholders with data which they must assimilate and judge, towards a notion of streamlined information and the importance of auditable 'procedure'. The transformation

in rhetorical emphasis is significant as it operates as a mode of rhetorical resolution of one of the fundamental issues in the evaluation of executive director remuneration: the difficulty of establishing the chains of influence from executive action to company performance in complex organisational contexts. The rhetoric of transparency sublimates the assessment of performance, away from the assessment of the individual towards the evaluation of the formal procedural structures used to determine executive pay. This sublimation shifts the issue of executive pay from measuring what is inherently problematic, i.e. the extent to which an individual executive director has impacted on company performance (an internal focus) to an auditable and measurable 'external' focus on formal procedures. The importance of this shift will be further discussed in Section 5.4.3. in which it is argued that such 'externalisation' of the evaluation of executive pay is part of the dominant empiricist repertoire that informs the development of the debate.

The move within the text towards evaluating 'transparent procedure' is also consistent with the shift in assessing individual director performance towards the measurement of external metrics and relative performance: in both cases, the director is constructed as an agent whose performance is to be evaluated with reference to measures that are in some manner external to the phenomenon being assessed. In the case of individual director performance, relative performance is the focus (as discussed in Section 5.4.1); and in the case of the disclosure of remuneration quantum and policy, the procedural robustness of the process is the locus of discourse in the texts, rather than the amounts paid and their evaluation. The rhetorical emphasis on procedure shifts the assessment of director performance away from the

intraorganisational sphere towards the interorganisational field, as the judgement of policy and procedure can be grounded in peer comparison and remuneration consultant advice regarding 'best practice'.

*5.4.2. (i) The Blind Spot of Commercially Sensitive Information*

The nature of the transparency constructed in the field-configuring texts is further problematised by the rhetorical constructs informing the text of the DRRR (2002, 2013) and the Walker Report (2009). Both documents stress permissible departures from disclosure and procedure in cases where 'transparency' is interpreted as potentially detrimental to company competitiveness. In the DRRR (2013):

"(5) Any requirement of this Schedule to provide information in respect of performance measures or targets does not require the disclosure of information which, in the opinion of the directors, is commercially sensitive in respect of the company.

(6) Where information that would otherwise be required to be in the report is not included in reliance on sub-paragraph (5), particulars of, and the reasons for, the omission must be given in the report and an indication given of when (if at all) the information is to be reported to the members of the company."

In the Walker Report (2009):

"…given that recommended disclosures, in particular of bands of "high end" remuneration, are unlikely to be matched elsewhere, at least in the short term, they would create an unlevel playing field, involving, for major UK banks, a first-mover competitive disadvantage."

The texts are highlighting exceptions to the procedural rules in specific contexts. In both instances, the impact of disclosure of remuneration information is considered with respect to competitiveness: exemption from the

regulation being permitted with respect to information that could provide competitors with an advantage or insight into commercially-sensitive information. The rhetorical range of transparency here reveals its boundary edge; and in doing so highlights the distinction between ‘openness’ and ‘effectiveness’ as embodied in the texts. The exemption from disclosing commercially-sensitive information re-emphasises that ‘transparency’ within remuneration reporting is not constructed as a simple ‘openness’: it is not a transparency of unfiltered access to data. Rather, and again, transparency is constructed as ‘openness about formal procedure’; and when certain aspects of director remuneration data and policy cannot or will not be revealed, the rhetorical stance is that procedural clarity provides reassurance regarding such ‘blind spots’ (Knudsen 2011).

### 5.4.3 The Human Resource Argument as Rhetorical Deflection

The rhetorical invocation of the Human Resource Argument for executive pay (see Chapter 2 for detail) is consistently found across the Codes of Practice, Regulatory documents and Remuneration Report texts, with less prevalence within newspaper articles (although it is not entirely absent). The rhetoric of a market for talent is present in the earliest Code of Practice documents, for example in Greenbury (1995):

"There is a market in executive talent. Market forces are especially apparent in certain industries, notably international industries, and in certain skills. There are also market-related lower limits for the remuneration of Directors and senior executives in the largest companies. Below these limits companies would have great difficulty in recruiting, retaining or motivating people of the right quality and experience."

In the Combined Code (1998):

"Levels of remuneration should be sufficient to attract and retain the directors needed to run the company successfully, but companies should avoid paying more than is necessary for this purpose."

The construct of a 'market for talent' is another form of externalisation that relates to executive remuneration, continuing the process highlighted earlier in this chapter. The rhetoric of relative performance externalises executive pay to comparator groups; the rhetoric of transparency displaces the argument to comparison with procedural parameters; and the rhetoric of a 'market for talent' constructs and locates a driver of executive pay in the supra-organisational space of the 'market'. The discourse relating to executive pay thus constructs a measure of appropriate quantum that is no longer contained in the bounded space of individual company performance. This rhetorical

device dislocates ‘performance-related pay’ from the sense of a simple correlation between individual performance within an organisation and reward to one in which executive reward tied to the external market. As a rhetorical construct, the human resource argument is used to externalise the level of fixed executive pay, whilst the ‘relative performance’ construct externalises the ‘variable’ element of pay.

*5.4.3. (i) Empiricist Repertoires*

As has been argued, this construction of ‘a market for talent’ can be analytically interpreted as an instance of an ‘externalising device’ (Woolgar 1988). Within a specifically discourse analytic framework, the ‘market’ can be interpreted as a device that creates ‘grammatical impersonality’ (Potter 1996). Grammatical impersonality shifts the discourse away from the evaluation of individual directors to a dislocated plane of existing executive pay that constrains the decision-making process. The ‘market for executive talent’ becomes reified as a determinant of executive pay that is ‘impersonal’ and a factual constraint and consideration. This analysis can be broadened to interpret the Code of Practice executive remuneration discourse as drawing on an ‘empiricist repertoire’ (Gilbert and Mulkay 1984). An *empiricist repertoire* exhibits three features: grammatical impersonality, data primacy and universal procedures or rules. The three themes developed in the preceding analysis can be mapped to these three features: the mask of relative performance can be interpreted as a form of ‘data primacy’ as the performance metric data of comparator groups comes to replace a more direct, situated judgement of director performance; the rhetoric of transparency has constructed the focus

on the procedural dimensions of remuneration determination and reporting; and, as discussed, grammatical impersonality is a feature of the human resource argument. Hence the analysis of the discursive constructions within the Code of Practice texts is consistent with understanding the rhetorical arguments and discourse informing the valorisation and adoption of LTIPs as a mode of discursive *empiricist construction*. This offers the novel insight that the discourse of executive remuneration is constructed in manner that views the determination of the quantum and form of executive pay as possessing the objective, 'out-there-ness' (Potter 1996) would often characterise the presentation of scientific phenomena. This textual construction screens the influential role that senior executives have in determining their own forms and levels of reward through the process of engaging with remuneration consultants and referencing their own remuneration to that of other executives in a manner that ratchets up pay progressively. Hence, at a surface level, the rhetoric of the empiricist repertoire constructs executive remuneration as constrained by certain factual parameters which entail lower limits for pay and remuneration standards referenced to other executives. However, it also operates to minimise the textual representation of the active role of executive directors in constructing that set of pay parameters. The executive director becomes rhetorically passive, as the 'data' gathered by remuneration consultants becomes the active principle in determining pay. This data-agency is again consistent with the general externalising rhetoric observed throughout the Codes of Practice texts.

### 5.4.4. Thematic Convergence: The Reward for Performance Aporetic

The previous sections have identified three key themes emerging of the rhetorical-discursive analysis of the sample texts. In section 5.4.3, the themes are interpreted as contributing to the development of an empiricist discourse in relation to LTIPs, and hence interrelated to this extent. However, another strong form of rhetorical interaction amongst the three themes emerging in the analysis is their relationship to a central aporia, or *aporetic*, within the rhetorical discourse relating to executive pay and the use of LTIPs: the *aporetic* of "reward for performance". The term aporetic was used in Aristotelian philosophy (Booth 1983) to describe *puzzles* concerning incompatibilities that arise, either among the views we hold without prompting, or among the reputable beliefs adopted commonly or by the wise[47]. The executive pay aporetic emerging from the analysis undertaken in this chapter can be stated as follows:

**The Reward for Performance Aporetic**

"Senior executive performance-related pay should reward their individual and differential contribution to performance; performance-related pay is designed and implemented (especially in LTIPs) to be a function of the relative performance of companies".

[47] A vivid image of aporetic thinking is provided in Aristotle's Metaphysics: "The aporia of our thinking points to a knot in the object; for in so far as our thought is in aporia, it is in like case with those who are bound; for in either case it is impossible to go forward." Aristotle (2009)

The texts rely on rhetoric to resolve and diffuse (a function of rhetorical devices discussed in Chapter 2) the core textual *tension* that this aporetic creates, and the discursive constructions that have been identified are all responses to the problem of this aporetic. Executive pay and reward is tied to notions of merit and individual performance, but its determination is externalised to comparative company performance. The assumption that comparator-controlled company performance is a function of director performance relies on the invocation of a powerful societal rational myth or institutional logic that forms part of the endoxa invoked within the texts. This reliance on *endoxa* or *topoi* to resolve tension within the text highlights the existence of an aporetic, i.e. the inescapable inconsistency at the core of the texts.

The discursive-rhetorical genesis and structure of the reward for performance aporetic, as manifest in the textual corpus analysed, can be traced, in one direction, as follows:

i. The discourse relating to performance related pay and LTIPs for senior executives invokes the rhetorical endoxa (the societal logic or rational myth) of the possibility for individuals to be evaluated and rewarded for the *individual* and *differential* contribution they make to company performance;

ii. However, the texts do not foreground the problem of how the individual contribution of an executive can be directly measured in a reliable manner (as any such measurement would be complicated by the complexity of chains of causation within large organisations);

iii. Instead, the rhetorical trope of *metaphor* is used to connect company performance to director performance, constructing the company performance as an indicator of individual director performance;

iv. However, 'raw' company performance in itself recognised as an unreliable measure, as the performance of a director needs to be isolated from wider factors if the *differential* aspect of performance is to be rewarded – hence performance relative to a peer group is exhorted in a manner that constructs *'relative performance' to a comparator group* as a metaphor for individual director performance;

v. This requires disclosure of performance metrics and comparator groups in accordance with the rhetoric of transparency. Company performances are compared, and pay is referenced to relative performance (and also relative market benchmarks via the human resource argument), and the procedural aspects of setting executive pay are foregrounded;

vi. Hence LTIP pay is rhetorically constructed as fairly rewarded by reference to information *external* to the company, without measuring performance in terms of measurable director influence that is isolated or separated: all that is compared is the

> relative performance (and procedures) of two companies, and the contextual market value of executive remuneration. This creates aporetic tension and irony, and the rhetorical force of this argument requires that an audience accept the *rational myth* or *endoxa* of executive director influence on company performance.

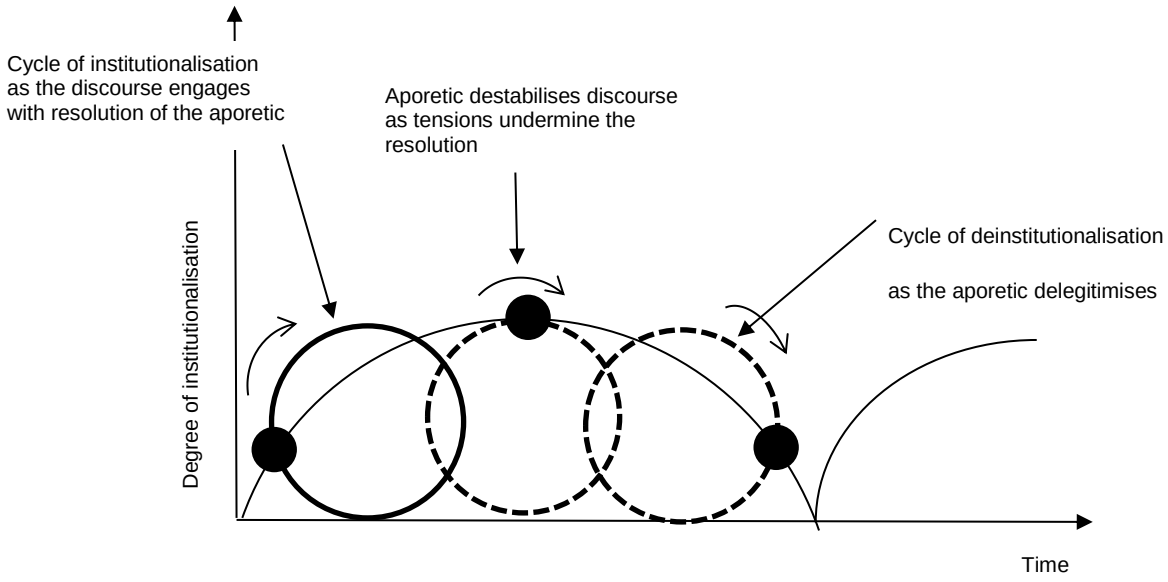
In presenting this sequential analysis, a relationship between the aporetic and the deployment of an empiricist repertoire begins to emerge. The empiricist repertoire discussed in Section 5.4.3 is a set of discursive devices that can be used to externalise phenomena from social groups by *divesting* agency from those social agents and *investing* it in 'impersonal' facts or data (Potter 1996). This arc of discursive development is a feature of the LTIP discourse as it transfers the justification for LTIP awards away from the judgement of director influence on performance to the 'facts' of relative performance. Hence the emergence of an empiricist repertoire is both a function of, and a textual resolution of, the tensions created by the senior executive reward for performance aporetic. The *aporetic intensity* of this rhetorical development is acute: whilst executive directors are *mythologised* as possessing expertise and capacities as agents that warrant high quantum remuneration, the texts transfer the assessment *away from that purported expert agency* to an external domain of relative performance. In Section 5.5.2, the textual enactment of this externalisation is analysed as an instance of *category entitlement* (Potter 1996) that relies on the metaphorical shift from the concrete individuality of individual executives to an abstract concept of 'being an executive'. This exteriorising textual construction is the locus of an 'alchemic moment' (Burke 1969): the intrinsic and extrinsic change place. The intrinsic capacities and powers of the executive are replaced by the extrinsic metrics of relative performance, so that what an 'executive' is constructed to be refers

to the context in which executives act: to evaluate executive performance, there is a shift to comparative company performance. This construct is a modulated example of 'contextual definition' in which the executive is defined by their location or position within a wider supraorganisational field.

This summary of the connection between the themes emerging from the textual analysis highlights the importance of the director pay aporetic for understanding the rhetorical constructions analysed within the chapter. However, the analysis remains linear and reductive if the aporetic is interpreted as a simple consequence of the rhetorical themes discussed. The discursive- rhetorical analysis of the texts has disclosed the degree to which the sample texts dynamically construct and reconstruct each identified theme; and in doing so, the aporetic itself can be understood to be the consequence of those discursive dynamics; but it is also, in a recursive, reciprocal relationship, the driver of those dynamics, as the texts are rhetorical responses to the aporetic rather than generators of the aporetic. The three themes are constructed, adapted and periodically foregrounded as the discourse develops in time; and the rhetorical structures both shape and are shaped by the aporetic tension that inheres within the discourse. The institutionalisation of 'pay-for-performance', and in particular LTIPs, as a social norm within the field of senior executive remuneration can be conceived as an iterative process in which the construction and reconstruction of arguments can be visualised using the metaphorical image of the cycloidal path of a stone on a wheel, with each theme developing an arc that exhibits changing textual constructions over time, but with this dynamic process always engaged with the rhetorical tension created and maintained by the fundamental aporetic.

Figure 5.1 below translates this processual dynamic into this cycloidal path image:

Figure 5.1 The Cycloidal Path of the Discourse of Executive Remuneration




A cycloid is a curve generated by a point on the circumference of a circle as it rolls along a straight line (Cajori 1999). The repeating cycle of rhetorical institutionalisation of pay-for-performance is driven by the executive pay aporetic, which maintains the discursive argument in constant motion through the tension it creates. The constructions and reconstructions trace a cycloidal path as elements of the discourse become at one time more 'taken-for-granted' (the ascending curve) or at another time contested (the descending curve); but the arc that such developments trace is along a parametric curve determined by the senior executive pay aporetic, as the discourse is always engaged and connected with this central reward for performance aporetic. The aporetic stone remains always on the wheel of institutionalisation.

The image of a cycloidal process helps in understanding the multi-cycle discursive dynamics in operation. There are the smaller cycles of construction that represent the cycle of discourse within the source texts, and a longer, extended arc that represents the process of institutionalisation and deinstitutionalisation of particular forms of executive remuneration, itself a cycle that repeats. The executive share options of the 1970s and 1980s have traced the full arc of institutionalisation and are now deinstitutionalised; LTIPs are still within the longer arc of their development, but entering into a descending phase, as they become increasingly contested. Innovations that have been designed to deal with some of the perceived problems of LTIPs, such as increasing the length of the performance measurement horizons (BIS 2011), are part of the recurrent engagement with the reward for performance aporetic, and as such dynamics that inhere in the mini-cycles of each turn of the discursive wheel.

This first phase of analysis has synthesised the rhetorical themes of metonymic masking of performance evaluation, the rhetoric of transparency, and the human resource argument as constructing a discourse of executive remuneration that is an instance of an empiricist repertoire that is maintained in rhetorical tension by the reward for performance aporetic. The following phases of analysis demonstrate that, ultimately, the aporetic is a problem arising from the ontological and epistemological tropes and figures invoked in the textual representation of executive remuneration. Section 5.5 uses the Sillince-Barker (2012) tropological process model to disclose the problem of ontology: how to unite the abstract concept of executive director agency with the concrete singularity of individual executive directors. This ontological

problem is met with an aporetic resolution in the form of ‘rhetorical hylomorphism’: the rhetorical union of form (the abstract concept of the capacity of the executive) and material content (relative performance data). Section 5.6 examines the rhetorical manifestation of the epistemological problem of how to trace executive director impact on company performance, as it reveals itself in the changing argument forms in the texts of newspaper articles and remuneration reports.

## 5.5 Presentation of Findings II: Tropological Process Model

Section 5.4 identified three key themes that were analysed in terms of their relationship to an externalising empiricist discourse and a processual relationship to a central aporetic that is both the reciprocal outcome and driver of LTIP discourse. In this section, the processual nature of the discourse is investigated using an analytical framework that can be used to interpret discursive development as a process of rhetorical institutionalism within the delimited context of the Codes of Practice documents (the reasons for this restriction are discussed in the discussions below). This framework both illuminates the preceding analysis and connects the findings relating to the dynamics of the discourse to the theoretical architecture developed in the Review of Literature and Methodology Chapters.

### 5.5.1. The Sillince-Barker Tropological Process Model and LTIPs

An important benefit of engaging in discourse analysis is its potential to reveal and uncover rhetorical and discursive devices and patterns within textual data, and also to explain how the constructions that constitute such devices and patterns 'function' within the text (Potter and Wetherell 1987). The micro-discursive analysis of texts is particularly attentive to the identification of phenomena of variation and process, and this analytical capability is critical to developing and implementing the theoretical framework of rhetorical institutionalism (Suddaby 2010). In particular, the application of discourse analytical procedures to sample texts can support the identification of the 'effect' or 'function' of devices within the discourse from the perspective of 'temporal order'.

This analysis is consistent with understanding rhetorical institutionalisation being the informed by a strong 'processual' dimension. In section 5.4, the analysis of the sample texts identified an interplay of rhetorical themes and structures that were related to both an empiricist discourse and a central aporetic, and the interaction of these themes was interpreted in terms of a multi-cycle discursive process that was imaged in terms of the cycloidal path of a stone on a wheel. This notion of a linguistic process can also be investigated using the tropological process model for rhetorical institutionalism developed by Sillince and Barker (2012). The tropological model interpretation provides a framework for thinking of the social construction of LTIP Institutionalisation as a linguistic process, modeled as a four-phase tropological process that successively moves tropes into the foreground and background (see Chapter 2 for details). The schematic outline of the model is represented in Table 5.4 (following page). Using this model to orient analysis of the sample Code of Practice texts provides the opportunity to both reveal significant patterns with the sample data, and as a means to engage with a nuanced interpretation of the results developed in Section 5.4.

Table 5.4: The Tropological Model of Institutionalisation (adapted from Sillince and Barker 2012)

Increasing degree of institutionalisation

Tropological process

| **Metaphor** | **Metonymy** | **Synecdoche** | **Irony** |
|---|---|---|---|
| **'inaugurating gesture'** | **'operationalisation of new action'** | **'standardisation phase '** | **'rupture and resistance'** |
| Metaphors as a means to inaugurate action when there is a perceived problem. | Analysis of change into steps and creates a recipe for operationalisation | The meaning of the institutionalisation process laid bare and reduced to its essentials | Irony as a means to evaluate, interrogate and resist the institutionalisation process |
| **The process of LTIP diffusion across FTSE100 companies** | | | |
| *1992- 1996* | *1996-2000* | *2001-2008* | *2009 onwards* |
| Transformation: something unfamiliar (LTIPs) substituted for something familiar (ESOs) | Way of getting there: metonymic breaking down of whole into parts – how to structure LTIPs and which performance metrics | Standardisation and slogans – the part stands for the whole, the crystallisation of an idea into an image | Contrast ideal with reality, intention with outcome. |
| **Micro-discursive concepts and tools** | | | |
| Category entitlement | Concretisation | Empiricist repertoire | Extremisation and minimisation |

### 5.5.2 The Inaugurating Gesture: The Root Metaphor of LTIPs and the Category Entitlement of Executive Directors

At the time of the Greenbury Report (1995), long-term incentive schemes for executives were already used in the form of Executive Stock Options (ESOs), and texts situated in the performance-pay discourse both reflected and contributed to this fact. The discourse in the domain of newspapers in the years after 1992 exhibits the action of rhetorical tropes and devices that create and maintain a critical stance regarding the role and purpose of ESOs. The rhetoric included the relatively circumspect and controlled language of business journalism in the Financial Times:

"Long-term incentive plans were envisaged by the Greenbury committee on executive pay as a natural successor to share option schemes which had attracted criticism for their failure to link pay and performance in any effective manner and which, before their tax treatment was changed, had been used as a form of tax-efficient perk for directors." FT, 1997, Donkin

This criticism was also echoed in a more strident form in an article reporting the views of the Pensions Industry Research Consultancy (PIRC) organisation:

"TOP industry bosses are lining up turn-of-century bonuses that will trigger an explosion of public anger, according to Pensions Investment Research Consultants. The boardroom ethics advisers said some companies have set unmissable performance targets.

Pirc warned of "absolutely enormous payments that will dwarf even the sort of money we've seen paid out so far". And it named a string of companies which have ignored guidelines and set directors failure-proof targets".

Though the lexical colour in each extract differs, the rhetorical devices deployed operate in a similar way from the perspective of discursive action. The texts maximise the force of the criticism of ESOs through 'extremisation' as a linguistic device. The texts suggest that pay and performance are not linked 'in any effective manner'; that there are 'unmissable' or 'failure-proof' performance targets'; and that payments are 'absolutely enormous'. In each case 'extreme-case' formulations construct and emphasise the accusation of that performance-related pay is ineffective from the perspective of company performance and yet rewards directors in an excessive manner.

The textual data consistently demonstrates that this was a period of 'ironic disruption' (Sillince and Barker 2012). The extant, institutionalised practice of ESOs is destabilised by the use of irony to evaluate and resist the practice by way of contrasting the purported purpose of ESOs with their actual functioning and operation. Irony operates here by citing 'evidence' (in the form of negative perceived outcomes) to expose the contradictory outcome associated with ESOs. The text of Greenbury (1995) is a response to such ironic disruption, but it focuses on a transformed and delimited aspect of the criticism, namely the perceived extent to which executives could be rewarded for general movement in economic variables that impacted positively on share prices, rather than rewarded for their own impact on share prices. As such this is not addressed to the quantum of executive reward, nor even the extent to which targets are unmissable: rather it is an engagement with the concept of 'merit' or reward for influence. This concern is clearly stated in Greenbury 1995:

"Directors should not be rewarded for increases in share prices or other indicators which reflect general price inflation, general movements in the stock market, movements in a particular sector of the market or the development of regulatory regimes."

The textual constructs directors as agents that can be rewarded for 'differential impact' on the company by way of a negative definition, i.e. the listing of those factors that can impact financial metrics independently of director influence of control. This statement does not explain how directors can or do change company performance: it tacitly assumes that such influence is possible by some mechanism and under the abstract aegis of a concept of leadership. Even the 'positive' statements in Greenbury 1995 relating to the theme of director influence contain no 'positive' content with regard of the mechanism whereby senior executive action impacts on company performance:

"But the performance of our companies depends to an important extent on the Directors and senior executives who lead them"

"[The Remuneration Committee should]…give the Executive Directors every encouragement to enhance the company's performance and to ensure that they are fairly, but responsibly, rewarded for their individual contributions"

"High levels of remuneration are justified where circumstances require it or contributions to company performance are outstanding. Inspired direction of a company can make all the difference between success and failure."

There is no further explanation of the phrases 'important extent', or 'contributions to', 'enhance the company's performance' or 'inspired direction': there is no textual explanation or theorisation of how directors can act as agents that deliver enhanced performance. As such what remains are *bare claims* and implications, drawing on the rhetorical endoxa of the corporate

executive field and models of director capability and influence. Underlying each claim is a 'rational myth' within the field concerning the capacity of directors to individually impact on company performance (the 'Director Impact on Performance Hypothesis'). After stating the importance of directors for company performance, the report then suggests that:

"The key to encouraging enhanced performance by Directors lies in remuneration packages which…link rewards to performance, by both company and individual"

This statement constructs a rhetorical claim that to improve company performance, director performance must be enhanced, and that this outcome is achieved by structuring remuneration in such a manner that there is a symmetry between director pay and both company and individual performance. Given the absence of evidence to support director impact on performance at the statistical-empirical level (as discussed in Chapter 2), the connection of director and company performance operates can be interpreted as operating as a 'root metaphor' within the text, as an image that functions as a dominant way of seeing (Smith & Eisenberg, 1987) or as a 'rational myth' (Meyer 1977) that has attained the status of being chronically reproduced across a relevant population. The notion that director performance can be mapped to company performance has the key features of a metaphorical relationship. Firstly, it projects the attributes of a concrete object, i.e. measures of company performance, onto an abstract concept, i.e. executive skill and performance. In doing so, language is used to tie the abstract to the

concrete (Lakoff and Johnson 1980). This is a metaphorical move, not an empirically demonstrated proposition. The Codes of Practice purport to focus on the issue of performance-related pay, without ever yielding a definition of what this performance might be, other than negatively (what it is not). The point here is not that the text does not describe the varied performance metrics which can be used to reward directors: rather than it does not acknowledge or allow that it is 'director influence' that is constructed as worthy of reward, and this concept remains suppressed. The Codes of Practice discourse of executive pay-for-performance does discuss the concept of the contingency of executive pay on measured company performance; but it does not explicitly discuss or address the sense in which directors are to be conceived of as having influence on performance.

If the above analysis is accepted, the 'root metaphor' of director influence on performance can thus be interpreted as invoking a form of 'category entitlement' (Potter 1996). Executive directors are constructed, within the Codes of Practice documents, as types of actors that are entitled to be construed as agents of change and influence. From a discursive device perspective, this is important as it allows the text to shift the focus away from notions of 'individual performance tied to individuals', and instead to transfer the locus of rhetorical discourse to the category of 'being an executive director', a higher-order abstract concept. This shift is enacted textually through a mode of *entelechy*, the classification of a thing by conceiving of its kind according to the perfection of which it is (purportedly) capable (Burke 1969). In the text, the executive is constructed as a 'kind' that is, in its perfection, capable of making an individual differential impact on company

performance. In terms of the rhetorical construction within the discourse, the concept of the senior executive is thus defined in terms of its 'end-point', or its fulfillment as a perfected form, as a 'finality', or in terms of what its purpose is supposed to be. In this sense, the concept of the executive director within the Codes of Practice is that of a form of *technology,* as the senior executive is a tool used to achieve the end of enhanced company performance. This abstract concept of executive director capacity displaces the individual executive as such, and acts as a textual resolution of the aporetic of reward for performance. The question of whether an individual executive has had a differential impact on company performance is suppressed, as it is no longer 'this executive in this situation' that is the subject of the discourse: rather it is the 'universal' concept of 'executive-ness' that is invoked and connected to externalised measures of relative performance. This substitution is a rhetorical transformation that exposes the problem of ontology in the texts: concrete individual directors immersed in opaque chains of causation vis-à-vis their influence on company performance are sublimated as individual instances of a universal abstract concept of executive capacity and power.

This underlying root metaphor is also subject to a second-order metaphorical development. In the early 1990s, the validity of ESOs was being destabilised due to the perceived problem of undeserved remuneration, and LTIPs were initially proposed as alternative long term performance schemes linked to company-specific performance metrics. The root metaphor remains that of executive director influence on company performance, but its manifestation is transformed by replacing the familiar ESOs with unfamiliar LTIPs. At a textual level, this operates as a key metaphorical move as it connects the target

domain of the future with the source domain of existing practice by reframing what is familiar and putting it in a new light (Cornelissen 2005). In relation to the use of long-term incentive plans, the text of Greenbury (1995) include the following extract:

"The purpose of long-term incentive schemes is to encourage continuing improvement in performance over time. That is why rewards under all such schemes should be subject to challenging performance criteria."

Though the introduction and acceptance of LTIPs was proposed as a resolution of problems with the ESOs, the underlying root metaphor remained constant and the trajectory of executive remuneration continued to be in the direction of ever-increasing pay, and indeed increases in the quantum of pay that far exceeded improvements in profitability or share prices.

The rhetorical interpretation of the 'root metaphor' is consistent with the theoretical argument developed in both Meyer and Rowan (1977) and Zucker (1997) that draws on Berger and Luckmann (1966) as the source of conceptualisation of institutions as socially constructed cognitive structures. The institutionalisation of LTIPs emerges as a group of people, i.e. those involved in the setting and design of executive remuneration, come to understand a practice or structure in a manner that becomes shared across that group, where the source of that shared understanding is located in the wider societal context. This general conceptualisation is translated into the institutional context as the theory that formal organisational structures reflect the myths of their institutional environment rather than the demands of their

work activities and that institutions take on a taken-for-granted status as cognitive rational myths (Meyer and Rowan 1977). The preceding analysis demonstrates how this process of coming to be 'taken-for-granted' can commence with the textual embedding of an appropriate root metaphor.

### 5.5.3 Metonymic Operationalisation

The technical innovation phase of LTIP design began in the mid-1990s when, in this initial developmental period, there were many heterogeneous schemes in existence (Pass, Robinson and Ward 2000). Within the Codes of Practice, the root metaphor of LTIPs, i.e. the critical influence of directors on corporate performance, was gradually suppressed within the texts. The texts increasingly focus on the principal-agent problem and how best to align director and company financial outcomes, not on the nature of the mechanism by which senior executives influenced company performance. The abstract root metaphor of executive influence is transformed into an ever-increasingly concretised form. In the Combined Code 1998, there are the following condensed statements:

"A proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance."

"The performance-related elements of remuneration should form a significant proportion of the total remuneration package of executive directors and should be designed to align their interests with those of shareholders and to give these directors keen incentives to perform at the highest levels."

These extracts retain the force of the root metaphor as the connection between director and company performance remains operative and textually present. However, a process of 'concretisation' is occurring, as the abstract concept of director influence on performance is, in a limited form, distilled into an operational form. The form of 'influence' of directors is not articulated, but a technique for harnessing this influence is specified: the 'alignment' of director and shareholder interests (as is consistent with a principal-agent model of

governance). The rhetorical movement is one of 'metonymic operationalisation', in which an 'image' is transformed into a 'method' (Sillince and Barker 2012) and the analysis of an institutionalised concept into a 'recipe' for implementation.

The occurrence of metonymic operationalisation is a feature of the rhetorical emphasis observed in the ABI (1995) guidelines for share-based incentive schemes. This document was issued with the stated purpose of providing guidance as to how to interpret the link between director and company performance:

"The concept of requiring that performance criteria are satisfied as a condition of exercise of the option and therefore of the reward, is now widely accepted. Institutional shareholders expect remuneration committees to devise appropriate performance criteria which are clearly linked to sustained improvement in the underlying financial performance of a company."

The root metaphor is invoked, and the use of the term 'concept' resonates with the claim that this was a phase of development moving from the 'abstract principle' towards the 'concrete' implementation of performance criteria as a means to evaluate director performance. This concretisation is exhibited in the next extract taken from the Appendix to ABI (1995):

"…a considerable number of companies have stated that they welcome indications of the sort of formulae that are considered to be acceptable.

8.3 The following are examples of criteria which have evolved and which have been adopted. It may well be that other formulae will emerge. It is felt that remuneration committees should have discretion to select the formula which is felt to be most appropriate to the circumstances of the company in question. Nevertheless, as the Joint Statement made clear, it is important that whatever criterion is chosen as a condition of the exercise of options, the formula should be supported by, or give clear evidence of, sustained improvement in the underlying financial performance of the group in question."

The text then proceeds to outline alternative *formulae* such as 'earnings per share' and 'total shareholder return'. The text exemplifies the notion that metonymic operationalisation is a 'breaking down of the whole in parts': the root metaphor is translated into interpretations in the form of formulae as a 'way of getting there'. However, as discussed in Section 5.4.4, the evaluation of director impact on performance is externalised to comparative company performance rather than the evaluation of the performance of the director in their internal company context:

### 5.5.4 Synecdocal Standardisation

As the use of LTIPs to reward senior executives diffused throughout the FTSE100 companies, the design and operation of the schemes became increasingly convergent, with a marked homogeneity of form displacing the earlier heterogeneity (as discussed in Chapter 2). Within the textual domain of the Codes of Practice, LTIPs became the concrete image of how to reward executives. The texts suppressed the nuance of the puzzle of how to measure director influence, and instead exhibit the *bare claim* that director performance is coextensive with company performance, and that this is mediated by relative performance. The following is an extract from the UK Corporate Governance Code 2014 in which the discussion of executive remuneration is restricted and condensed. In relation to the topic of director performance, the following extract appears:

"Executive directors' remuneration should be designed to promote the long-term success of the company. Performance-related elements should be transparent, stretching and rigorously applied."

Executive director remuneration is framed with reference to the long-term success of the company. The implicit rhetorical construct supporting this statement is that director action and influence have an amplified impact that extends through time, and that the decisions made by executives are key to the long-term success of the company. The executive director becomes a 'representative label' for the company, in a process of synecdochal substitution of the part for the whole. This rhetorical identification operates to crystallise the abstract concept of 'director influence' into the concrete form of the

company's measurable performance data, whether that be profitability or share price movements. The assessment of executive action becomes displaced to the assessment of measurable data, a shifting of rhetorical focus which is consistent with the development of an empiricist repertoire (as discussed in Section 5.4.3).

It is this notion of synedochal substitution that enables the Sillince-Barker model to provide a way to interpret the transition from relatively heterogeneous and customised LTIPs in the early period of their diffusion across the FTSE 100 to an increased homogeneity of form (as noted in Chapter 2). The meaning of the institutionalisation process is 'laid bare' in the textual identification of executive and company performance, with the rhetoric of 'reward for performance' and the empiricist emphasis on data primacy, supporting the standardisation of LTIPs that converge on comparator company performance metrics rather than customised measures of individual executive director activity.

### 5.5.5. Ironic Disruption

The final phase of the tropological model implies that contradiction and irony will eventually undermine an organisational practice that fails to function as its supporting rhetoric contends. This ironic disruption of an institutionalised practice contrasts the ideal with the reality, and the intention of a practice with its concrete outcome. As a consequence, the root metaphor is revisited and problematised. As argued in Section 5.6.3, the presence of ironic disruption has been a constant within the domain of newspaper articles since the publication of Cadbury (1992), and hence that particular domain is not brought into the application of the Sillince-Barker model. The domain of remuneration reports also has a unique dynamic describing the use of rhetoric within its texts, and hence (as argued earlier) considerations relating to those reports and irony are to be found in Section 5.6.2.

The UKCG (2014) contains a section of Supporting Principles that contains text that begin to acknowledge the need to interrogate and resist the insitutionalisation of accepted models of executive remuneration:

"The remuneration committee should judge where to position their company relative to other companies. But they should use such comparisons with caution, in view of the risk of an upward ratchet of remuneration levels with no corresponding improvement in corporate and individual performance, and should avoid paying more than is necessary. They should also be sensitive to pay and employment conditions elsewhere in the group, especially when determining annual salary increases."

The linguistic tenor is not that of the more strident criticism of executive remuneration models that is found in the financial press, which is as expected in a regulatory Code of Practice document. There is a striking use of a cluster

of words that connote and draw attention to the potential for negative outcomes, and the danger, inherent the use of LTIPs is clear: the urge to use *caution*; the dynamism of the phrase 'upward ratchet'; the need to be *sensitive* to the pay across the group. However, these more obvious rhetorical deprecations are not as fundamentally suffused with *irony* as the phrase "no corresponding improvement in corporate and individual performance". The Code of Practice text is exposing the tension within the pay-for-performance rhetoric: that the award of pay can itself occur without relation to performance, and that this risk is greatest when the mechanism for designing the reward is linked to comparator companies, i.e. the externalised benchmark. The executive pay aporetic provides the rhetorical force that creates this tension. Furthermore, the overall rhetorical impact of these acknowledgements of the problematic issues is magnified: the UKCG (2014) is a much streamlined document, much shorter than earlier Combined Codes. The disruptive elements are given the rhetorical foreground in a manner that has not been the case in previous Codes.

This textual phenomenon discloses a form of *situational irony* that highlights how the consequences of practices are often the opposite of what was expected (Luciarello 1994). This 'irony of events' (Booth 1974) creates dissonance through exposing the tensions between the texts and the events relating to executive remuneration developments. Hence the Sillince-Barker (2012) tropological process model discloses again the problem of ontology returning and disrupting the pay for performance discourse. As discussed in Section 5.5.2, the ontological gap between the abstract concept of executive

director agency and the concrete singularity of individual executive directors has to be resolved. The aporetic resolution of this problem, in the form of 'rhetorical hylomorphism', relies on the union of form (the abstract, or formal, concept of the executive capacity or power) and material content (relative performance data). Yet as the institutionalisation of LTIPs became embedded in terms of their diffusion and the 'taken-for-grantedness' of their use, the aporetic tension is evident in the texts, and in fact articulated in terms that problematise the very externalisation that is the leading principle of peer-controlled, comparative remuneration.

## 5.6 Presentation of Findings III: The Changing Structure of Arguments - Domain Dependency

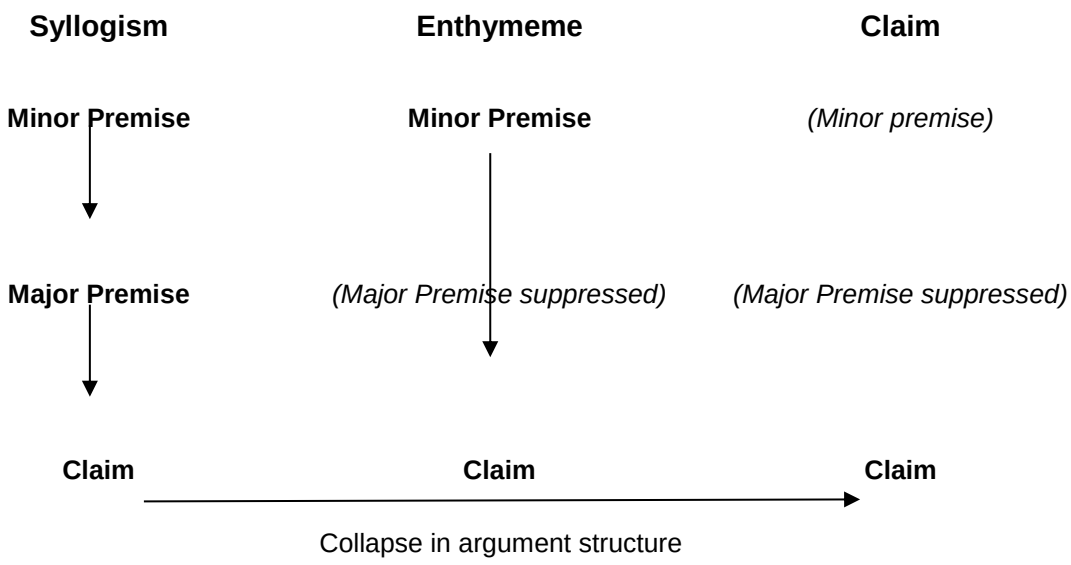
The final phase of analysis of the coded data discloses the manner in which tropological institutionalisation varies in its presentation across different domains. The Codes of Practice domain of text is one in which the tropological phases of the Sillince-Barker model are accompanied by a concomitant collapse in argument structure. However, the contextual ground of greater disclosure and transparency requirements, emerging as a result of the Directors Remuneration Reporting Regulations (DRRR 2002, 2013), supported a different phenomenon within the domain of Remuneration Reports. Whilst the tropological phases of the Sillince-Barker model do operate, the argument form expands rather than collapses, and there is a notable progressive unfolding of full syllogistic arguments with respect to the construction of arguments supporting LTIPs. This difference may reflect the differing nature of the audiences and the impact of increased public scrutiny, and will be conceptualised with reference to the distinction between intrafield and interfield rhetoric (Harmon, Green and Goodnight 2015). Finally, the rhetorical force of situational irony will be shown to be the dominant rhetorical trope in the domain of newspapers in all phases of the development of LTIPs. This will be reflected upon both with regard to its own logic within the domain of the financial press, but also with respect to the extent to which this irony has informed the development and progression of the Codes of Practice and Remuneration Report domains.

There is also another form of ‘domain dependency’ arising in addition to that of the rhetorical structure of arguments concerning LTIPs. Within the textual universe of Codes of Practice, the concept of individual director influence is suppressed and LTIPs are institutionalised as well as becoming homogeneous. However, within the Remuneration Reports the premise that directors make a differential impact on performance has become increasingly openly addressed as institutional maintenance is required vis-à-vis the investor audience; and within the financial press, LTIPs have never been institutionalised in the sense of being accepted and taken for granted. The domain dependency again reflects variation in audience. The following analysis demonstrates this domain dependency effect across the domains of text examined.

5.6.1 Codes of Practice

This collapse in the detail of arguments presented within the Codes of Practice domain resonates with the features of rhetorical institutionalism measured by changes in argument structure (see the extended discussion of this concept in Chapter 2). Following Green, Li and Nohria (2009), the collapse can be correlated with changing argument structure as shown in Figure 5.2 below:

Figure 5.2 Changing Argument Structure and Institutionalisation



The relevant sample of text within Greenbury 1995 is as follows:

"…the performance of our companies depends to an important extent on the Directors and senior executives who lead them… the key to encouraging enhanced performance by Directors lies in remuneration packages which… link rewards to performance, by both company and individual… [long –term] performance-related elements of remuneration should be designed to…give Directors keen incentives to perform at the highest levels…"

Hence the following syllogism is presented within the text with an implicit structure as follows:

**Major Premise**: If there exists positive director performance and action, it has a significant and differential positive impact on Company Performance (Director Influence on Company Performance Hypothesis, DICPH)

**Minor Premise**: If there is significant and differential positive impact on Company Performance, it is fairly reward by participation in strategically-aligned performance-metric driven LTIPs

**Conclusion**: Positive director performance and action is fairly rewarded by participation in strategically-aligned performance-metric driven LTIPs

The three categorical terms deployed are: 'positive director performance / action [A]'; 'significant and differential impact on company performance [B]'; 'performance fairly rewarded by participation in LTIPs [C]'. For a valid (not necessarily sound[48]) syllogism to hold each terms must appear twice, and the minor term is 'director performance', whilst the major term (the predicate term) 'performance fairly rewarded by participation in LTIPs'.

[48] A valid syllogism is one in which the conclusion follows by the rules of inference from the given premises; a sound syllogism is one in which the premises are true.

The argument form of the syllogism is thus:

If A then B

If B then C

Hence if A then C

The Major Premise A as a whole asserts that positive performance by directors can have a significant impact on company performance. The Major and Minor Premise are connected by the 'middle term[49]', i.e. the assertion that the positive action of directors has a significant and differential positive impact on company performance. This middle term is also drawn from the prevailing endoxa of corporate governance, as argued in Section 5.5.2.

However, the relevant sections of text from the Combined Code are as follows:

"A proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance… The [long-term] performance-related elements of remuneration should form a significant proportion of the total remuneration package of executive directors…"

Hence it is already the case that The Combined Code 1998 suppresses the major premise and is reduced to an *enthymematic* form as follows:

**Minor Premise**: If there is significant and differential positive impact on Company Performance, it is fairly reward by participation in strategically-aligned performance-metric driven LTIPs

**Conclusion**: Positive director performance and action is fairly rewarded by participation in strategically-aligned performance-metric driven LTIPs

[49] The middle term is the term that appears in both premises of a syllogism but the conclusion.

The Combined Code (1998) does not contain an explicit statement of the major premise regarding the causal efficacy of director influence on company performance. This element of the argument is sufficiently 'institutionalised' within the discourse as to now form part of the taken-for-granted endoxa that the text can invoke.

Finally, the UK CGC (2014) operates with the conclusion only, devoid of any reference to its logically precedent premises. The relevant sample of text is:

"Performance conditions, including non-financial metrics where appropriate, should be relevant, stretching and designed to promote the long-term success of the company."

The text is noticeable by to the degree of absence of any assertions regarding the individual performance and its causal efficacy. Hence only the conclusion remains:

**Conclusion**: Positive director performance and action is fairly rewarded by participation in strategically-aligned performance-metric driven LTIPs

This progressive collapse of argument structure is consistent with the notion that LTIPs as a mode of remuneration have been institutionalised within the code of practices. The major premise has gradually disappeared from Codes of Practice texts as a stated item. The minor premise is still there, but less forcefully stated. The argument has collapsed to the point where the only issue is the technical task of how to design LTIPs, i.e. what metrics are most appropriate and over what time period.

### 5.6.2 Remuneration Reports

However, the collapse in argument structure and detail observed in the Codes of Practice is reversed within the coded text generated from the sample of remuneration reports. The example of Tesco plc, a listed company that has endured over the period 1992-2014, provides textual data that can be used to understand this reverse trajectory.

In 1995, the Annual Report of Tesco plc contains the following text:

"The [Remuneration] Committee's main responsibility is to ensure that the remuneration packages of the executive directors…are appropriate for their responsibilities…In addition, the Committee sets performance targets required for the incentive scheme…"

The text is bare and constructs a link between executive remuneration and responsibility, without any construction of 'director influence' on performance. In the notes to the financial statements, the explanation of 'long term incentives' is succinct and descriptive, as can be analysed in the following instance of data from the report:

"Long term share bonuses are awarded annually on the basis of improvements in earnings per share, achievement of strategic goals and comparative performance against peer companies"

The major premise of the Greenbury 1995 syllogism is suppressed and unstated, though the minor premise of the syllogism presented is invoked implicitly as the grounds or 'basis' for the rewarding executives. This statement does not construct executives as agents of differential and critical influence on company performance in an explicit manner.

By 2005, the text of the Annual Reports of Tesco contains elements that invoke the major premise of the DICP hypothesis:

"Executive Directors' remuneration policy: We have a long-standing policy of rewarding achievement, talent and experience."

"Tesco operates in a highly competitive retail environment. Business success depends on the talents of the key team, but outstanding business performance comes from teamwork."

In the 2010 Annual Report of Tesco plc, the text has subtly changed:

"Tesco has a long-standing policy of valuing talent and experience and seeks to provide incentives for delivering high, sustainable and profitable growth which leads to a strong increase in value for shareholders. The remuneration strategy is tailored to reward the delivery of strong year-on-year earnings growth as well as sustained performance in the longer term."

The text of the remuneration report now makes explicit reference to the basic concept of the major premise of the syllogism presented in Greenbury (1995): there is an explicit connection between director actions and company performance. This progressive expansion of the construction of the 'Director Influence on Company Performance Hypothesis' with the domain of Remuneration Reporting can be understood with reference to the concept of 'category entitlement'. As discussed in Section 5.5.2, executive directors are

constructed as types of actors that are entitled to be construed as agents of change and influence within a company.

### 5.6.3. Newspaper Articles: Situational Irony and the Market

As noted in Section 5.5.5 in this Data Analysis Chapter, the textual domain of newspaper articles has not been characterised by the progressive stages of an institutionalisation process, whether it be the Sillince-Barker rhetorical institutionalism model or another. Indeed, the textual domain of newspaper articles and columns has consistently been the locus of ironic disruption of the prevailing rhetorical arguments constructed to justify and stabilise the use of LTIPs. Whilst the tropes of metaphor, metonymy and synecdoche are primarily 'resonance tropes' (Oswick et al 2004) which create relationships through resemblances, the domain of newspaper articles is the site of irony and dissonance, revealing and questioning the incongruities in executive pay. Irony can be manifest in direct forms such as parody and sarcasm (Booth 1974), and can have a distinct political edge (Purdy 1988). One of the key rhetorical effects that appears in the domain of newspaper articles is a *situational irony* which highlights how the consequences of using LTIPs are often the opposite of what was expected (Luciarello 1994). The discourse in the years characterised in Table 5.4 as the pre-standardisation phase of LTIPs (1992-2000) has many examples of situational irony:

"Anne Simpson, joint managing director of Pirc, said there was "real evidence that what everybody is saying {about top pay} is borne out by the facts". What ought to be payment for exceptional performance was becoming routine, Pirc said. Three factors stood out concerning share-options: the conditions attached to them were not stretching; these conditions were linked to the economy in general rather than anything specific to the firm, and bosses could underperform and still be paid." Guardian 1997

"Executive share options and similar incentive schemes are being set up to pay hundreds of thousands of pounds for meeting undemanding targets, according to a corporate governance consultancy. Pensions Investment Research Consultants warned that the low targets for which payouts would be made to top executives failed to match suggestions issued by the Department of Trade and Industry in July. The consultancy said the incentive packages failed to provide an effective link between performance and bonuses by paying out for growth no better than the average." Financial Times 1999

The two excerpts above are populated with examples of situational irony. These features are highlighted in Table 5.5 below**:**

Table 5.5: The Manifestation of Situational Irony in Newspaper Articles

| Expectation | Reality |
|---|---|
| Rewards for exceptional performance<br>Reward contingent on company-specific factors<br>Rewards for meeting demanding targets<br>That rewards would link individual and company performance | Rewards for average / under performance<br>Rewards contingent on general conditions<br>Rewards for meeting undemanding targets<br>Rewards not contingent on link to company performance |

Though situational irony is clearly operative in these examples, the irony is itself limited in its critique: it remains contained within the existing sets of endoxa that inform the rhetorical framing of executive remuneration. It is not a radical critique of the fundamental premise of pay-for-performance and its validity in the context of executive pay; rather it constitutes a questioning of the effectiveness of its implementation. This distinction can be understood with reference to the model of rhetorical legitimation developed in Harmon et al (2015), which identifies two distinct sources of rhetorical critique, namely *intra-field* and *inter-field* rhetoric (as discussed in Chapter Two). The domain

of the financial press citing organisations that represent investor interests – such as PIRC - is critical of the degree to which pay-for-performance is effectively implemented whilst not questioning the endoxa (such as director influence on executive performance) which inform the context of the discussion: hence it is a form of intrafield rhetoric. An interfield rhetoric is one that seeks to disrupt the legitimacy of the context itself i.e. that interrogates the very contextual assumptions that inform the debates. Articles citing investor-representative organisations question the empirical validity of the LTIPs that operate, but accept the premise that executives can be rewarded for impact on company performance in a meaningful way.

However, there are examples of intrafield rhetoric operating within the domain of newspaper articles, and the presence of this rhetoric is linked to the sources being cited in the articles. Those organisations that represent employee interests are used as evidence to construct text that questions the very legitimacy of the pay for performance model, often citing linguistic forms that are informed by the 'extremisation' and denigration of executive behaviour:

"It is depressing to see that boardroom greed is still alive and well and that the pay gap continues to grow," said John Monks, the TUC's general secretary. "A director being worth 12 times an employee in 1994 and 16 times in 1997 is morally, socially and economically unacceptable. There is clearly one rule for directors and another for the rest. This undermines employee morale and motivation in the workplace. It contributes to the rising inequality which is damaging British society. And it condemns corporate Britain to the public's low esteem." Guardian 1998

"The bosses of Britain's largest companies are enjoying lavish pay rises despite the wobbly economic recovery, with most of the surge in rewards coming from long-term incentive schemes and gains from share options" The Guardian, 2010

The extracts demonstrate the key rhetorical features of interfield rhetoric: what is being questioned in the text is not whether the technical problem of LTIP design is being successfully resolved, but whether the grounds of the argument itself are legitimate (Harmon et al 2015). The text is informed by a scepticism towards the merits of rewarding executive directors the high remuneration they earn via pay-for-performance, and does so by questioning what the 'backing'[50] for the argument should be, exposing the grounds of the institutionalisation of pay-for-performance for executives. Such 'interfield rebuttals' (Harmon et al 2015) create tension and contradiction between the deep assumptions of the institutional context (Holm 1995).

Another example of interfield rhetoric is the rhetoric used in an article citing a leading critic of the notion of executive pay being a reward for excellence, whose background in the education and the charitable sector informs a questioning of the 'backing' operating as an assumption in the debate:

"For 10 years now both Conservative and Labour governments have commissioned reports - Greenbury, Hampel and others - wringing their hands, begging remuneration committees to moderate their greed, all to little avail. Ever reluctant to legislate, the government exhorts shareholders to take action against pilfering. Shareholder protests lead to naming and shaming once a year at AGMs, but chairmen seem to regard the annual public humiliation a price well worth paying for their booty, pretending they must pay top dollar for top talent in a global market.

Nick Isles makes elegant mincemeat of business's three excuses. First there is risk: true, the shelf-life of top CEOs is not long, but average male job tenure is only five-and-a-half years.

[50] The 'backing' of an argument being the grounds by which 'warrants' (reasons that authorise the link between data and a conclusion) are held to be generally acceptable (Harmon et al 2015, following Toulmin 1958).

While CEOs walk straight into other highly paid directorships, 3 million men ejected from jobs in mid-life never find another.

Take "visionary leadership": Isles quotes voluminous research to show CEOs are clever and talented but rarely exceptional. Despite the rhetoric of visionary leaders, for every Branson there are 100 bureaucrats; stewards, not risk-takers. Most prefer deal-making and mergers to boost short-term share price to the hard grind of managing their companies. There is no shortage of able people eager to do the job. No one is indispensable - not prime ministers, not columnists.

But "the market" is their best excuse: here Isles lands his biggest blow. There is little global market in British managers. People don't want ours and we don't often recruit from abroad: 86% of FTSE CEOs come from the UK, another 6% from the EU (many from Ireland) and 8% from the US and the rest of the world.

What's more, most businesses don't even recruit their CEOs from outside their companies. Some two thirds of FTSE CEOs were home- grown from within their companies" Financial TimesT 2012

The rhetorical techniques deployed here are aligned in the questioning of the notion that executive action can and does secure enhanced performance for FTSE 100 companies in a manner that is consistent with the three rhetorical themes identified in Section 5.4. The Human Resource argument and the 'market for talent' are criticised with language that utilises *extremisation* and *satire*: 'elegant mincemeat', 'pilfering', 'annual public humiliation a price well worth paying for their booty'. The extract does intend to construct an evidenced argument, but the rhetorical colour is resonant with the force of interfield questioning of the relevant grounds of the argument. The special status of the executive as a source of visionary leadership is denigrated 'for

every Branson there are 100 bureaucrats'; the 'market for talent' is exposed '"the market for talent" is their best excuse: here Isle lands his biggest blow'.

Interestingly, it might seem that the division between intrafield and interfield rhetoric is problematised in the debate by the occurrence of statements made by organisations that would *prima facie* be taken to accept the *endoxa* (regarding executive power and capacity) of the debate but yet use rhetorical arguments more closely related to those present in interfield rhetoric.

"The spiralling pay of top executives was a "bit mad" one top industry representative admitted yesterday, amid speculation that the government is about to water down plans to give shareholders greater powers to regulate boardroom pay. Ruth Lea, head of the policy unit at the Institute of Directors, responding to the Guardian-Inbucon survey of boardroom rewards, said that while the pay rises were "a bit mad" that was how "markets worked. "Markets are not moral things," she said. "It is like what's happening in the football league. It's the way the international markets work these days." Guardian 2000

The use of extremisation in the form of executive pay being described as 'a bit mad' would certainly be consistent with interfield rhetoric's questioning of the validity of executive pay, though this example demonstrates a further nuance in rhetorical construction. The importance of context is evident here, in two distinct manifestations. Firstly, it is clear that the rhetorical extremisation here is different from that used by employee representative organisations. It is not a substantial critique of the pay-for-performance assumption; it is operating as a rhetorical flourish that merely recognises the high levels of pay. Secondly, that it is a rhetorical flourish becomes clear in the context of the qualifying statements: that was how 'markets worked' and "Markets are not moral things". The Human Resource argument is informing this position, and the rhetorical

defence or explanation that ‘that is how markets work’ is an indicator that the grounds of the pay-for-performance endoxa are not being questioned. Indeed, this extract suggests that ‘the market’ context forms a deep layer of the context for the argument that excuses any perception of unfairness or excess in executive pay.

A further example of the importance of the source cited in newspaper articles and their position vis-à-vis the field that constitutes the realm of executives is the following extract:

“Two weeks ago David Cameron, prime minister, vowed to crack down on the "market failure" that has led to "excessive growth" in executive pay, which is "ripping off shareholders and customers"…He announced the government's intention to give shareholders a binding - rather than advisory - vote on remuneration packages even as the department of business is due next week to announce the results of Vince Cable's consultation on how to link executive pay more closely to company performance… The investment industry is still pulling together a diplomatic response to Mr Cameron….” Financial Times 2012

This extract has features that one would expect to find where interfield rhetoric operates to disrupt or question the validity of executive pay. The use of extremisation is again present- ‘excessive growth’, ‘ripping off’ – and again there is the criticism of executive pay. However, this again is not a simple instance of the ironic disruption of the institutionalisation of pay for performance, as the rhetorical argument invokes ‘market failure’ as the culprit. To invoke ‘market failure’ has a distinct rhetorical effect that suggests the opposite: proper market functioning. The sense here is that if the market worked properly, then executive pay would be fairly rewarded. That the rhetoric is not questioning the fundamental endoxa of the debate is revealed

by the fact that the solution to be problem is formulated in terms that accept the basic premise of the ability of directors to influence company performance in a way that can be understood and rewarded. A binding rather than advisory vote on remuneration packages still accepts the fundamental premise that director pay and company performance can be linked and understood and measured in a systematic fashion.

There has always been sources of scepticism regarding LTIPs represented within the domain of the financial press. The criticisms have been of both an intrafield rhetoric nature that questions the appropriateness and efficacy of the design of LTIPs, and also of an interfield nature that has questioned the very premises or 'backing' upon which the arguments are based. However, the use of LTIPs diffused within the field of executives despite this discourse, with LTIPs usage successfully withstanding investor and public concerns. The field boundary was maintained and the use of LTIPs institutionalised within the Code of Practice and Remuneration Reports. The maintenance of a contested practice in the face of public opinion and societal censure demonstrates the durability of LTIPs.

## 5.7 Conclusion

As stated in Section 5.3.2, the analysis of the textual data sources from the three domains of Code of Practice documents, Remuneration Reports and Newspaper Articles has developed three findings:

- The identification of the ‘executive pay aporetic’, a source of tension within the LTIP discourse that is expressive of an underlying empiricist repertoire and linked to three thematic elements within the discourse;
- The variation in the foregrounding of the thematic elements over time, as explored and interpreted using the tropological process mode of rhetorical institutionalism;
- The ‘domain dependency’ of the identified rhetorical devices and structures.

Whist each of these findings has emerged within distinct phases of textual analysis, they are not distinct textual phenomena. The themes can be synthesised into an integrated discursive pattern that can be used to interpret the rhetorical development of arguments relating to LTIPs in the UK over the period 1992-2014. This conclusion reviews the findings from the chapter and seeks to explicate the manner in which each findings is interconnected with, and can be understood with reference to, the other findings.

### 5.7.1 Three Thematic Elements: The Metonymic Mask of Comparison, The Rhetoric of Transparency and The Human Resource Argument as Rhetorical Deflection

Each of the three rhetorical themes or structures analysed in Section 5.4 has its distinct manifestation in the texts, but the rhetorical focus is similar in each case. The themes each operate as a response to the epistemological problem which informs the executive pay discourse: how to establish and measure the extent to which individual director action has an impact on company performance. The congruence of rhetorical structures is schematised in Table 5.6 below:

Table 5.6 The Three Rhetorical Themes of the Executive Pay Discourse

| | **Metonymic Mask of Comparator Groups and Relative Performance** | **The Rhetoric of Transparency** | **Rhetorical Deflection: The Human Resource Argument** |
|---|---|---|---|
| Rhetorical constructions | Theorisation process constructs similarity of FTSE100 companies despite substantial differences<br><br>Formal or structural equivalence of companies with reference to the contextual measure of inclusion in the FTSE100<br><br>Expansive notion of 'relative performance' that refers to the 'abstract type' executive inhabiting a supra-organisational space | The rhetorical transformation of transparency from 'full access and openness of data' to 'full disclosure of the procedures that deliver filtered data' | The notion of the 'market for talent' is employed to construct executive pay as a functional of supra-organisational factors<br><br>The quantum of remuneration is no longer tied to the bounded space of the individual organisation |
| The rhetorical shift | *What needs to be measured* is individual director performance<br><br>*What is measured* is a set of external metrics | *What needs to be transparent and judged* is individual director performance<br><br>*What is transparent and judged* is a set of procedures and systems | *What needs to be established* is a fair reward for director performance as it relates to the bounded space of the organisation<br><br>*What is established* is the reward structures within the external space of the market |
| Epistemological dimension | The opaque chain of causation problem is resolved by shifting the evaluation to measurable comparative metrics | The difficulty of assessing director performance is resolved by shifting to the evaluation of transparent procedures | The problem of determining an appropriate rewards is resolved by referencing rewards to external standards |

The three thematic elements of rhetorical development exhibit an externalisation of the 'evaluation of executive action', and the extent to which that action has a differential impact on company performance. The underlying rhetorical structures that inform the three thematic elements share a rhetorical framework that underpins the structural congruence identified. As the analysis in Section 5.4.3 illustrates, the executive pay discourse, and in particular the development of LTIPs, is grounded in an empiricist repertoire or construction. This contextualised instance of the empiricist repertoire divests the executive of situated agency and instead invests that agency in measurable data. Each of the thematic elements in Table 5.6 is informed by each of the features of the empiricist repertoire: grammatical impersonality, data primacy and universal procedures or rules. This is mapped below in Table 5.7:

Table 5.7 The Empiricist Discourse and its Relation to the Rhetorical Themes

| | **Metonymic Mask of Comparator Groups and Relative Performance** | **The Rhetoric of Transparency** | **Rhetorical Deflection: The Human Resource Argument** |
|---|---|---|---|
| Grammatical Impersonality | The shift from individual director performance to externalised comparatives | The impersonality of procedure | The executive as a type situated in a supra-organisational space |
| Data Primacy | Comparative and relative performance data | Data here as regulations from Codes | The data supplied by the external market |
| Universal Procedures and Rules | Convergence on homogeneous performance metrics such as TSR | Focus on procedural transparency | The laws of the market for talent and the use of HR consultants and remuneration committees |

Grammatical impersonality achieves a shifting of the rhetoric and discourse away from the individual executive director as a single entity, intrinsic to the organisation, towards an external space that supplies extrinsic data to facilitate the evaluation of performance. The assessment of executive performance is shifted to the assessment of comparative company performance; the assessment of the appropriateness of the design of rewards is shifted to the appropriateness of the design of the remuneration procedures; and the assessment of the quantum of reward is shifted to the assessment of the reward in the context of the supra-organisational space of the market. The difficulty of judging the performance of directors within complex organisational environments is rhetorically sublimated to the judgement of measurable data: whether that data be financial metrics, sector norms or market levels of remuneration. Following on from, and consistent with, this empiricist repertoire, the field of executive remuneration has homogenised executive pay structures, converging on agreed patterns of reward and metrics of performance.

The empiricist repertoire itself is a rhetorical construction that emerges as a resolution of the central executive pay aporetic as described in Section 5.4.4. The executive pay aporetic expresses the irreducible tension within the executive pay discourse, i.e. that executive pay should reward individual performance, but yet rewards relative company performance. The tension is resolved in the text by recourse to the empiricist repertoire, which shifts the rhetorical context to external metrics, auditable procedure and available data: this establishes what can be measured and assessed. However, this in itself does not deflect the tension created by the aporetic, for there needs to be a

way to bridge these external measures to the individual. This bridging occurs through the invocation of an endoxa that upholds a concept of executive power, influence and efficacy. In rhetorical terms, an executive director becomes an abstract concept that benefits from the force of 'category entitlement', the rhetorical identification of the executive with an agent-type that is entitled to significant performance-related rewards. This indeed is a fundamental 'alchemic' moment (Burke 1969) that informs the 'resolution' of the executive pay debate. It is the rhetorical device via which the intrinsic and extrinsic change place. The intrinsic powers and impact of an individual director are transmuted and shifted to a context of extrinsic metrics. The executive director, whose actions and performance is to be judged and rewarded, is no longer to be assessed[51] by their intrinsic properties; rather their performance is to be assessed with reference to the context in which they operate, by properties that inhere in the external space of FTSE 100 companies. The ontological dimension of this rhetorical device is to 'dissolve' executive directors into their context and to lose the judgment of the individual acting director.

The second arc of analysis reveals that this aporetic tension is not a fixed-state phenomena: it is a dynamic process that is in constant flux. The resolution of the aporetic tension is contested, supported and changed by the recursive relationships between the thematic elements and the aporetic itself. It is this recursive and never finalised process that is expressed through the image of the cycloidal path of a stone on a wheel. The cycle of institutionalisation, destabilisation and deinstitutionalisation continues as the

[51] By the shareholders at the AGM, for instance.

aporetic increases or decreases as a source of tension. The analysis of this process is has been undertaken with reference to both a tropological process model that discloses again the problem of ontology, and a domain-dependency that reveals again the problem of epistemology. The tropological process of rhetorical institutionalism reveals the manifestation of the executive pay aporetic along two dimensions: both as a processual phenomenon, and as a disclosure of the problem of ontology that is a defining feature of the aporetic. The tropological process model provides a framework that dilates the cycloidal path image of the impact of the aporetic on discourse into a linear temporal order model as is illustrated in **Figure 5.3**:

Figure 5.3 The Tropological Process Model and the Dynamics of Rhetorical Institutionalisation

| **Metaphor** | **Metonymy** | **Synecdoche** | **Irony** |
|---|---|---|---|
| The Inaugurating Gesture | Operationalisation | Standardisation | Rupture and resistance |
| The Root Metaphor of Director Impact on Company Performance | Concretisation of the abstract concept into a measurable form | The director substituted as a representative label for the company as a whole | The notion of pay for performance disrupted and contested |
| Metaphor maps concrete company performance onto the abstract concept of executive influence via category entitlement | Metonymy of breaking the abstract conceptual whole into parts | Synecdochal substitution of assessing comparative performance instead of evaluating director performance | Situational Irony |

As noted in Section 5.5.1, the primary rhetorical element underlying the establishment of the root metaphor is again the invocation of 'category entitlement', with its shift in focus from the 'individual performance tied to individuals' to the category of 'being an executive director', a higher-order abstract concept. The executive is constructed as a 'kind' or 'type' capable of making an individual differential impact on company performance. Again there is a rhetorical substitution: the abstract concept of executive director capacity displaces the individual executive, and this rhetorical device exposes the problem of ontology in the texts. This problem of ontology – the gap between the concrete singularity of the director and the abstract concept of executive power – is rhetorically resolved through the device of 'rhetorical hylomorphism', the rhetorically-effected union of form (abstract concept of executive capacity) with content (relative performance data).

The third phase of analysis reveals how the rhetorical structures and processes exhibit heterogeneity across the three domains of text. The 'domain dependency' of the rhetorical structures and processes is manifested in the fact the Sillince-Barker tropological process model is a purposeful device with which to interpret the rhetorical phenomena in the Codes of Practice and Remuneration Report domains, but does not apply in the domain of newspaper articles; in the manner in which the argument form supporting LTIPs collapses over time within the Codes of Practice domain, but expands within the domain of Remuneration Reports; and in the manner in which situational irony manifests itself in two distinct forms in the domain of newspaper articles, being both a means of questioning the technical design of LTIPs and the fundamental premises of pay for performance.

The explanation for these domain-dependent phenomena can be approached through the rhetorical concept of ‘audience’. The concept of ‘audience’ in contemporary organisational rhetoric is complex: rhetorical structures can be dislocated from their sources and generated by committee, and audience boundaries are unclear and shifting (Cheney, Christensen, Zorn and Ganesh 2004). Individual organisations have to manage tensions that arise as they orient their messages to different audiences, and have to judge whether it is better to maintain a univocal message or to take a multivocal approach that adapts messages to specific audiences (Balmer 2001). At the level of the discourse of LTIPs, there is no single source of the arguments, just as there is no one audience to which those arguments are directed. It is this distributed nature of the discourse that suggests that the emergence of domain-dependent textual patterns is a consistent proposition, if not inevitable.

The audience for the Codes of Practice domain of texts can be taken to supply the major premise relating to director performance, and hence the collapse in the syllogistic argument form can occur without loss of legitimation, and LTIP remuneration has become institutionalised within that sphere. However, the audience for remuneration reports require a full statement of the argument for the use of LTIPs, as for many investors LTIPs are questionable insofar as their design and implementation is concerned. Hence the domain of remuneration reporting has a dual role: it is both the site of manifestation of an institutionalisation process occurring within the regulatory Code of Practice field (LTIPs as the way to signal appropriate remuneration) and the domain in which investor audience concerns are addressed. Remuneration reports are this both the indicator of consensus in one field, and the indicator of

contestation in a different field. This illustrates the multi-vocality of the audiences: he audience for remuneration reporting can exert a de-institutionalising force, at the same time as the LTIP model has become institutionalised within the domain of the Codes of Practice. Finally, the domain of newspaper articles is one of rhetorical complexity, dissonance and situational irony. There are both intrafield and interfield sources of contestation, which question the form of LTIPs and the validity of pay for performance, respectively.

These concerns also relate back to the *epistemological problem* of how to know that director performance and action has a significant differential impact on company performance, a problem that is at the heart of the director pay for performance aporia as identified in Section 5.4.4. The rhetorical manifestation of the epistemological problem can be recognised in the diverse ways in which situational irony reveals itself in the financial press. Intrafield irony manifests the epistemological problem as a technical puzzle that questions the correct mode of LTIP design to achieve the desired link between director pay and company performance. However, some interfield ironic disruption rhetoric questions whether it is tenable to organise executive remuneration in a manner that utilises LTIPs. In this case, the epistemological problem as to how one can identify and isolate director performance to assess the merit of their rewards is more fundamental.

# Chapter Six: Discussion

The following chapter discusses how the findings in the Data Analysis Chapter address the objectives of the research, and to what extent the findings can be explained or interpreted within the theoretical and methodological frameworks adopted in the analysis. Contributions to knowledge are identified and discussed, with suggestions for further research provided. Accordingly, the chapter will begin with a brief restatement of the purpose and context for the research, before assessing and interpreting the findings in the context of prior research and the underlying methodological principles.

## 6.1 Discussion of the Findings in the context of the Research Objectives

### 6.1.1 The Research Objectives

The primary objectives of the research were fourfold (see Section 2.8 for a full discussion). Firstly, the research seeks to investigate the complex, micro-level rhetorical-discursive dynamics informing the adoption and implementation of LTIP practices. This objective addresses the question as to how the configuration and justification of executive compensation packages reflects cultural understandings of the role of performance related pay. The research is thus a step towards addressing the lack of sustained, qualitative investigations of the complex rhetorical-discursive processes informing the development and diffusion of LTIPs in the UK. Secondly, the research was designed to sensitise the analysis to the role of *social action* in the diffusion of LTIPs, to uncover the extent to which organisational practices are embedded

in a nexus of social and cultural endoxa that transcend the local organisational context. This sensitisation to context is a response to the inadequacy of a simple combination of simple relational connectedness and rational decision-making to provide an explanation for institutionalisation processes that appear, as empirical phenomena, to be more like complex exercises in the discursive construction than a mechanical, 'point-to-point' spread of information via social networks (Strang and Meyer (1994). Thirdly, the research seeks to analyse rhetorical and discursive dynamics in institutional contexts containing multiple 'rational myths' (Meyer and Rowan (1977), Scott (1983), Friedland and Alford 1991, Thornton et al 2012). In this context, the complex interaction of several rational myths will allow for multiple but equally legitimate responses to the institutional environment (Greenwood et al 2008). These factors are consistent with the notion that organisations and regulatory bodies will not necessarily justify the adoption of LTIPs in the same way within complex institutional contexts (Greenwood et al 2008). Hence the research has as an objective the exploration of how different accounts of, and justifications for, LTIPs are constructed. Fourthly, the research seeks to foreground the relationship between the cultural endoxa, institutional logics and organisational discourse, a theme that has become an increasingly important theme in the institutionalism literature (Lounsbury and Boxenbaum 2013). A key impetus for this emergent analytical theme has been a renewed focus on the use of language, including rhetorical and discursive devices, in institutionalisation processes. The focus of research has as an objective a shift away from focusing on the outcomes of institutionalisation (adoption or non-adoption of a practice) towards an understanding of the process by which

institutional logics and social schemas are embodied in discourse and practice. This objective is supported by the adoption of a qualitative approach to research (Ocasio and Joseph 2005) which allows he research to attend to the dynamics of the institutional construction, maintenance and disruption (Zilber 2008) over time.

### 6.1.2 Data Analysis Findings in relation to the Research Objectives

The next section discusses how the findings presented in the Data Analysis Chapter can be understood in the context of the stated research objectives.

#### *6.1.2. (i) The Role of Cultural Templates and Endoxa in the Rhetoric of Executive Remuneration*

The literature review identified the continuing puzzle of weak empirical support for agency explanations of executive compensation, and in particular the evidence that the use of LTIPs is not strongly correlated with superior company performance (see Chapter Two). This at least suggests that the adoption of LTIPs cannot be a simple rational-economic function of principal-agent incentive alignment grounded in a reliable or predictable improvement in company performance. The absence of unequivocal evidence regarding the post-adoption impact or influence of contingent compensation models entails the need to develop supplementary explanations for the rapid diffusion of LTIPs across the FTSE 100 population. A critical aspect of this search for a more complete account is to understand how the justification for the use of LTIPs is constructed and maintained despite the lack of persuasive post-factum evidence of the efficacy of LTIPs as compensation packages. The findings presented in Chapter 5 contribute to a novel understanding the

diffusion and institutionalisation of LTIPs across the FTSE 100 population by analysing the observable deployment of rhetorical and discursive devices and arguments within the textual universe of the Codes of Practice, Remuneration Reports and Newspaper Articles.

The analysis in Chapter 5 suggests that the influence of cultural templates, societal endoxa and institutional logics on the institutionalisation of LTIPs in the UK over the period 1992-2014 has been subtle, complex and pervasive. As discussed in Sections 5.5 and 5.7, interpretation, through the theoretical and methodological lens of in rhetorical-discursive analysis, of the textual universe in which LTIPs are developed and debated, suggest that the process of institutionalisation requires a rhetorical *externalisation* of the evaluation of senior executive action and performance. This externalisation is analysed as a form of 'textual 'resolution' of the central aporetic of executive pay, i.e. the tension between the theoretical need to evaluate an individual director's performance in terms of their differential impact on company performance, and the use of external, aggregated and comparative statistics to infer that differential performance. Given the epistemological problems inherent in assessing an individual director's differential impact in a complex organisational environment with long, overlapping and imperfectly understood chains of causation, the evaluation of individual performance is shifted, at least in terms of the discursive structures within the texts, to a space of external data. Consequently, the locus of argument within the discourse is translated to external comparative statistics; to external measures of procedural efficacy; and to external, market-determined standards for the quantum of pay.

This process of rhetorical externalisation contributes to one aspect of understanding rhetorical institutionalisation as a phenomenon. The role of cultural templates and societal endoxa is illustrated with reference to Table 5.6. The endoxa invoked in the construction of arguments justifying and structuring LTIP usage act as conduits between the internal and external space of evaluation. As an example, the rhetoric of transparency theme develops a movement within the text away from assessing individual director performance, to the assessment of the extent to which an organisation complies with the policies and procedures of corporate governance as stipulated in the Codes of Practice. This rhetorical shift is in itself problematic unless it is mediated by the invocation of a principle or idea drawn from available (or possibly to be constructed) societal endoxa. In this instance, the endoxa of 'transparency' is invoked as it provides a broadly accepted principle: that disclosure of procedure makes performance auditable. Transparency about executive pay levels, and the procedures in place to design and control contingent compensation in the form of LTIPs, is used discursively as an instance of this principle of auditability and acts, in the sense of textual action developed in the Methodology Chapter, to shift the discourse to an externalised space that is characterised by its relatively simplicity. The evaluation of director action in terms of differential impact on the company would involve difficult counterfactual reasoning (what would not have happened if this director was not in place); in contrast, the evaluation of 'robust' procedures can be presented in the simpler terms of compliance.

The findings suggest that the process of externalisation is grounded in the rhetorical *theorisation* of senior executives as a class of essentially equivalent

actors. The analysis in Section 5.5 suggests that key rhetorical structures - the metonymic mask of comparator groups, the rhetoric of transparency, and the Human Resource argument - create this rhetorical theorisation of executives as a class of essentially equivalent actors. This rhetorical effect resonates with the observation that organisational actors can be theorised as equivalent (Meyer 2009), even if they differ along a variety of un-theorised dimensions. With the sampled texts, the constructed theorisation requires the deployment of abstract cultural templates and societal endoxa to project homogeneities in the population of executive directors in terms of their role and capacity in a way that creates a rhetorical similarity despite the differences between individuals. As discussed in Section 5.5.2, this process of mapping abstract or universal concepts onto concrete individuals is achieved through the discursive device of 'category entitlement', that operates as a mode of entelechy, defining the term 'executive' in terms of its purported finality, as a 'kind' that makes a differential impact on company performance. The findings contribute a novel understanding of the interaction of this process of theorisation and the process of externalisation. For the rhetorical shift from the concrete individual in a bounded organisational context to an external space of evaluation is effected through the theorisation of executives as a universal or abstract type. It does so by simplifying the rhetorical structure to avoid the central aporetic problem. If executives are constructed within the texts as agents who exert differential impact on company performance in a manner that can be represented in an abstract concept, then the evaluation of director performance can be tied to external metrics that are linked to the abstract concept in a manner that is simple and predictable in comparison to

the complex assessment of intra-organisational impact. This rhetorical institutionalisation of LTIPs does not need to address the issue of quantitative evidence for the efficacy of LTIPs or executives as it goes beyond the mere construction of executives as members of a set of objects that possess similar empirical properties or attributes. Rather, theorisation proposes that executives, as a class of equivalent actors, have a set of capacities that act similarly across all organisations.

However, the findings presented in Chapter 5 contribute more than the disclosure of the connection between theorisation and externalisation: the research also extends the understanding of how 'theorisation' operates in a specific rhetorical-discursive form. The rhetorical-discursive theorisation of executive directors as 'equivalent' is mediated by a pervasive 'empiricist repertoire'. The empiricist repertoire analysed in Chapter 5 emerges in response to the central aporetic, and effectively divests agency from the individual director and invests it in 'impersonal' data and procedures. As noted in Section 5.4.4, the intensity and contradictoriness of this development is acute: whilst the abstract concept of the executive suggests that the executive belongs to a class of individuals that possess superior expertise and influence, the rhetorical structures transfer the evaluation of that purported agency to an assessment of external, comparative company performance. The empiricist repertoire is thus critical in achieving rhetorical equivalence as it de-situates the executive, sublimating the evaluation of executive action away *from* the individual executive as an individual in bounded organisational space, to the executive as an individual instance of an abstract, or universal, concept of 'executiveness'. As is noted in section 5.7, the difficulty of judging individual

performance within a complex organisational space is transformed into one of judging comparative performance in a simplified space of external metrics, with numerical vectors of evaluation that deliver the image of objectivity.

The role of societal endoxa and shared cultural understandings is this reconstructed and clarified in the findings relating to the institutionalisation of LTIPs. The transfer of the evaluation from the individual executive director to comparative metrics in an external space of organisations requires a rhetorical bridge between the set of external measures and the individual recipients of rewards. The rewarding of individuals on the basis of comparative metrics needs a rhetorical justification that invokes the endoxa of executive power and capacity. The rhetorical device of 'category entitlement' identifies the executive as an *agent-type* that is entitled to significant performance related rewards based on their ability to make a differential impact on company performance. This is the 'alchemic moment' (Burke 1969) discussed in Section 5.4.4. – the intrinsic and extrinsic exchange place as the individual executive is no longer evaluated with reference to a direct analysis of their intrinsic performance, but by reference to the extrinsic context in which they operate, i.e. the external space of comparative metrics, and to an abstract concept of executive efficacy that is not tied to any individual executive. Thus rhetorical institutionalism in the context of LTIPs can be understood as 'contextual definition', the understanding of the executive in terms of the societal endoxa and cultural templates in which executives, as a class of actors, operate. This finding is consistent with the key insight of the phenomenological form of institutionalism, i.e. that part of organisational reality is based on 'rational myths' constructed from prevailing expectations

(Suddaby, Elsbach, Greenwood, Meyer and Zilber 2010). The results presented in this thesis are thus offer a novel rhetorical-discursive example of a phenomena that is the distinctive concern of institution theory: the capacity of cultural understandings to operate as determinants of structure and behaviour in organisational contexts (Tolbert and Zucker 1996).

However, the findings are not merely an example of the capacity of cultural templates and societal endoxa to inform theorisation and institutional processes: they also contribute to understanding how macrostructures such as societal endoxa can be translated into the microstructures of organisational practice. This insight emerges in relation to the *problem of ontology* that is closely connected to the rhetorical device of 'category entitlement'. It has already been noted that the gap between the concrete singularity of the director whose action is to be rewarded and the abstract concept of the executive is mediated via 'category entitlement'. This discursive device itself is instantiated in the texts in the form of '*rhetorical hylomorphism'*, i.e. the union of *form* (the abstract concept of executiveness invoking cultural templates and societal endoxa) and *content* (comparative and relative external performance data). The theorised, rhetorical-discursive construction of the equivalence of individual directors via the device of category entitlement discloses the way in which societal endoxa are concretised in the linguistic spaces in which the institutionalisation of LTIPs occurs. The distinctiveness of the rhetorical-discursive approach is that it does not posit the concept of a 'shared understanding' as the existence of identical interior mental states across a population of actors, and hence does not require that societal endoxa be translated into isomorphic mental dispositions in individual actors. Rather, the

translation of the macrostructures of endoxa is conceived as the manifestation of those concepts in rhetorical structures and discursive devices within relevant textual artefacts. It is this manifestation that constitutes 'rhetorical hylomorphism'. This hylomorphism effectively 'organises' performance data and metrics in accordance with the imposition of 'form', i.e. abstract concepts, and the influence of the societal endoxa is thus one of imposition of order onto diverse phenomena. The findings presented in Chapter 5 are thus a contribution to an empirical understanding of how 'theorisation' can effect institutionalisation, and indeed why institutionalisation driven by theorisation is less structured by social relations and differences within the adopting population (Strang and Meyer 1994).

Following on from this line of argument, the findings presented in Chapter 5 also illustrate the importance of recognising that it is not LTIPs as remuneration packages that constitute an 'institution' as such. The *diffusion* of LTIPs across FTSE 100 companies is a process that can be measured using quantitative techniques; but as discussed in the Review of Literature, the institutional effect is, as an analytical object, a standardised set of activities or practices that have 'taken-for-granted' rationales, some common social account of their existence and purpose. Importantly, the issue as to what 'taken-for-granted' means is shifted in a rhetorical-discursive analysis away from a concern with the existence of interior states of mind and belief to the analysis of discursive arguments within the textual space. The findings presented in Chapter 5 demonstrate the value of eschewing a cognitivist (Potter and Wetherell 1987) preoccupation with interior psychological phenomena in favour of the examination of the rhetorical strategies used to

organise discourse and present accounts of LTIPs as credible and rational approaches to executive remuneration (Schwandt 2003). The findings are evidence of the distinctive insights which rhetorical institutionalism yields regarding the social construction processes that inform institutional effects. The manifold rhetorical processes and devices disclosed in the findings are a concrete example of the fact that institutions are 'complex' social products rather than the simply the outcome of 'point-to-point', low-construction models of diffusion (Jepperson 1991). This accords with the primary analytical force of institution theory more generally, i.e. the emphasis on the role of social context and cultural templates in the development of durable organisational practices.

*6.1.2. (ii) The Processual Dimension in the Diffusion of LTIPs*

The findings presented in Chapter 5 reveal the extent to which an understanding of discursive and rhetorical processes can remedy the theoretical limitations of purely rational-economic explanations of the diffusion of practices across social groups. The results of the research contribute to understanding why, and with what consequences, organisations adopt particular organisational arrangements that defy traditional rational-economic explanation (Greenwood et al 2008). Given the lack of conclusive evidence linking contingent compensation models and company performance, there has to be some theoretical explanation as to how these practices become 'taken-for-granted' within the executive remuneration discourse, at least in the Codes of Practice and Remuneration Report domains. Whilst there are issues of self-interest and power that play a role in the full explanation (Porac, Wade and Pollack 1999, Bruce et al 2005), the research demonstrates the importance of analysing the role of the broader endoxa, institutional logics and rational myths that inform the social context (Friedland and Alford 1991) in which arguments supporting LTIPs are developed. The evidence presented in Chapter 5 elaborates how a rhetorical-discursive matrix enables societal endoxa to be manifest in organisational practice, and hence contributes to addressing the gap within the literature that arises from the 'dyadic reductionism' (Aguilera and Jackson 2003) of a narrow principal-agency perspective.

The specific form of social process that emerges in the rhetorical-discursive analysis is captured in the second arc of analysis presented in Chapter 5 in the form of the processual dimensions of the rhetorical-discursive phenomena associated with the diffusion of LTIPs. It is important to note that the form of social process disclosed in the research findings is not the purposive or intentional action of individuals that characterises the concept of 'institutional work' (Lawrence et al 2009). Rather, it is social process conceived in social constructionist, discourse analytic terms, i.e. the social process that is posited in the epistemological orientation (Potter 1996) of social constructionist discourse analysis, which is concerned with how discourse constructs accounts of phenomena, and how rhetorical aspects of discourse function within textual space within contexts of ongoing social interaction (Potter and Wetherell 1987). The sense of social process is that of the rhetorical and discursive organisation of text as a form of social practice oriented to social action in a particular context (Jorgensen and Phillips 2002).

The findings contribute an empirical example of the manner in which the rhetorical structures that inform a textual universe constitute and drive social processes within that context. The rhetorical tension inherent in the executive pay aporetic (see Section 5.4.4) emerges out of the discursive dynamics of the metonymic mask of comparative performance, the rhetoric of transparency and the Human Resource argument; but the aporetic, in a recursive relationship, is also the driver of those dynamics. The social process of institutionalisation is contingent on the way in which the discourse regarding executive engages with the aporetic tension. The recursive nature of the engagement with the central aporetic is expressed in the cycle of

institutionalisation, destabilisation and deinstitutionalisaton that is captured in the image of the cycloidal path of a stone on a wheel (see Figure 5.1). The cycloidal path of the never-resolved tension of the executive pay aporetic provides an insight into how non-purposive social process can develop out of rhetorical-discursive tensions that inhere in textual spaces that endure even as social contexts and social actors change.

The findings present a very different form of social process analysis in the form of the tropological process model in Section 5.5. Whilst the social process arising out of the central aporetic illustrates a process that is interior to the LTIPs debate, and in important ways shapes that debate, the Sillince-Barker (2012) model refocuses the analytical lens to interpret the process of institutionalisation in terms of four-phases that can be mapped onto tropes. The resources of rhetorical analysis are thus being used to clarify the stages of a process from an exterior perspective, in order that the process can be highlighted as a linguistically-grounded phenomenon. The disclosure of the central aporetic and its attendant social process was an exercise in exposing tropes in use; the Sillince-Barker (2012) model is an example of how tropes can be imposed to understand organisational phenomena (Oswick et al 2004).

The interconnection between these two very different uses of rhetorical-discursive analysis offers an insight into the theoretical dimensions of rhetorical institutionalism. The focus on argument form and rhetorical structures that characterises the tradition originating in Suddaby and Greenwood (2005) and Green, Li and Nohria (2009), and invoked in Sillince and Barker (2012), is one that is consistent with using tropes with a projective orientation to impose trope-constructs on organisational data to reveal aspects

of organisational phenomena in an alternative manner (Oswick et al 2004). However, rhetorical institutionalism has yet to sufficiently engage with a reflective orientation and 'exposed-tropes-in-use' approach to textual analysis. The findings presented in Chapter 5 begin to remedy this deficiency in the phase of analysis that focuses on the uncovering and analysing (Oswick et al 2004) of the central aporetic from within the textual corpus. The extension of rhetorical institutionalism to an 'tropes-in-use' approach has been achieved by the adoption of a social constructionist, micro-discursive methodology as this orientation attends to the constructive processes within the text, rather than using tropes as a mere framework for organising analysis.

*6.1.2. (iii) The Role of Multiple Myths in Institutionalisation Processes*

The findings also contribute to the empirical role of multiple myths (Thornton et al 2012) and endoxa in the rhetorical-discursive arguments used to legitimise the adoption of LTIPs. The discursive space of LTIP arguments has been shown to be a context informed by multiple rational myths (Meyer and Rowan 1977), with the development of LTIPs situated in a complex set of distal events and processes initiated by regulators. The three rhetorical structures, or rational myths, analysed in Section 5.4 – the metonymic mask of comparative and relative performance, the rhetoric of transparency, and the Human Resource argument -inform the institutionalisation of LTIPs both separately and collectively. The findings contribute to an understanding of how multiple myths interact in a complex rhetorical-discursive space, and in particular how multiple myths can be interpreted as an integrated response to rhetorical tensions with the textual universe of LTIPs.

The analysis presented in Section 5.4.4 argues that the three rhetorical structures can be understood as separate responses to problems posed by the central aporetic of 'reward for performance', but that these separate responses combine in the construction of a tentative 'resolution' of the aporetic. In Section 5.7.1, the three rhetorical structures are all related to the epistemological problem which resonates from the central aporetic: how to establish and measure the extent to which individual performance has impacted on company performance in a complex organisational environment. The congruence of the three structures is illustrated in Table 5.6, and the underlying rhetorical development in each case is argued to be the externalisation of the evaluation of executive action and the invocation of an empiricist repertoire as a response to the central aporetic by shifting the focus to external metrics, auditable procedure and available data.

The value of this rhetorical-discursive approach to the diffusion of LTIPs has been to contribute to the empirical investigation of the extent to which organisations can be understood as 'interpretive systems' (Suddaby 2010) through which societal-level endoxa are *interpreted*. The research provides an empirical example of how the institutionalisation of pay for performance can be traced to 'acts of interpretation' as textual phenomenon, and not necessarily tied to relational, point-to-point action in the traditional sense. This resonates with the contention that an institutional effect is not the mere diffusion of a practice across an organisational population: it is also the embedding of multiple myths within discourse in a manner that interprets those myths in a situated context. The findings provide a concrete empirical response to the call in Suddaby (2010) to reconnect with the ideational aspects of institutions

and to engage with a perspective that views organisations as interpretive mechanisms that filter, decode and translate the semiotics of broader social systems (Rao and Giorgi 2006).

### *6.1.2. (iv) The Role of Rhetorical and Discursive Devices in Institutionalisation Processes*

The findings presented contribute to a reorientation to the phenomenological tradition of institutionalism that suggests that 'institutionalisation' is an inherently linguistic process. This tradition recognises that legitimation is built using language as its principal instrumentality (Berger and Luckmann 1966). The research explores the complexity of the textual processes (micro-processes) that have informed the institutionalisation of LTIPs in the UK over the period 1992-2014. It has done so investigating the complex, micro-level rhetorical dynamics informing the adoption and adaptation of LTIP practices. In doing so, the social construction of LTIPs as models for rewarding senior executives has been disclosed, in terms of the textual changes that occur over the period 1992-2014 and with reference to the wider societal and institutional logics that have been invoked in the rhetorical arguments deployed.

The research contributes to the perceived lack of empirical research in the institutionalism tradition regarding the *constructive processes* that support institutionalised practices. This has been achieved by refocusing the research away from the analysis of outcomes of institutionalisation (adoption or non-adoption of a practice) towards an understanding of the micro-level processes by which cultural templates and social endoxa are embodied in practice. This transformation of analytical perspective has been effected by a move to a more qualitative approach to research (Ocasio and Joseph 2005), and has contributed to both an empirical investigation of and in developing the theoretical insights and qualitative research methods arising in an emergent

*rhetorical institutionalism* (Suddaby and Greenwood 2005, Green and Li 2011).

The findings have established that a critical element of the rhetorical-discursive processes is the manner in which rhetorical devices and processes have relied on the rhetorical construction of the '(perception of) similarity' (a similarity being contingent on epistemological identification rather than on any ontological equivalence) between organisations. The rhetorical construction of similarity has been shown to be operative in the textual spaces as a device that identifies an appropriate reference group (Merton 1969) of senior executives as a boundary space for social comparison processes (Meyer 2009) that supports the projection of external metrics and modes of evaluation into the interior space of individual directors within individual companies. The importance of this rhetorically constructed similarity is that its mechanism of influence does not rely on the degree of connectedness between organisations in a field, only the inclusion with a class of actors on the basis of a simple principle of being members of the FTSE 100; and hence the explanation of the institutionalisation of LTIPs can be decoupled from interactional, point-to-point models of diffusion to allow for a 'wave-like' phenomena that appears global rather than local in nature.

The findings offer an empirical elaboration of how higher-order social endoxa can be concretised and incorporated in empirical practices: rational myths regarding performance related pay are concretised as general principles in the Codes of Practice, and as specific forms of LTIP in organisations. This concretisation of social endoxa is explained with reference to the rhetorical development of the externalisation of the evaluation of executive action,

mediated through the development of an empiricist repertoire. The rhetorical development of externalisation obviates the problematic tension of the executive pay aporetic by eliminating the individual executive director qua individual and instead connecting external metrics to an abstract or universal concept of executiveness, of which a particular director is just a concrete instance (see Section 5.7 for a full discussion). Thus the research contributes to the understanding of how higher-order phenomena such as social endoxa and cultural templates can be embodied in lower-order processes. In doing so, it suggests how the rhetorical institutionalism perspective can become analytically tractable (Friedland 2012), providing a concrete example of how the theoretical framework can be subject to a 'micro-translation' and how social endoxa are invoked and deployed in concrete social practices. The application of the Sillince-Barker model in Section 5.5 also provides an empirical example of how in the early stages the acquisition of legitimacy for a practice relies on comprehensibility (Suchman 1995), i.e. employing rhetorical devices such as root metaphors to connect new practices to established cultural accounts (Meyer and Scott 1983). Indeed, the research has contributed to developing the empirical application of rhetorical institutionalism (Suddaby and Greenwood 2005, Green and Li 2011) and constitutes a systematic analysis of rhetorical-discursive phenomena with an institution-theoretic context. In tracing the development of rhetorical processes in relation to the diffusion of LTIPs, the findings constitute an empirical illustration of how the problem of cognitive limits to knowledge, ambiguity of action and the uncertainty of causal-explanatory models means

that rhetorical and discursive devices are at the core of the legitimation of organisational practices (Alvesson 1993).

The research demonstrates how rhetorical theory provides the tools required to study the 'practical reason' manifested in the concrete, historically-situated public performance of discourse (Charland 1999). The phenomenon of 'domain dependency' contributes to the understanding of this notion of 'practical reason' within a situated context. The findings show that rhetorical structures and processes such as the Sillince-Barker model will vary in applicability depending on the audience for the argument forms. The audience for the Codes of Practice, Remuneration Reports and Newspaper articles are sufficiently different to entails differences in the expansion and contraction of argument forms and the degree to which tropological processes may be present.

Rhetorical institutionalism enables the connection of exogenous societal rational myths with endogenous micro-processes through the deployment of rhetorical and discursive devices and structures. However, the findings also indicate that the relationship between rhetorical structures and institutionalised practices is neither unidirectional nor deterministic: as much as rhetorical and discursive devices stabilise existent practices, they can provide the tools contradiction and conflict, and hence institutional change (Phillips, Lawrence and Hardy 2004). The benefit of adopting a rhetorical institutionalism theoretic lens has not merely been in the identification of cultural templates and societal endoxa invoked in rhetorical argument; rather, it has been the disclosure of the dynamic, agonistic unfolding of institutional processes through the analysis of rhetorical strategies and devices such as the executive pay aporetic, the

empiricist repertoire and the phases of the Sillince-Barker tropological process model. Rhetorical institutionalisation has been revealed as an iterative process of the construction and reconstruction of arguments that mirrors the cycloidal path of a stone on a wheel, with alternating periods of increasing taken for grantedness and periods of conflict and contestation.

## 6.2 Methodological Reflections

The data analysis presented in Chapter 5 is grounded in a methodological framework of social constructionism. The particular operationalised form of this methodology combined (i) rhetorical institutionalism as an analytical lens, and (ii) micro-discourse analytic methods (as discussed in detail in Chapters 3 and 4). The following sections discuss some of the methodological reflections arising from engaging with this research methodology.

### 6.2.1 Reflections on Social Constructionism and Micro-Discourse Analysis

The adoption of a social constructionist, micro-analytic discourse methodology was motivated by the stated aim of moving away from the traditional structural institutionalism approach and its focus on the statistical analysis of relationships between quantifiable indicator variables (see Chapter 3). As an alternative, the social constructionist, micro-discourse analysis strategy is employed to understand the processes of construction (the 'practices of diffusion') that operate within the textual space of the selected data samples. The adoption of the a rhetorical-discursive analysis method was an explicit attempt to contribute to a greater understanding of the linguistic elements that contribute to the constructive processes of institutionalisation (Green and Li 2011), and to disclose a particular form and instance of the complex microprocesses (Phillips and Malhotra 2008) that create, maintain and disrupt institutionalisation processes (Zilber 2008).

The findings contribute to these aims in several significant respects. Firstly, the research reveals the action of several rhetorical-discursive structures, themes and devices that have not been attended to in the extant literature, and in doing so discloses some important aspects of the textual embodiment of the debate regarding executive remuneration. The rhetorical device of metonymic substitution is shown to be critical in shifting the evaluation of executive action to external, comparative metrics; the rhetoric of transparency is traced as a device that transforms transparency from a vehicle of openness regarding data to a form of disclosure of procedure; and the Human Resource argument is explored as a construct that again allows the evaluation of executives to be located outside of the bounded organisational space in a supra-organisational external market. These 'practices of diffusion' contribute to creating a rhetorical justification for the adoption and use of LTIPs as a primary pay-for-performance mechanism in executive pay. The close-range, micro-discourse approach has enabled the findings to trace the development of each rhetorical device within the texts and over time, thus contributing to an understanding of how complex micro-processes create the rhetorical matrix of justification for LTIPs.

Secondly, the use of the adopted methodological approach has also enabled the researcher to construct novel insights into the nature of the discourse relating to senior executives, insights that would be unlikely to emerge using the more traditional structural institutionalism approach. The two primary insights are the empiricist repertoire basis of the rhetorical constructions, and the relationship of the rhetorical developments to what has been termed the central 'reward for performance' aporetic that forms the focal point of the

manifold rhetorical-discursive phenomena investigated. As noted in detail in Chapter 5, the 'empiricist construction' identified within the discourse constructs the determination of the quantum and form of executive pay as an 'objective' matter, in a sense that would often characterise the presentation of scientific data. Perhaps more importantly, the value of the methodology used in the research has also allowed the researcher to reveal that the empiricist construction is an externalising device that operates within the texts as a mask for the activity of executive diectors in setting their own pay by 'divesting' executives of agency in this respect and suggesting that the relevant pay-setting agency inheres in the impersonal facts of the market (as filtered via remuneration consultants). The role of remuneration consultants in the inflation of executive pay has been discussed many times within the literature, but the present research extends that recognition to an understanding of the textual devices and rhetorical schema that construct the appropriate concept of the executive.

The general importance of the central aporetic as a focal point for the rhetorical-discursive developments has been discussed in Chapter 5 and in this chapter. However, there is an important methodological dimension to the use of this aporetic that demonstrates the analytic force of a social constructionist orientation, and the discussion of this feature contributes to a requisite reflexivity on the part of the researcher. The central aporetic owes its genesis to researcher-centred analogical thinking, and was incorporated into the discussion due to the extent to which its analytical force became apparent. Social constructionist research is sensitive to the role of the researcher in the construction of data analysis, and in part this includes the

recognition of the influence of ideas that the researcher has encountered. The central aporetic, with its motif of the problem of resolving the tension between individual director performance and the reward for company performance, was prompted by the researcher's reading in the discipline of philosophy, in which the Aristotelian aporetic describes the metaphysical tension that arises when treating the individual as an individual, and treating the individual as an instance of a universal type. The central aporetic executive pay aporetic is not identifiable with the Aristotelian aporetic in any simple manner, but the scope for analogical thinking prompted by the researcher's encounter with aporetic was critical in the shaping of the final data analysis. This emphasises (as discussed in Section 6.2.2 below) the extent to which social constructionism acknowledges that the analysis of data is itself an act of construction that is, in some part, contingent on the researcher and requires an appropriate reflexive awareness.

### 6.2.2 Researcher Reflexivity

The reflections on the nature of the contribution to the analysis made by the central motif of the 'aporetic' emphasises that a commitment to a consistent social constructionist position entails that the researcher should consider their own findings as *constructions* that represent only one possible version of the phenomena under investigation, i.e. in this instance, the rhetorical-discursive analysis and the themes developed is not taken to be merely a description, nor a final objective analysis, of the phenomena investigated, but also constitutive of that social phenomena in a manner that reflect the researchers own context (see Section 4.5.3). The findings presented in Chapter 5 are 'localised' in the sense of the need for openness to other interpretations, e.g.

from actors involved in the social phenomena, and from peers and other interested parties, rather than to close the texts to alternative readings (Parker and Burman 1993). The analysis, with its development of rhetorical-discursive structures and devices such as the empiricist repertoire and the executive pay aporetic is an avowed *construction* that represents only one possible account of the diffusion and institutionalisation of LTIP across the population of FTSE 100 executive directors. Its value lies in the contribution of a novel reading of texts that extends the scope for understanding how and why LTIPs have diffused and become institutionalised within the UK context. In a manner that reflects the social constructionist methodology, the account of the rhetorical-discursive institutionalisation of LTIPs is itself understood to be a form of *social construction* that relies on the analytical framework that has framed the interpretation of the data and the relationship of the researcher to the selected data. An aspect of this reflexive relationship is the broadly *philosophical* tenor of the rhetorical-discursive analysis, which has arisen out of the combination of the structures within the texts and the researcher's own academic schooling in philosophy and abstract mathematics. This emphasises the basis of the social constructionist claim that reflexivity is essential on the part of the researcher, as it is case that it is perhaps only this particular researcher who would have interpreted the texts in this particular manner. The onus on the researcher is thus to ensure sufficient transparency regarding the selection of data, methods of analysis and the logic of the argument presented so that the reader can judge the conclusions reached within the analysis.

Indeed, social constructionism theorises the findings generated in research as constructed in an interaction between the researcher and the phenomenon under consideration. The theoretical framework is conceived as a tool to organise and interpret the complexity and ambiguity of the textual phenomena. Hence the evaluation of research should be along a dimension that evaluates the extent to which it can help produce an informed and sophisticated interpretation of the phenomena. This is particularly germane given the explicit embodiment of a methodological relativism stance, i.e. the research presented in Chapter 5 is not seeking to decide on the 'truth' of the phenomena studied, such as whether the use of LTIPs does indeed deliver enhanced company performance to shareholders. This allows the research to operate outside of a 'vassalage' (Mulkay 1981) to a particular received view as to the effectiveness or value of LTIPs.

### 6.2.3 Validity and Reliability

Given that social constructionism as a methodology recognises the local and historically specific nature of research, it is apparent that the traditional positivist concerns with replicability of results, and generalisability of outcomes, are not appropriate (Burr 2003) if the assessment of validity and reliability are to be made in consistent social constructionist terms (see Chapter 3 for a full discussion). Though there are no universally applied criteria to justify research within a social constructionism framework (Burr 2003), the issues of research validity and reliability are mapped to a number of dimensions of the research, such as its internal coherence; the usefulness and fruitfulness of the findings; trustworthiness and credibility; and

communicative validity. Each of these issues is discussed in the remainder of this section.

*6.2.3 (i) Internal Coherence*

It is argued in Chapter 4 that a key criterion for judging the research presented in Chapter 5 is that the analytical claims form a coherent discourse (Sandberg 2005), in the sense of coherence between the parts of the text and the whole. The evaluation of coherence can only be made by the reader engaging with the text, but this evaluation can be supported by the provision of in-depth information about the analytic procedure to allow the reader to make a judgement about its adequacy. This disclosure of the analytic procedure is a key theme throughout the presentation of the research findings in Chapter 5 and within the present Discussion Chapter. The text is organised in such a manner that there is a careful exposition of each theme, and a transparent procedure of analysis that connects the rhetorical-discursive devices to concrete instances of text. The analysis alternatives between modes of active development of analytic claims and reflective discussion of how those analytic claims interact with other elements of the analysis and within the guiding theoretical framework.

*6.2.3 (ii) Usefulness and Fruitfulness*

The usefulness and fruitfulness of research refers to the explanatory power of the analysis to generate theory developments and novel explanations, or to cast light on previous research (Burr 2003). In order to demonstrate the degree to which the findings meet this criterion, the presentation of the analysis has sought to include discussion of the relationship between the analytical claims and the theoretical framework, particularly within the discussion of the findings presented in Sections 6.1.2 above. The extent to which the findings contribute to an understanding of rhetorical-discursive institutionalism and the ways in which the analysis has applied novel concepts and devices, such as the central aporetic, has been highlighted and reflected upon. The reader is referred to these discursive sections to judge the degree of usefulness and fruitfulness obtained.

*6.2.3 (iii) Trustworthiness and Soundness*

The presentation of the findings in Chapter 5, and the conclusions reached in the discussions in Section 6.1.2, have been oriented to achieving a degree of transparency sufficient to judge the researcher's interpretations of the text phenomena. Each analytic claim has an audit trail that allows the reader to track the analytic process from the original text excerpt to the final analytical claim through specific examples. The soundness of each claim is demonstrated through showing how the logic of argument has been developed and how it arose from the steps of analysis.

*6.2.3 (iv) Communicative Validity*

The communicative validity of the research process and findings has been addressed through the presentation of the work at different stage of progress. A support to the communicative validity of the methodology and methods was obtained in the form of the presentation of an initial developmental paper (Wynne, Rowe and Ndhlovu 2014) focusing on the methodological approach, to an audience of academic researchers at the British Academy of Management Conference 2014. This presentation provided the opportunity to receive feedback on the methodological principles of the research, and led to an invitation to attend, in October 2014 the 'Strategy, Organization and Society (SOS) Research Group Seminar Series' series at Newcastle University Business School, where the researcher was able to meet with academics engaged in micro-discursive analysis of texts. Both of these engagements with the wider research community afforded the opportunity to receive and incorporate constructive suggestions regarding issues that would need to be addressed, both in terms of analytical procedure and the justification of the social constructionist methodological stance.

# Chapter Seven: Conclusion

## 7.1 Introduction

The following Conclusion synthesises and contextualises the research findings presented and discussed in Chapters 5 and 6, and reflects on how these findings relate to the research objectives stated in Chapter 3. Subsequently, the theoretical implications and contribution of the research are explored with reference to the existing understanding of the use of LTIPs, and an outline of recommendations for future research is linked to a consideration of the limitations of the study. The chapter concludes with a final statement of the significance of the research and the contribution it has made to the fields of executive compensation and rhetorical-discursive research.

## 7.2 Contribution to Knowledge

### 7.2.1 The Empirical Analysis of Rhetorical Structures and LTIPs in the UK

The disclosure of three empirical rhetorical-discursive structures - the *rhetoric of the metonymic mask of relative and comparative performance*; the *rhetoric of transparency*; and the *rhetorical deflection of the human resource argument*, contribute a new understanding of the nature of the discursive phenomena that have informed the diffusion and institutionalisation of LTIPs in the UK over the period 1992-2014. In doing so, the thesis contributes an empirical example of how institutionalised practices such as LTIPs can be identified as 'complex' social products that are embedded in a context of *social endoxa* and cultural templates.

In particular, the findings identify rhetorical-discursive devices that illuminate the empirical process by which LTIPs become embedded in different domains of text. The rhetorical externalisation of the basis for the evaluation of senior executive action and performance away from the individual director as individual towards an abstract notion of class membership is interpreted as an empirical, textual 'resolution' of a source of tension within the executive pay discourse, namely the '*reward for performance aporetic'*. This aporetic is the source of the discursive tension between the need to evaluate an individual director's performance in terms of their differential impact on company performance, and the use of external, aggregated and comparative statistics to infer that differential performance from comparative company performance.

The findings also illustrate empirically how the three fundamental rhetorical-discursive structures combine to construct a *theorisation* of executives as a *class of essentially equivalent actors* by the mapping of abstract concepts onto concrete individuals in an empirical application of the discursive device of 'category entitlement' (Potter 1996). . The rhetorical-discursive theorisation of executive directors as 'equivalent' is revealed as an empirical-textual process grounded in an *empiricist repertoire* that divests agency from the individual director and invests it in 'impersonal' data and procedures. The empiricist repertoire is shown to be critical in achieving wider rhetorical equivalence, as it de-situates the executive, sublimating the evaluation of executive action away *from* the individual executive as an individual in bounded organisational space, to the executive as an individual instance of an abstract, or universal, concept of 'executive-ness'. There is no other example in the literature of such a sustained, fine-grained, rhetorical-discursive analysis of the texts used to legitimise and discuss LTIPs.

### 7.2.2 The Reward for Performance Aporetic and Empirical Process Dynamics

The findings also contribute to knowledge an empirical analysis of the rhetorical structures that drive textual processes within the specific empirical context of the executive pay debate in the UK. The rhetorical tension inherent in the reward for performance aporetic, emerging out of the discursive dynamics of the metonymic mask of comparative performance, the rhetoric of transparency and the rhetorical deflection of the human resource argument, is also understood, in a recursive relationship, to be the driver of those dynamics. The recursive nature of the relationship with the central aporetic is expressed

in the cycle of institutionalisation, destabilisation and deinstitutionalisaton that is captured in the image of the cycloidal path of a stone on a wheel. Through the disclosure of the cycloidal path of the never-resolved tension of the executive pay aporetic, the thesis provides an insight into how empirical processes of can develop out of rhetorical-discursive tensions that inhere in textual spaces. The empirical analysis presented in this respect contributes to the emerging rhetorical institutionalism literature by extending the analysis of texts to a 'tropes-in-use' approach that attends to the constructive processes within the text, rather than using tropes as a mere framework for organising analysis.

### 7.2.3 Institutionalisation Processes: Waves rather than Chains

The rhetorical-discursive construction of the theorised equivalence of individual directors discloses an empirical example of the way in which prevailing societal endoxa are concretised in the linguistic and textual spaces in which the institutionalisation of LTIPs has developed. As has already been noted, the gap between the concrete singularity of the director whose action is to be rewarded, and the abstract concept of the executive, is mediated via 'category entitlement'. The empirical findings presented in this thesis show how the closing of the 'gap' via category entitlement is itself an example of the rhetorical device of '*rhetorical hylomorphism'*, i.e. the (rhetorical) union of *form* (the abstract concept of executive-ness invoking cultural templates and societal endoxa) and *content* (comparative and relative external performance data). The findings thus contribute to an empirical understanding of how 'theorisation' can effect institutionalisation, and indeed why institutionalisation

driven by theorisation is not necessarily strongly structured by local social relations and differences within the adopting population, but can instead exhibit wave-like, globalised features as suggested in Meyer (2009). The empirical evidence presented demonstrates how the institutionalisation of LTIPs can be traced to ‘acts of interpretation’ (Suddaby 2010) as a specific textual phenomenon, and not necessarily tied to relational, point-to-point action. The empirical analysis resonates with the contention that an institutional effect is not the mere diffusion of a practice across an organisational population: it is also the embedding of multiple myths within discourse in a manner that interprets those myths in a situated context. The findings provide a concrete empirical response to the call in Suddaby (2010) to engage with a perspective that views organisations as interpretive mechanisms that filter, decode and translate the semiotics of broader social systems (Rao and Giorgi 2006).

### 7.2.4 Domain Dependency

The thesis also contributes to understanding analysis how the rhetorical structures and discursive devices informing the discourse of LTIPs exhibit heterogeneity across the different domains of text. The ‘domain dependency’ of the rhetorical structures and processes is articulated in the analysis of the empirical application of the Sillince-Barker (2012) tropological process model, in which the findings reveal how the progressive institutionalisation posited by this model can account for the unfolding of the textual dynamics in the Codes of Practice and Remuneration Report domains, but fails to account for the rhetorical phenomena evident domain of newspaper articles. The findings

illustrate in an empirical context how interpretive rhetorical structures and processes such as the Sillince-Barker model will vary in applicability depending on the audience for the argument forms. The audience for the Codes of Practice, Remuneration Reports and Newspaper articles are sufficiently different to entails differences in the expansion and contraction of argument forms and the degree to which tropological processes may be present. The thesis thus contributes a novel and creative analysis of the manifestation of similar themes in divergent rhetorical contexts and in a manner which extends the theoretical scope of rhetorical institutionalism by engaging with the task of exposing 'tropes in use' rather than imposing tropological structures on empirical phenomena.

### 7.2.5. The Analytical Focus of Institutionalism and the Value of Social Constructionism

The analysis demonstrates the analytical power of adopting a social constructionist, rhetorical-discursive methodology. The *diffusion* of LTIPs across FTSE 100 companies is a phenomenon that can be measured using quantitative techniques; but the institutional effect is, as an analytical object, a standardised set of activities or practices that have 'taken-for-granted' rationales, some common social account of their existence and purpose (Meyer 2009). Importantly, the issue as to what 'taken-for-granted' entails shifts in the rhetorical-discursive analysis away interior states of mind and belief to the analysis of rhetorical-discursive constructions within a textual space. The richness of the empirical findings generated by this methodological approach demonstrates of the value of eschewing a cognitivist (Potter and Wetherell 1987) preoccupation with interior psychological

phenomena in favour of an analysis of the rhetorical strategies used to organise discourse that presents LTIPs as credible and rational approaches to executive remuneration.

## 7.3 Limitations and Recommendations for Future Research

The findings and theoretical implications of the rhetorical-discursive analysis of texts associated with the diffusion of LTIPs in the UK in the period 1992-2014 has contributed in a novel manner to the understanding of rhetorical institutionalism processes and the discursive devices and rhetorical structures that have been operative in the construction of the justification for quantum and form of executive pay. However, the research undertaken considers only on the UK context, and only on the textual dynamics of the rhetorical developments within a delimited time period. Further research is thus planned along two dimensions. Firstly, the researcher intends to extend the scope of the analysis to include relevant textual artefacts from other economies, both those with broadly similar socio-economic and cultural contexts (such as the United States) and those with *prima facie* divergent cultural and societal environments (such as Germany). This extension of sites for analysis will provide an opportunity to explore the degree to which the rhetorical-discursive framework and concepts use to interpret the institutionalisation of LTIPs in the UK can reveal similarities and differences as socioeconomic and cultural contexts vary. Secondly, the researcher intends to extend the time period from which texts are selected for analysis within the UK context. This will include both textual artefacts that have emerged in the period following 2014, in which the arguments relating to executive pay have continued to be the subject of energetic debate and development, and the inclusion of texts from a broader historic context that will allow the researcher to look at both the development of rhetorical structures and discursive devices over the long term, and to

understand how the development of the concept of the senior executive interacts with long-run change in cultural and societal endoxa.

## 7.4 Final Reflection: Significance of the Thesis

This chapter concludes with a final statement of the significance of the research and the contribution it has made to the fields of executive compensation and rhetorical-discursive research.

The thesis discloses the complex, micro-level rhetorical dynamics of the textual space that has supported the diffusion and institutionalisation of LTIPs in the UK over the period 1992-2014. In doing so, the social and linguistic construction of LTIPs as models for rewarding senior executives has been explored with reference to the wider cultural templates and societal endoxa that have been invoked in the rhetorical arguments deployed. However, the thesis demonstrates that the benefit of adopting a rhetorical institutionalism theoretical framework is not merely the identification of cultural templates and societal endoxa invoked in rhetorical argument; rather, it is the empirical disclosure of the dynamic, agonistic unfolding of institutional processes through the analysis of rhetorical strategies and devices such as the executive pay aporetic, the empiricist repertoire and the phases of the Sillince-Barker tropological process model.

The thesis also extends the scope of rhetorical institutionalisation by demonstrating how the institutionalisation of LTIPs can be understood as an iterative process, in which the construction and reconstruction of arguments mirrors the cycloidal path of a stone on a wheel, with alternating periods of increasing ‘taken for grantedness’ and periods of conflict and contestation engaging with the rhetorical tension created and maintained by the

fundamental aporetic of executive pay. The central aporetic of executive pay is in its very nature one which cannot be eliminated, as it is rooted in the opacity of our understanding of the chains of causation that link the actions of individual directors to the long-run and distal impact on company performance. The scope and extent of rhetorical and discursive phenomena that emerge out of the aporetic tension is, perhaps, a final reminder that the justification of the quantum and form of executive pay is an inescapably rhetorical task.

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